

**KHOPOLI INVESTMENTS LIMITED**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2012**

**KHOPOLI INVESTMENTS LIMITED  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2012**

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**1.**

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**KHOPOLI INVESTMENTS LIMITED  
COMPANY INFORMATION**

2.

<b>DIRECTORS:</b>		<b>Appointed on</b>	<b>Resigned on</b>
	Couldip Basanta Lala	8 May 2007	6 Jan 2012
	Sanjay Dube	3 Mar 2008	22 Feb 2012
	Sanjay Dube (Permanent alternate director to Sowmyan Ramakrishnan)	21 March 2012	-
	Nitin Johar (Permanent alternate director to Anil Sardana)	22 Feb 2012	-
	Kapildeo Joory	8 May 2007	-
	Hanoz Mistry	11 Nov 2011	22 Feb 2012
	Soniya Parekh (Permanent alternate director to Sowmyan Ramakrishnan)	22 Feb 2012	21 Mar 2012
	Sowmyan Ramakrishnan	22 Feb 2012	-
	Anil Sardana	22 Feb 2012	-
	Bomi Jehangir Shroff	6 Sept 2007	29 July 2011
	Fareed Soreefan	6 Jan 2012	-
	Zakir Niamut	16 Sept 2010	-

**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

Sumitomo Mitsui Banking Corporation  
3 Temasek Avenue  
Centennial Tower #06-01  
Singapore 039190

Bank of Baroda  
London Main Office  
32 City Road, London EC1Y 2BD  
United Kingdom

**AUDITORS:** Deloitte  
7th Floor, Raffles Tower  
19 Cybercity  
Ebene  
Mauritius

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

#### **PRINCIPAL ACTIVITIES**

The principal activities of the Company are investment holding and to facilitate the investment activity of The Tata Power Company Limited principally in Cayman Islands, Indonesia and other countries and to provide loan to Bhira Investments Limited. At 31 March 2012, the Company held investments in Cennergi (Proprietary) Limited, a company incorporated in South Africa.

#### **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 Khopoli Investments Limited under the Mauritius Companies Act 2001 during the financial year ended 31 March 2012.

  
.....  
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 Khopoli Investments Limited

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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 shareholders 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 shareholders 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 Khopoli Investments Limited on pages 6 to 25 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 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 20, 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 25 do not give a true and fair view of the financial position of Khopoli Investments Limited as at 31 March 2012 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

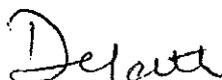
### **Emphasis of matter - going concern**

We draw attention to note 19 in the financial statements which indicates that, at 31 March 2012, the company had a shareholder's deficit of USD9,312,082 and net current liabilities of USD1,373,094. 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 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

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

6.

	Notes	2012 USD	2011 USD
<b>INCOME</b>			
Bank interest income		15	-
Interest income on loans and receivables	16(a)	6,232,377	7,090,789
		<u>6,232,392</u>	<u>7,090,789</u>
<b>OPERATING EXPENSES</b>			
Licence fees		1,750	1,750
Administration expenses		32,956	29,792
Director fees		4,423	2,500
Secretarial fees		1,500	1,500
Audit fees		17,575	15,525
Disbursements		631	1,470
Bank charges		1,776	1,807
Professional and legal fees		28,000	35,984
Guarantee commission	15	226,068	226,066
Interest on loan	9/13	328,611	1,811,977
Loan amortization	10	7,544,228	6,418,863
Marked to market loss on derivatives	12	3,770,225	-
Premium on derivatives		912,600	-
Foreign exchange loss		190,502	-
		<u>13,060,845</u>	<u>8,547,234</u>
<b>LOSS BEFORE TAXATION</b>		<b>(6,828,453)</b>	<b>(1,456,445)</b>
Taxation	14	-	1,795
<b>LOSS FOR THE YEAR AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<b><u>(6,828,453)</u></b>	<b><u>(1,454,650)</u></b>

The notes on pages 10 to 25 form an integral part of these financial statements.

The audit report is on page 5.

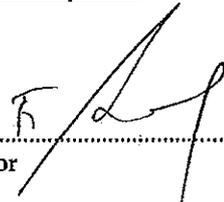
**KHOPOLI INVESTMENTS LIMITED**  
**STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2012**

7.

	Notes	2012 USD	2011 USD
<b>ASSETS</b>			
<u>Non current assets</u>			
Investment in joint venture	5	4,054,642	-
Loan to related party	6(a)	325,850,003	368,604,269
		<u>329,904,645</u>	<u>368,604,269</u>
<u>Current assets</u>			
Loan to related party	6(b)	7,793,423	-
Other receivables and prepayments	7	284,442	261,112
Cash at bank		43,477	190,380
		<u>8,121,342</u>	<u>451,492</u>
<b>Total assets</b>		<u><b>338,025,987</b></u>	<u><b>369,055,761</b></u>
<b>EQUITY AND LIABILITIES</b>			
<u>Capital and reserves</u>			
Stated capital	8	7,350	7,350
Accumulated losses		(9,319,432)	(2,490,979)
<b>Shareholder's deficit</b>		<u><b>(9,312,082)</b></u>	<u><b>(2,483,629)</b></u>
<u>Non current liabilities</u>			
Shareholder's loan	9	-	30,000,000
Loans	10	337,843,633	335,988,976
		<u>337,843,633</u>	<u>365,988,976</u>
<u>Current liabilities</u>			
Payables	11	1,224,211	1,050,414
Derivative financial liabilities	12	3,770,225	-
Loan from related party	13	4,500,000	4,500,000
		<u>9,494,436</u>	<u>5,550,414</u>
<b>Total equity and liabilities</b>		<u><b>338,025,987</b></u>	<u><b>369,055,761</b></u>

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

  
 .....  
 Director

  
 .....  
 Director

The notes on pages 10 to 25 form an integral part of these financial statements.  
 The audit report is on page 5.

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

8.

	Stated capital USD	Accumulated losses USD	Total USD
At 1 April 2010	7,350	(1,036,329)	(1,028,979)
Total comprehensive loss for the year	-	(1,454,650)	(1,454,650)
At 31 March 2011	<u>7,350</u>	<u>(2,490,979)</u>	<u>(2,483,629)</u>
Total comprehensive loss for the year	-	(6,828,453)	(6,828,453)
At 31 March 2012	<u><u>7,350</u></u>	<u><u>(9,319,432)</u></u>	<u><u>(9,312,082)</u></u>

The notes on pages 10 to 25 form an integral part of these financial statements.  
The audit report is on page 5.

**KHOPOLI INVESTMENTS LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 MARCH 2012**

9.

	2012 USD	2011 USD
<b>Cash flows from operating activities</b>		
Loss before tax	(6,828,453)	(1,456,445)
<i>Adjustments for:</i>		
Bank interest income	(15)	-
Interest income	(6,232,377)	(7,090,789)
Interest on loan	328,611	1,811,977
Loan amortisation	7,544,228	6,418,863
Unrealised foreign exchange loss	190,502	-
Mark to market loss on derivatives	3,770,225	-
Increase in prepayments	(314)	-
Increase/(Decrease) in other payables	280,204	(3,450)
<b>Net cash used in operating activities</b>	<b>(947,389)</b>	<b>(319,844)</b>
Tax refunded	-	1,795
<b>Net cash used in operating activities</b>	<b>(947,389)</b>	<b>(318,049)</b>
<b>Cash flows from investing activities</b>		
Bank interest received	15	-
Interest received	6,209,361	7,121,070
Investment in joint venture	(3,991,962)	-
Loan repayment received	42,899,266	1,153,485
Loan to related party	(8,128,925)	-
<b>Net cash generated from investing activities</b>	<b>36,987,755</b>	<b>8,274,555</b>
<b>Cash flows from financing activities</b>		
Interest paid	(6,187,269)	(6,321,150)
Loan repaid to shareholder	(30,000,000)	-
Payment for debt issue costs	-	(1,617,208)
<b>Net cash used in financing activities</b>	<b>(36,187,269)</b>	<b>(7,938,358)</b>
<b>Net increase in cash and cash equivalents</b>	<b>(146,903)</b>	<b>18,148</b>
Cash and cash equivalents at beginning of the year	190,380	172,232
<b>Cash and cash equivalents at end of year</b>	<b>43,477</b>	<b>190,380</b>

The notes on pages 10 to 25 form an integral part of these financial statements.  
The audit report is on page 5.

1. BACKGROUND INFORMATION

Khopoli Investments Limited ("Company") was incorporated in Mauritius under the Mauritius Companies Act 2001 on 8 May 2007 as a private company with liability limited by shares and has its registered office at IFS Court, TwentyEight, Cybercity, Ebene, Mauritius. It holds a Category 1 Global Business Licence issued by the Financial Services Commission.

The principal activity of the Company is investment holding and to facilitate the investment activity of The Tata Power Company Limited principally in Cayman Islands, Indonesia and other countries and to provide loan to Bhira Investments Limited. At 31 March 2012, the Company held investments in Cennergi (Proprietary) Limited, a company incorporated in South Africa.

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 derivative instruments that are measured at fair value.

(b) 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.

*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.

(c) 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.

(d) Financial instruments

Financial instruments are recognised on the statement of financial position when the Company has become party to the contractual provisions of the financial instruments as follows:

2. ACCOUNTING POLICIES (CONTINUED)

(d) Financial instruments (Continued)

(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

Loans to related party 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 and equity instruments issued by the Company*

(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.

(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'.

*Financial liabilities at FVTPL*

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

2. ACCOUNTING POLICIES (CONTINUED)

(d) Financial instruments (Continued)

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss.

*Derivative financial instruments*

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate including interest rate cap. Further details of derivative financial instruments are disclosed in notes 12 and 17.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

(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 or they expire.

2. ACCOUNTING POLICIES (CONTINUED)

(e) Impairment of financial assets

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 all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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 considered 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)

(f) Related parties

Related 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

*Dividend income*

Dividend revenue is recognised when the Company's right to receive the payment is established.

*Interest income*

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.

(h) Expense recognition

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

(i) Taxation

Income tax on the profit or loss for the period comprises of 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 recognized 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.

(j) 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.

(k) 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.

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
- 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

3.2 *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)

3. APPLICATION 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 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 recognized 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. In considering the value-in-use, the directors have taken into account management accounts of the joint-venture. However, actual results might differ from estimates. As at 31 March 2012, the directors believe that the carrying values approximate to the fair values of these investments.

5. INVESTMENT IN JOINT VENTURE

	2012	2011
	USD	USD
Acquisition during the year	3,991,962	-
Transaction costs capitalised	62,680	-
Closing balance	<u>4,054,642</u>	<u>-</u>

**KHOPOLI INVESTMENTS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED 31 MARCH 2012**

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**5. INVESTMENT IN JOINT VENTURE (CONTINUED)**

The details of the investment in joint venture as at 31 March 2012 are as follows:

Name of joint venture	Country of incorporation	Number and type of shares	% holding	Cost USD
Cennergi (Proprietary) Limited	South Africa	50 ordinary shares	50%	4,054,642

The shares held in Cennergi (Proprietary) Limited are ranked pari passu in all respects and carry voting rights

The investment in joint venture has been valued at cost less impairment. Cennergi (Proprietary) Limited, is a company based in South Africa and would submit bids for solar and wind projects

**6. LOAN TO RELATED PARTY**

(a) *Loan to Bhira Investments Limited*

	2012 USD	2011 USD
Opening balance	368,604,269	369,757,754
Repayment of loan	(42,899,266)	(1,153,485)
Loan granted	145,000	-
Closing balance	325,850,003	368,604,269

The loan to related party, Bhira Investments Limited, 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 Bhira 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 Bhira Investments Limited to the Company from monies standing to the credit of its distribution and operating accounts in accordance with the agreement. The subordination period, which started in April 2008, will last up to May 2014.

(b) *Loan to Cennergi (Proprietary) Limited*

	2012 USD	2011 USD
Loan granted	7,983,925	-
Unrealised foreign exchange loss	(190,502)	-
Closing balance	7,793,423	-

The loan to Cennergi (Proprietary) Limited, is unsecured, interest free and has no fixed term of repayment.

**7. OTHER RECEIVABLES AND PREPAYMENTS**

	2012 USD	2011 USD
Prepaid expenses	2,189	1,875
Other receivables	282,253	259,237
	284,442	261,112

Other receivables represent interest income due from Bhira Investments Limited and payment of interest income is made as and when required.

**KHOPOLI INVESTMENTS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED 31 MARCH 2012**

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8. STATED CAPITAL

	2012 USD	2011 USD
7,350 Ordinary shares of USD1 each	<u>7,350</u>	<u>7,350</u>

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

9. SHAREHOLDER'S LOAN

During the year under review, the Company repaid in full the shareholder's loan of USD30 million. The loan of USD30 million was unsecured, repayable on 31 December 2021 and carried 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 was 3.2095% per annum.

10. LOANS

During the year, the Company had entered into two hedge agreements with JPMorgan Chase Bank N.A and HSBC for its loan of USD270m with Sumitomo Mitsui Banking Corporation, pursuant to which it will benefit a cap on LIBOR.

	2012 USD	2011 USD
(a) Long term loan of USD270 million	267,737,036	266,516,398
(b) Long term loan of USD70 million	<u>70,106,597</u>	<u>69,472,578</u>
	<u>337,843,633</u>	<u>335,988,976</u>

*(a) Long term loan of USD270 million*

The long term bank loan of USD270 million is unsecured, repayable after 84 months of the Utilisation date of 28 April 2008 and carries interest at the rate of LIBOR plus 0.90%. The loan is recognized at amortised cost.

	2012 USD	2011 USD
Opening balance	266,516,398	265,330,077
Loan amortisation	5,029,400	4,847,306
Loan interest paid	<u>(3,808,762)</u>	<u>(3,660,985)</u>
Closing balance	<u>267,737,036</u>	<u>266,516,398</u>

The effective interest rate of the long term loan is 1.64128%.

The Company has purchased USD interest rate caps on LIBOR for the loan to hedge the risk of LIBOR moving higher (See note 12).

*(b) Long term loan of USD70 million*

The long term bank loan of USD70 million is repayable within 36 months and carries interest at the rate of LIBOR plus 2.2%. The effective interest rate of the long term loan was 2.9413% per annum.

	2012 USD	2011 USD
Opening balance	69,472,578	-
Loan received	-	70,000,000
Transaction costs	-	(1,617,208)
Loan amortisation	2,514,828	1,571,557
Loan interest paid	<u>(1,880,809)</u>	<u>(481,771)</u>
Closing balance	<u>70,106,597</u>	<u>69,472,578</u>

The holding company has acted as guarantor to the short term bank loan of USD70 million and long term bank loans of USD70 million and USD270 million respectively contracted by the Company (Note 15).

11. PAYABLES

	2012 USD	2011 USD
Interest on short term loans (Note 13)	358,152	286,301
Interest on long term loans (Note 9)	-	240,938
Audit fees	5,500	5,175
Guarantee commission	56,517	-
Expenses paid by related companies	684,332	508,000
Premium on derivatives	47,530	-
Transaction cost	61,180	-
Other payables	11,000	10,000
	1,224,211	1,050,414

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.

12. DERIVATIVE FINANCIAL LIABILITIES

The Company has purchased 2 interest rate caps at the cap rate of 1.1% p.a. on LIBOR for the long term loan of USD270 million (see Note 10) to mitigate the risk of LIBOR moving higher. Settlement of the cap payoff would be made semi-annually on a net basis. In case the LIBOR is below 1.1%, the interest rate cap expires and there is no pay off by the Company. However, if the LIBOR is higher than 1.1%, the Company receives the applicable LIBOR on the notional value and pays only 1.1% on the outstanding notional value.

The interest rate caps have been designated as financial liabilities through profit or loss. The fair valuation is the marked to market value as at the reporting period. During the year under review, the Company recognized marked to market loss on derivatives amounting to USD3,770,225 (31 March 2011: USDNil)

13. LOAN FROM RELATED PARTY

The loan of USD4.5 million from Bhivpuri Investments Limited, a related party, is unsecured, repayable on demand and carries interest at the rate of LIBOR plus margin as agreed between the parties calculated on the basis of 360 days a year. The effective rate of interest ranges from 1.3904% to 1.78250% per annum.

14. 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.

No provision for tax has been made in the financial statements as the Company has accumulated tax losses of USD1,838,563 (31 March 2011:USD578,351).

No deferred tax asset has been recognised as it is not probable that the Company will have sufficient future taxable profits against which the unused tax losses could be utilised.

At 31 March 2012, the accumulated tax losses of USD1,838,563 is available to be set off against any taxable income over the next five consecutive years as follows:

KHOPOLI INVESTMENTS LIMITED  
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
 FOR THE YEAR ENDED 31 MARCH 2012

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14. TAXATION (CONTINUED)

Available for set off against taxable income in the year ending	2012 USD	
31 March 2016		(1,260,212)
31 March 2014		(578,351)
		<u>(1,838,563)</u>
	2012 USD	2011 USD
Loss before taxation	(6,828,453)	(1,456,445)
Tax at the applicable rate of 15%	(1,024,268)	(218,467)
Overprovision in previous years	-	(1,795)
	<u>(1,024,268)</u>	<u>(220,262)</u>
Tax effect of :		
- Other deductible expenses	(866,132)	(743,447)
- Non allowable expenses	1,701,368	968,227
- Tax losses (utilised)	-	(6,313)
- Deferred tax not recognised	189,032	-
- Tax credit	-	(1,795)
	<u>-</u>	<u>(1,795)</u>
Income tax (credit)	-	(1,795)
Refund of excess tax paid during the year ended 31 March 2010	-	1,795
Tax payable	<u>-</u>	<u>-</u>

15. GUARANTEE COMMISSION

Guarantee commission represent arm's length fees payable to the holding company for acting as guarantor to the long term bank loans of USD70 million and USD270 million respectively contracted by the Company (Note 10).

16. RELATED PARTY TRANSACTIONS

During the year ended 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:

	2012 USD	2011 USD
<i>(a) Transactions</i>		
<i>Amount incurred to International Financial Services Limited</i>		
Director fees	4,423	2,500
Secretarial fees	1,500	1,500
Administration fees and disbursements	33,587	31,262
	<u>33,587</u>	<u>31,262</u>

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 expense	256,760	974,372
Guarantee commission	226,068	226,066
Repayment of loan	30,000,000	-
Interest paid	497,698	-
	<u>497,698</u>	<u>-</u>

**KHOPOLI INVESTMENTS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED 31 MARCH 2012**

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**16. RELATED PARTY TRANSACTIONS (CONTINUED)**

*(a) Transactions (Continued)*

*Bhira Investments Limited*

Interest income	6,232,377	7,090,789
Loan repayment received	42,899,266	1,153,485
Loan granted	145,000	-
Interest income received	6,209,361	7,121,070

*Bhivpuri Investments Limited*

Interest expense	71,851	67,374
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*(b) Balances*

2012	2011
USD	USD

*Amount due to related parties*

Short term loan	4,500,000	4,500,000
Interest accrued on short term loan	358,152	286,301
Expenses paid on behalf of the Company	684,332	508,000

*Amount due to shareholder*

Guarantee commission	56,517	-
Long term loan	-	30,000,000
Interest accrued on long term loan	-	240,938

*Amount due from related party*

*(i) Bhira Investments Limited*

Long term loan	325,850,003	368,604,269
Interest income receivable on long term loan	282,253	259,237

*(ii) Cennergi (Proprietary) Limited*

Short term loan	7,793,423	-
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*Compensation to key management personnel*

Except for director fees above, no other compensation has been paid to key management personnel during the year ended 31 March 2012 (31 March 2011: USD NIL).

**17. 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 maximising the return to shareholder through the optimisation of the debt and equity balance. The capital structure of the Company consists of net debt, which includes loans (offset by cash and cash equivalents) and equity comprising 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.

17. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

Categories of financial instruments

	2012	2011
	USD	USD
Financial assets		
Loans and receivables (including cash at bank)	<u>333,969,156</u>	<u>369,053,886</u>
Financial liabilities		
Amortised cost	343,567,844	371,539,390
Derivatives financial liabilities designated at FVTPL	<u>3,770,225</u>	-

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 transacts. The following is a summary of the main risks:

Financial risk management

(i) Currency risk

The Company is mainly exposed to volatility in the South African Rand (ZAR). During the year, the Company has advanced a loan of ZAR60M to its newly acquired joint venture and is thus exposed to foreign currency risk relative to the ZAR.

Sensitivity analysis

The following table indicates the approximate change in the Company's profit and loss in response to reasonably possible changes in the foreign exchange rates to which the Company has significant exposure at the reporting date. The sensitivity analysis is based on the carrying amount of the loan at the reporting date.

	2012	
	Increase/ (decrease) In USD Against ZAR	Effect on Profit and Loss
	%	USD
Loan to related party (ZAR)	10%	(708,493)
	- 10%	865,936

(ii) Interest rate risk

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's financial assets and liabilities are interest-bearing. As such, the Company is subject to significant risk due to fluctuations in the prevailing levels of the market interest rates.

Interest on loan to/from related parties may fluctuate in amount, in particular due to changes in the LIBOR Rate.

The impact of a 5% fluctuation in the interest rates on various loans taken by the Company would be as follows:

	2012	2011
	5% increase	5% increase
	USD	USD
USD denominated		
Interest on loan	<u>(16,430)</u>	<u>(90,599)</u>
Effect on profit and loss before tax	<u>(16,430)</u>	<u>(90,599)</u>

17. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

The impact of a 5% fluctuation in the interest rates on various loans given by the Company would be as follows:

	2012 5% increase USD	2011 5% increase USD
<i>USD denominated</i>		
Interest on loan	311,619	354,539
Effect on profit before tax	311,619	354,539

The Company's exposure to its derivative financial instruments is the fair value of the instruments as detailed in the table below:

LIBOR Cap rate	Premium	End date	Notional value USD	Fair value 2012 USD	Fair value 2011 USD
1.1% p.a.	0.81% p.a.	28 April 2015	135 million	2,694,608	-
1.1% p.a.	0.4575% p.a.	28 April 2014	135 million	1,075,617	-
				3,770,225	-

(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 loans and interest receivable from related party.

With respect to credit risk arising from financial assets which comprise of 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 financial assets.

<i>Carrying Amount</i>	2012 USD	2011 USD
Loan to related party	333,643,426	368,604,269
Receivables	282,253	259,237
Cash at bank	43,477	190,380

(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 assets and liabilities. The tables have been drawn up based on the undiscounted cash flows of financial assets and liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

**KHOPOLI INVESTMENTS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED 31 MARCH 2012**

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**17. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)**

(iv) *Liquidity risk management (continued)*

	Less than 1 year USD 2012	More than 1 year USD 2012	Total USD 2012
<b>Financial assets</b>			
Non-interest bearing	8,075,676	-	8,075,676
Variable interest rate instruments	43,477	325,850,003	325,893,480
	<u>8,119,153</u>	<u>325,850,003</u>	<u>333,969,156</u>
<b>Financial liabilities</b>			
Non-interest bearing	1,224,211	-	1,224,211
Variable interest rate instruments	4,500,000	337,843,633	342,343,633
	<u>5,724,211</u>	<u>337,843,633</u>	<u>343,567,844</u>
	Less than 1 year USD 2011	More than 1 year USD 2011	Total USD 2011
<b>Financial assets</b>			
Non-interest bearing	259,237	-	259,237
Variable interest rate instruments	190,380	368,604,269	368,794,649
	<u>449,617</u>	<u>368,604,269</u>	<u>369,053,886</u>
<b>Financial liabilities</b>			
Non-interest bearing	1,050,414	-	1,050,414
Variable interest rate instruments	4,500,000	365,988,976	370,488,976
	<u>5,550,414</u>	<u>365,988,976</u>	<u>371,539,390</u>

(v) *Fair values*

The Company's financial assets and liabilities include loan to related party, other receivables, cash at bank, loan from related party, loan from shareholder, other loans and payables. The carrying amounts of these assets and liabilities approximate their fair values.

**18. 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.

**19. GOING CONCERN**

At 31 March 2012, the Company had a shareholder's deficit of USD9,312,082 (31 March 2011: USD2,483,629) and net current liabilities of USD1,373,094 (31 March 2011: USD5,098,922). The Company finances its day to day working capital requirements through advances from the holding company which are repayable on demand. 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, 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 assumes that the Company would continue in operational existence for the foreseeable future. The validity of this assumption depends on the continued support of the 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.

**20. 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.

**21. CONTINGENCIES AND COMMITMENTS**

As at the reporting date, the Company had acquired an investment in joint venture Cennergi (Proprietary) Limited and had initially invested ZAR30 million. Subject to all the bids made by Cennergi (Proprietary) Limited being successful, the Company would consider injecting additional funds not exceeding ZAR900 million in Cennergi (Proprietary) Limited.

**Contingencies**

As at the reporting date, the Company did not have any contingency with respect to its interests in the joint venture.

**22. EVENTS SUBSEQUENT TO THE REPORTING DATE**

As at the reporting date, the Board of Directors approved the Company entering into an Inter corporate loan agreement with Bhira Investments Limited and The Tata Power Company Limited, pursuant to which the Company would receive a loan of USD200M from The Tata Power Company Limited and such loan would be remitted by Bhira Investments Limited on behalf of The Tata Power Company Limited.

As of the reporting date, the Inter corporate loan agreement had not been entered.

On 2 April 2012, the Board of Directors approved the Company entering into a Subcontracting Agreement with Bhira Investments Limited, a related company pursuant to which the Company would subcontract management support services to Bhira Investments Limited.

Subsequent to the reporting date, the Subcontracting agreement had not been entered.

On 2 April 2012, the Board of Directors approved the Company entering into two Deed of Novation with PT Kaltim Prima Coal and PT Arutmin Indonesia, pursuant to which an existing Management Services Agreement with Bhivpuri Investments Limited is being novated in favour of the Company for it to provide management services to PT Kaltim Prima Coal and PT Arutmin Indonesia.

Subsequent to the reporting date, the two Deed of Novation had not been entered.

**KHOPOLI 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
<b>INCOME</b>						
Bank Interest income	15	47.95	719	0	45.58	0
Other income	6,232,377	47.95	298,842,477	7,090,789	45.58	323,198,163
<b>Total income</b>	<b>6,232,392</b>		<b>298,843,196</b>	<b>7,090,789</b>		<b>323,198,163</b>
<b>OPERATING EXPENSES</b>						
License fees	1,750	47.95	83,913	1,750	45.58	79,765
Director fees	4,423	47.95	212,083	2,500	45.58	113,950
Secretarial fees	1,500	47.95	71,925	1,500	45.58	68,370
Administration expenses	32,956	47.95	1,580,240	29,792	45.58	1,357,919
Audit fees	17,575	47.95	842,721	15,525	45.58	707,630
Disbursements	631	47.95	30,256	1,470	45.58	67,003
Bank charges	1,776	47.95	85,159	1,807	45.58	82,363
Foreign exchange loss	190,502	47.95	9,134,571	0	45.58	0
Guarantee commission	226,068	47.95	10,839,961	226,066	45.58	10,304,088
Interest on loan	328,611	47.95	15,756,897	1,811,977	45.58	82,589,912
Professional and legal fees	28,000	47.95	1,342,600	35,984	45.58	1,640,151
Loan amortisation	7,544,228	47.95	361,745,733	6,418,863	45.58	292,571,776
Mark to Market loss on derivatives	3,770,225	47.95	180,782,289	0	45.58	0
Premium on derivatives	912,600	47.95	43,759,170	0	45.58	0
<b>Total expenditure</b>	<b>13,060,845</b>		<b>626,267,518</b>	<b>8,547,234</b>		<b>389,582,926</b>
<b>OPERATING LOSS BEFORE TAX</b>	<b>-6,828,453</b>		<b>-327,424,321</b>	<b>-1,456,445</b>		<b>-66,384,763</b>
Taxation	0	47.95	0	1,795	45.58	81,816
<b>LOSS FOR THE YEAR</b>	<b>-6,828,453</b>		<b>-327,424,321</b>	<b>-1,454,650</b>		<b>-66,302,947</b>

**KHOPOLI 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		
<b>ASSETS</b>						
<u>Non current assets</u>						
Investment in Joint Venture	4,054,642	51.19	207,557,124	0	44.67	0
Loan to related party	325,850,003	51.19	16,680,261,654	368,604,269	44.67	16,465,552,696
	<u>329,904,645</u>		<u>16,887,818,778</u>	<u>368,604,269</u>		<u>16,465,552,696</u>
<u>Current Assets</u>						
Loan to related party	7,793,423	51.19	398,945,323	0	44.67	0
Prepayments and receivables	284,442	51.19	14,560,586	261,112	44.67	11,663,873
Cash at bank	43,477	51.19	2,225,588	190,380	44.67	8,504,275
Exchange fluctuation reserve			32,059,334			-6,258,114
	<u>8,121,342</u>		<u>447,790,831</u>	<u>451,492</u>		<u>13,910,033</u>
<b>Total assets</b>	<u>338,025,987</u>		<u>17,335,609,609</u>	<u>369,055,761</u>		<u>16,479,462,729</u>
<b>EQUITY AND LIABILITIES</b>						
<u>Capital and reserves</u>						
Stated capital	7,350	41.16	302,526	7,350	41.16	302,526
Accumulated losses	-9,319,432		-444,928,669	-2,490,979		-117,504,348
	<u>-9,312,082</u>		<u>-444,626,143</u>	<u>-2,483,629</u>		<u>-117,201,822</u>
<u>Non current liabilities</u>						
Shareholder's loan	0	51.19	0	30,000,000	44.67	1,340,100,000
Loans	337,843,633	51.19	17,294,215,573	335,988,976	44.67	15,008,627,558
	<u>337,843,633</u>		<u>17,294,215,573</u>	<u>365,988,976</u>		<u>16,348,727,558</u>
<u>Current liabilities</u>						
Payables	1,224,211	51.19	62,667,361	1,050,414	44.67	46,921,993
Derivative financial liabilities	3,770,225	51.19	192,997,818	0	44.67	0
Loan from related party	4,500,000	51.19	230,355,000	4,500,000	44.67	201,015,000
	<u>9,494,436</u>		<u>486,020,179</u>	<u>5,550,414</u>		<u>247,936,993</u>
<b>Total equity and liabilities</b>	<u>338,025,987</u>		<u>17,335,609,609</u>	<u>369,055,761</u>		<u>16,479,462,729</u>

**KHOPLI 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 1 April 2010	7,350	302,526	-1,036,329	-51,201,401	-1,028,979	-50,898,875
Total comprehensive loss for the year			-1,454,650	-66,302,947	-1,454,650	-66,302,947
At 31 March 2011	<u>7,350</u>	<u>302,526</u>	<u>-2,490,979</u>	<u>-117,504,348</u>	<u>-2,483,629</u>	<u>-117,201,822</u>
Total comprehensive loss for the year			-6,828,453	-327,424,321	-6,828,453	-327,424,321
At 31 March 2012	<u>7,350</u>	<u>302,526</u>	<u>-9,319,432</u>	<u>-444,928,669</u>	<u>-9,312,082</u>	<u>-444,626,143</u>

**KHOPOLI 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
<b>Cash flows from operating activities</b>						
Operating profit/(loss) before tax	-6,828,453	47.95	-327,424,321	-1,456,445	45.58	-66,384,763
Adjustments for:						
Increase in payables	280,204	47.95	13,435,782	-3,450	45.58	-157,251
Bank interest income	-15	47.95	-719	0	45.58	0
Interest income on loans and receivables	-6,232,377	47.95	-298,842,477	-7,090,789	45.58	-323,198,163
Interest on loan	328,611	47.95	15,756,897	1,811,977	45.58	82,589,912
Loan Amortisation	7,544,228	47.95	361,745,733	6,418,863	45.58	292,571,776
Unrealised foreign exchange loss	190,502	47.95	9,134,571	0	45.58	0
Mark to Market loss on derivatives	3,770,225	47.95	180,782,289	0	45.58	0
Increase in prepayments	-314	47.95	-15,056	0	45.58	0
<b>Cash generated from/(used in) operating activities</b>	<b>-947,389</b>		<b>-45,427,303</b>	<b>-319,844</b>		<b>-14,578,490</b>
Tax paid		47.95	0	1,795	45.58	81,816
<b>Net cash from /(used in) operating activities</b>	<b>-947,389</b>		<b>-45,427,303</b>	<b>-318,049</b>		<b>-14,496,673</b>
<b>Cash flows from investing activities</b>						
Bank interest received	15	47.95	719	0	45.58	0
Interest Received	6,209,361	47.95	297,738,860	7,121,070	45.58	324,578,371
Investment In Joint Venture	-3,991,962	47.95	-191,414,578	0	45.58	0
Loan Repayment Received	42,899,266	47.95	2,057,019,805	1,153,485	45.58	52,575,846
Loan to related company	-8,128,925	47.95	-389,781,954	0	45.58	0
<b>Net cash used in investing activities</b>	<b>36,987,755</b>		<b>1,773,562,852</b>	<b>8,274,555</b>		<b>377,154,217</b>
<b>Cash flows from financing activities</b>						
Interest paid	-6,187,269	47.95	-296,679,549	-6,321,150	45.58	-288,118,017
Loan from / (repaid to) shareholder	-30,000,000	47.95	-1,438,500,000	0	45.58	0
Payment of debt issue costs	0	47.95	0	-1,617,208	45.58	-73,712,341
Exchange fluctuation			765,312			-100,908
<b>Net cash generated from financing activities</b>	<b>-36,187,269</b>		<b>-1,734,414,237</b>	<b>-7,938,358</b>		<b>-361,931,266</b>
<b>Net Increase in cash and cash equivalents</b>	<b>-146,903</b>		<b>-6,278,687</b>	<b>18,148</b>		<b>726,278</b>
Cash and cash equivalents:						
At the beginning of the year	190,380		8,504,275	172,232		7,777,997
At the end of the year	43,477		2,225,588	190,380		8,504,275