

BHIRA INVESTMENTS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

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FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

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DIRECTORS: Kapildeo Joory
Anil Sardana
Fareed Soreefan
Ramakrishnan Sowmyan
Zakir Niamut
Sanjay Dube
(Permanent Alternate Director to
Anil Sardana)
Soniya Parekh
(Permanent Alternate Director to
Ramakrishnan Sowmyan)

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
3rd 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 8EA3
United Kingdom

JP Morgan Private Bank
168 Robinson Road
10th Floor, Capital Tower
Singapore 068912

AUDITOR: Deloitte
7th Floor, Raffles Lower
19 Cybercity
Ebene

The directors present the financial statements of Bhira Investments Limited (the "Company") for the year ended 31 March 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of investment holding and ancillary services of collecting accounts receivable of its related parties, provision of loans to related parties and provision of management support services to related parties.

RESULTS

The results for the period 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 Mauritius 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 2013.


.....
for International Financial Services Limited
Secretary

Registered office:

I/S Court
TwentyEight
Cybercity
Ebene
Mauritius

Date: 14 May 2013

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 2013 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 adverse audit opinion.

Basis for Adverse Opinion

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

IAS 31 requires the company to recognise its interests in joint ventures using proportionate consolidation or the equity method as alternative unless the specific exemption available under the standard are met. As explained in note 23, the company has not met the specific exemption requirements and has stated its interests in joint ventures amounting to USD 716,342,528 at cost as at 31 March 2013, accordingly, the financial statements have not been prepared in accordance with the requirements of IAS 31.

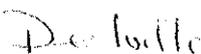
Adverse Opinion

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph, 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 2013, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal requirements

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

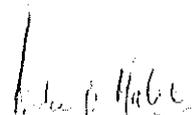
- we have no relationship with, or interests in, the company other than in our capacity as auditor;
- in our opinion, proper accounting records have been kept by the company as far as appears from our examination of those records;
- we have not obtained all information and explanations that we have required in so far as explained in the paragraph on non-compliance with International Accounting Standard 31 Interests in Joint Ventures; 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

14 May 2013


Pradeep Malik, FCA
Licensed by FRC

BIHRA INVESTMENTS LIMITED
STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2013

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	Notes	2013 USD	2012 USD
ASSETS			
<u>Non current assets</u>			
Interests in Joint Ventures	5	716,342,528	716,342,528
Loans to related parties	6(a)	90,635,217	137,245,058
		<u>806,977,745</u>	<u>853,587,586</u>
<u>Current assets</u>			
Loans to related parties	6(b)	165,735,540	
Trade and other receivables	7	18,976,265	7,108,474
Cash and cash equivalents	8	35,835,372	211,659,871
		<u>220,547,177</u>	<u>218,768,345</u>
Total assets		<u>1,027,524,922</u>	<u>1,072,355,931</u>
EQUITY AND LIABILITIES			
<u>Capital and reserves</u>			
Stated capital	9	1,000,000	1,000,000
Retained earnings		40,823,345	17,760,522
Total equity		<u>41,823,345</u>	<u>18,760,522</u>
<u>Non current liabilities</u>			
Loan from related parties	10 (a/b)	425,758,095	325,850,003
Subordinated Note Due 2071	11	460,960,428	460,554,729
		<u>886,718,523</u>	<u>786,404,732</u>
<u>Current liabilities</u>			
Other payables	12	16,459,281	25,894,488
Loan from related parties	10 (c/d)	82,523,773	41,296,189
Shareholder's loan	13	-	200,000,000
		<u>98,983,054</u>	<u>267,190,677</u>
Total equity and liabilities		<u>1,027,524,922</u>	<u>1,072,355,931</u>

Approved by the Board of Directors and authorised for issue on 14 May 2013.

.....
Director


.....
Director

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 COMPREHENSIVE INCOME
 FOR THE PERIOD YEAR ENDED 31 MARCH 2013

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	Notes	2013 USD	2012 USD
INCOME			
Dividend income		58,333,333	127,500,000
Bank interest income		1,622,647	3,464,287
Interest income on loan	20	6,204,251	10,144,932
Loan amortisation income	6	8,203,615	-
Management fee income	15	15,385,000	-
Service fee income	14	2,000,000	12,000,000
Other income		161,753	3,349,296
Foreign exchange (loss) / gain		(7)	465
		<u>91,910,595</u>	<u>156,458,980</u>
OPERATING EXPENSES			
Licence fees		1,775	1,750
Audit fees		25,091	18,075
Bank charges		16,651	14,855
Interest on loan	20	16,995,669	21,277,525
Amortisation of transaction costs		-	7,409,396
Amortisation of subordinated note	11	38,655,699	35,348,495
Legal and professional fees		1,352,997	3,075,688
Research and development costs	16	1,310,000	900,000
Service fee expense	17	1,371,667	2,881,571
Guarantee commission	18	1,350,000	1,257,534
Settlement fee		-	1,500,000
Hedging costs		1,734,890	-
		<u>62,814,439</u>	<u>73,684,889</u>
PROFIT BEFORE TAXATION		29,096,156	82,774,091
Taxation	19	(6,033,333)	(13,950,000)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>23,062,823</u>	<u>68,824,091</u>

The notes on pages 10 to 28 form an integral part of these financial statements.
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BHIRA INVESTMENTS LIMITED
 STATEMENT OF CHANGES IN EQUITY
 FOR THE YEAR ENDED 31 MARCH 2013

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	Stated capital	(Accumulated losses)/ Retained earnings	Total
	USD	USD	USD
At 1 April 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>
Total comprehensive income for the year	-	23,062,823	23,062,823
At 31 March 2013	<u>1,000,000</u>	<u>40,823,345</u>	<u>41,823,345</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 2013

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	2013	2012
	USD	USD
Cash flows from operating activities		
Profit before tax	29,096,156	82,774,091
<i>Adjustments for:</i>		
Bank interest income	(1,622,617)	(3,464,287)
Interest income on loan	(6,204,254)	(10,144,932)
Loan amortisation income	(8,203,615)	
Loan interest expense	16,995,669	21,277,525
Amortisation of transaction costs	-	7,409,396
Amortisation of subordinated note	38,655,699	35,348,495
Dividend income	(52,500,000)	(123,646,190)
	<u>16,217,008</u>	<u>9,554,098</u>
Movement in working capital:		
(Increase)/Decrease in trade and other receivables	(5,721,230)	723,668
Decrease in other payables	(16,615,051)	(8,361,880)
	<u>(6,119,273)</u>	<u>1,951,886</u>
<i>Cash (used in)/generated from operating activities</i>	<u>(6,119,273)</u>	<u>1,951,886</u>
Withholding tax suffered	(6,033,333)	(13,950,000)
<i>Net cash used in operating activities</i>	<u>(12,152,606)</u>	<u>(12,034,114)</u>
Cash flows from investing activities		
Purchase of investments	(3,190,000)	-
Disposal of investment	3,190,000	-
<i>Net cash generated from investing activities</i>	<u>-</u>	<u>-</u>
Cash flows from financing activities		
Upfront fee received	5,310,000	-
Loan management fee income received	1,288,550	-
Bank interest received	1,680,340	3,341,980
Interest paid	(9,815,825)	(24,751,764)
Interest on subordinated note	(38,250,000)	(19,125,000)
Loan repaid to related parties	(18,891,908)	(140,517,654)
Loan received from related party	94,527,584	166,337,379
Interest received on loan	5,412,088	4,237,286
Loan to related party	(10,000,000)	(178,300,059)
Loan repaid by related party	35,067,278	41,055,001
Loan repaid to shareholder	(200,000,000)	(73,000,000)
Issue of subordinated note	-	444,331,234
<i>Net cash (used in)/ generated from financing activities</i>	<u>(163,671,893)</u>	<u>223,608,403</u>
Net decrease in cash and cash equivalents	<u>(175,824,499)</u>	<u>(211,574,289)</u>
Cash and cash equivalents at beginning of year	<u>211,659,871</u>	<u>85,582</u>
Cash and cash equivalents at end of year	<u>35,835,372</u>	<u>211,659,871</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, provision of loan to related parties and management support services to related parties. At 31 March 2013, the Company held investments in PT Arutmin Indonesia, PT Indocoal Kassel Resources, PT Indocoal Kaltim Resources, PT Kaltim Prima Coal, PT Dwikarya Prima Abadi and PT Marvel Capital Indonesia, all incorporated in Indonesia. The Company had also invested in Candice Investments Pte Ltd, a company incorporated in Singapore.

2. ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial statements are prepared under the historical cost convention.

(b) Interests in Joint Ventures

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

The Company accounts its investments in Joint Ventures at cost less any impairment. 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 assets and liabilities are recognised when a Company becomes a party to a contractual provision of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit and loss are recognised immediately in profit or loss.

(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.

Derecognition of financial asset

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or

2. ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (Continued)

(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.

(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 'other financial liabilities'.

(d) Other financial liabilities

Other financial liabilities, including borrowings and subordinated notes 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.

2. ACCOUNTING POLICIES (CONTINUED)

(h) Expense recognition

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

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

Current tax

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

Deferred tax

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except whether the Company is able to control the reversal of the temporary difference and it is probable that the temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to

2. ACCOUNTING POLICIES (CONTINUED)

(j) Taxation (continued)

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(k) Impairment

Financial assets, 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.

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 period, 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 2012.

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 periods but may affect the accounting for future transactions or arrangements

EAS 12 Income Taxes - Limited scope amendment (recovery of underlying assets)

IFRS 7 Financial instruments: Disclosures - Amendments enhancing disclosures about transfers of financial assets

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

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

IAS 1	Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented (effective 1 July 2012)
IAS 1	Presentation of Financial Statements - Amendments resulting from Annual Improvements 2009-2011 Cycle (comparative information) (effective 1 January 2013)
IAS 16	Property, Plant and Equipment - Amendments resulting from Annual Improvements 2009-2011 Cycle (servicing equipment) (effective 1 January 2013)
IAS 19	Employee Benefits - Amended Standard resulting from the Post-Employment Benefits and Termination Benefits project (effective 1 January 2013)
IAS 27	Separate Financial Statements - Reissued as IAS 27 Separate Financial Statements (as amended in 2011) (effective 1 January 2013)
IAS 27	Separate Financial Statements (as amended in 2011) - Amendments for investment entities (effective 1 January 2014)
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 resulting from Annual Improvements 2009-2011 Cycle (tax effect of equity distributions) (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)
IAS 34	Interim Financial Reporting - Amendments resulting from Annual Improvements 2009-2011 Cycle (interim reporting of segment assets) (effective 1 January 2013)
IFRS 1	First-time Adoption of International Financial Reporting Standards - Amendments for government loan with a below-market rate of interest when transitioning to IFRSs (effective 1 January 2013)
IFRS 1	First-time Adoption of International Financial Reporting Standards - Amendments resulting from Annual Improvements 2009-2011 Cycle (repeat application, borrowing costs) (effective 1 January 2013)
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 - Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures (effective 1 January 2015)
IFRS 9	Financial Instruments - Classification and Measurement of financial assets (effective 1 January 2015)
IFRS 9	Financial Instruments - Reissue to include requirements for the classification and measurement of financial liabilities and incorporate existing derecognition requirements (1 January 2015)
IFRS 9	Financial Instruments - Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures (effective 1 January 2015)
IFRS 10	Consolidated Financial Statements (effective 1 January 2013)
IFRS 10	Consolidated Financial Statements - Amendments to transitional guidance (effective 1 January 2013)
IFRS 10	Consolidated Financial Statements - Amendments for investment entities (effective 1 January 2014)
IFRS 11	Joint Arrangements (effective 1 January 2013)
IFRS 11	Joint Arrangements - Amendments to transitional guidance (effective 1 January 2013)
IFRS 12	Disclosure of Interests in Other Entities (effective 1 January 2013)
IFRS 12	Disclosure of Interests in Other Entities - Amendments to transitional guidance (effective 1 January 2013)
IFRS 12	Disclosure of Interests in Other Entities - Amendments for investment entities (effective 1 January 2014)
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)

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

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 are impaired requires an estimation of the value in use of the investments. 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 2013, the directors believe that the carrying values approximate to the fair values of these investments.

5. INTERESTS IN JOINT VENTURES

	2013 USD	2012 USD
Interests in joint ventures	<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 2013 USD	Carrying Value 2013 USD	Cost 2012 USD	Carrying Value 2012 USD
			Direct	Indirect				
PT Arutmin Indonesia	Indonesia	3,000	30%	-	100,057,997	100,057,997	100,057,997	100,057,997
PT Kaltim Prima Coal	Indonesia	90,000	30%	-	618,011,694	616,220,000	618,011,694	616,220,000
PT Indocoal-Kalsel Resources	Indonesia	60,000	30%	-	31,100	31,100	31,100	31,100
PT Indocoal Kaltim Resources	Indonesia	60,000	30%	-	31,100	31,100	31,100	31,100
Candice Investments Pte Ltd	Singapore	3	30%	-	2	2	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>718,131,222</u>	<u>716,342,528</u>	<u>718,131,222</u>	<u>716,342,528</u>

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

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

5. INTERESTS IN JOINT VENTURES (CONTINUED)

In assessing the value of the investments, the Company considered a valuation report dated 31 December 2012 by Tasman Mining, an independent valuer. This report was updated by Tasman Mining, as at 31 March 2013, which estimated that the value of Arutmin and KPC attributable to the Company was USD443M and USD1,315M respectively. The valuation report 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 2013, 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 USD233M and USD878M respectively (2012: USD393M for Arutmin and USD641M 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.

6. LOAN TO RELATED PARTIES

(a) Long term loans	2013	2012
	USD	USD
(i) PT Mitratama Perkaša	90,635,217	-
(ii) Bhivpuri Investments Limited	-	137,245,058
	<u>90,635,217</u>	<u>137,245,058</u>
Long term loans	2013	2012
(i) PT Mitratama Perkasa	USD	USD
Loan given to related party	118,000,000	-
Upfront fee	(5,310,000)	-
Amortisation income from Loan	8,203,615	-
Loan repayment received	(11,077,299)	-
Interest payment received	(5,412,088)	-
Management fee income received	(1,288,550)	-
Reclassified as short term loan	(12,480,461)	-
Closing balance	<u>90,635,217</u>	<u>-</u>

The Company had granted loans aggregating USD118 million to PTMP. Loans had been split into 2 categories, Loan A equal to USD83 million and Loan B equal to USD35 million. Loan A carries an interest at the rate of LIBOR plus 6% per annum and loan management fees of 1.5% whilst Loan B carries interest at a rate of LIBOR plus 6.25% per annum and loan management fees of 1.5%. Loan A is repayable over 66 months after the initial drawdown date of 12 June 2012 whilst Loan B is repayable in 6 instalments from month 67 to month 72 after the initial drawdown.

(ii) Bhivpuri Investments Limited	2013	2012
	USD	USD
Opening balance	137,245,058	-
Loan to related party	-	178,300,058
Loan repaid	-	(41,055,000)
Reclassified as short term loan	<u>(137,245,058)</u>	-
Closing balance	<u>-</u>	<u>137,245,058</u>

The loan 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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 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
 FOR THE YEAR ENDED 31 MARCH 2013

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6. LOAN TO RELATED PARTIES (CONTINUED)

(b) Short term loans	2013 USD	2012 USD
(i) Bhivpuri Investments Limited	153,255,079	-
(ii) PT Mitratama Perkasa	12,480,461	-
	<u>165,735,540</u>	<u>-</u>
	2013 USD	2012 USD
(i) <i>Bhivpuri Investments Limited</i>		
Reclassified as short term loan	137,245,058	-
Loan to related party	40,000,000	-
Loan repaid	(23,989,979)	-
Closing balance	<u>153,255,079</u>	<u>-</u>

The loan to Bhivpuri Investments Limited was The interest bearing loan which carried interest at the rate of 8.5% plus margin of 0.05% calculated on the basis of 360 days a year. Following the Board meeting held on 14 May 2013, the loan was converted into an interest free loan as effective as from 1 November 2012. It is unsecured and repayable as and when agreed by the parties.

(ii) PT Mitratama Perkasa

Part of the loan to PIMP (refer to note 6(a)) has been re-classified as current asset since this is due for payment within 1 year.

7. TRADE AND OTHER RECEIVABLES

	2013 USD	2012 USD
Interest on loan to related party	12,111,901	5,907,646
Interest receivable on short-term deposits	64,614	122,308
Prepayments	2,138	2,188
Service fee receivable	-	900,000
Management fee receivable	4,925,143	-
Amounts paid at the request of related parties	1,872,169	176,332
	<u>18,976,265</u>	<u>7,108,474</u>

The service fee was 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.

During the year ended 31 March 2012, the Company had netted off the interest on loan to related party 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

The amounts paid at the request 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:

	2013 USD	2012 USD
Cash at bank	258,424	71,551
Short term bank deposits	35,576,948	211,588,320
	<u>35,835,372</u>	<u>211,659,871</u>

The interest rate on short term fixed deposits ranges from 0.10% to 2.70% for the year under review.

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 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
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9. STATED CAPITAL

	2013	2012
	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

Long term loans	2013	2012
	USD	USD
(a) Khopoli Investments Limited	306,958,095	325,850,003
(b) PT Mitratama Perkasa	118,800,000	-
	<u>425,758,095</u>	<u>325,850,003</u>

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

	2013	2012
	USD	USD
Opening balance	325,850,003	368,604,269
Loan repaid	(18,891,908)	(42,899,266)
Loan received	-	145,000
Closing balance	<u>306,958,095</u>	<u>325,850,003</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 1.39540% to 2.86556% per annum.

(b) Long term loan from PT Mitratama Perkasa ("PTMP")

	2013	2012
	USD	USD
Loan received	<u>118,800,000</u>	-

The Company has taken loans aggregating USD118.8M from PTMP. The loans have been split into 2 categories, Loan A equal to USD83.8M and Loan B amounting to USD35M. Loan A carries interest at LIBOR plus 6.1% per annum whilst interest on Loan B is LIBOR plus 6.35% per annum. The amount shall be deemed payable on a cumulative basis and on the applicable Final Maturity Date that is in 66 months after initial drawdown date of 12 June 2012 for Loan A and in 6 instalments from month 67 to month 72 for Loan B as defined in the inter company loan agreement entered with PTMP.

Short term loans

	2013	2012
	USD	USD
(c) PT Kaltim Prima Coal	38,956,155	34,800,000
(d) PT Arutmin Indonesia	43,567,618	6,496,189
	<u>82,523,773</u>	<u>41,296,189</u>

(c) Loan from PT Kaltim Prima Coal ("KPC")

The Company entered into an inter-company loan facility agreement dated 30 September 2011, with 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.

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 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
 FOR THE YEAR ENDED 31 MARCH 2013

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10. LOAN FROM RELATED PARTIES (CONTINUED)

(c) Loan from PT Kaltim Prima Coal (Continued)

During the year ended 31 March 2013, the Company received dividend income amounting to USD58,333,333 from KPC (2012: USD99,000,000). USD 52,500,000 (dividend amount, as reduced by withholding tax in Indonesia) was netted off against the loan from KPC.

	2013	2012
	USD	USD
Opening balance	34,800,000	-
Loan received	56,656,155	133,800,000
Dividend Income	(52,500,000)	(99,000,000)
Closing balance	<u>38,956,155</u>	<u>34,800,000</u>

(d) Loan from PT Arutmin Indonesia ("Arutmin")

The Company entered into an inter-company loan facility agreement dated 14 September 2011 with 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.

	2013	2012
	USD	USD
Opening balance	6,496,189	-
Loan received	37,071,129	31,142,380
Dividend Income	-	(24,646,191)
Closing balance	<u>43,567,618</u>	<u>6,496,189</u>

During the year ended 31 March 2012, 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 of USD1,003,809.

11. SUBORDINATED NOTE DUE 2071

	2013	2012
	USD	USD
Opening balance	160,554,729	-
Proceeds from issue	-	450,000,000
Transaction costs	-	(5,668,766)
Amortisation charge	38,655,699	35,348,495
Interest paid	(38,250,000)	(19,125,000)
	<u>160,960,428</u>	<u>460,554,729</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 first optional redemption date will be in April 2016, and the notes can be redeemed at every interest payment date thereafter. The holding company has agreed to guarantee the above notes. The transaction costs incurred at the time of issue will be amortised over 10 years.

12. OTHER PAYABLES

	2013	2012
	USD	USD
Accruals	49,041	1,541,850
Interest on loan from shareholder/related parties	8,146,396	966,552
Expenses incurred by related parties on behalf of the Company	7,625,346	22,752,859
Other payables to shareholder	635,998	633,227
Other payables to related party	2,500	-

12. OTHER PAYABLES (CONTINUED)

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

	2013	2012
	USD	USD
Opening balance	200,000,000	273,000,000
Loan repayment	(200,000,000)	(73,000,000)
Closing balance	<u>-</u>	<u>200,000,000</u>

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

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.

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 had 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 ended 31 March 2012.

During the year under review, the Company has repaid the shareholder loan in full.

14. SERVICE FEE INCOME

The Company receives service fee income from PT Kaltim Prima Coal amounting USD1,000,000 per month and the technical services agreement was terminated with effect from June 2012.

15. MANAGEMENT FEE INCOME

- (i) Pursuant to a management service agreement dated 16 July 2012 entered with PT Nusantara Pratama Indah ("NPI"), the Company is entitled to receive a one off management fee income of USD4,185,000 with regards to the provision of management support services by the Company to NPI.
- (ii) Pursuant to a Subcontracting agreement dated 1 August 2012 entered with Khopoli Investments Limited ("Khopoli"), Khopoli has subcontracted the provision of management support services to the Company in return for a fee of USD1,100,000 per month.

16. RESEARCH AND DEVELOPMENT COSTS

(i) The Company entered into a memorandum of understanding ("MOU") dated 9 September 2010 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 ending on 31 December 2012.

The Company paid USD560,000 towards program funding which was expensed during the year ended 31 March 2013. As at 31 March 2013, the Company has provided funding aggregating USD2,000,000 towards the program (31 March 2012: USD900,000).

(ii) The Company has approved the funding of the development of Massachusetts Institute of Technology ("MIT") Center for Technology and Design of up to USD4.5M over a period of six years. As at the reporting date, the Company had contributed USD750,000 towards the development of MIT.

17. 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 as agreed between parties from time to time.

18. 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).

19. 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.

The Company had a tax charge of USD6,033,333 for the year under review (2012: USD13,950,000).

A numerical reconciliation between the profit as per accounts and the actual tax charge is as follows:

	2013	2012
	USD	USD
Profit before taxation	29,096,156	82,774,091
Tax at the applicable rate of 15%	4,364,423	12,416,111
Tax effect of:		
- Exempt income	(4)	(5,454)
- Non taxable income	(1,230,543)	-
- Other allowable expenses	(5,817,187)	(5,323,125)
- Non allowable expenses	8,021,291	6,979,930
- Withholding tax suffered	6,033,333	13,950,000
- Tax losses utilised	-	(5,589,245)
- Deemed tax credit	(5,337,980)	(8,478,220)
Tax charge	6,033,333	13,950,000

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20. RELATED PARTY TRANSACTIONS

For the year ended 31 March 2013, the Company transacted with related parties. Details of the nature, volume of transactions and the balances with the related parties are as follows:

<i>Transactions</i>	2013 USD	2012 USD
<i>(a) Amount incurred to International Financial Services Limited</i>		
Director fees	3,750	3,750
Secretarial fees	1,500	1,500
Administration and disbursements	106,105	88,759
APS fees	2,000	2,000

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

One director of the Company, Mr Kapildeo Joory exercises joint control over International Financial Services Limited ("IFS", the Administrator/Secretary) and is deemed to have beneficial interest in the Administration Agreement and the Tax letter of engagement between the Company and the Administrator/Secretary.

<i>(b) Khopoli Investments Limited</i>	2013 USD	2012 USD
Disposal of investment	3,190,000	-

During the year, the Company had disposed its investments held in Trust Energy Resources Pte to Khopoli Investments Limited at cost (Note 25).

<i>Payable to The Tata Power Company Limited</i>	2013 USD	2012 USD
Opening balance	200,633,277	277,032,508
Interest expense	2,444,444	13,596,943
Guarantee commission	1,350,000	1,257,534
Service fee expense	1,371,667	2,881,571
Loan repayment received	(205,113,390)	(94,148,548)
Expenses paid on behalf of the shareholder	(50,000)	-
Expenses paid by shareholder on behalf of the Company	-	13,269
Closing balance	635,998	200,633,277
<i>Payable to Khopoli Investments Limited ("Khopoli")</i>		
Opening balance	325,955,924	368,863,506
Interest expense	5,999,195	6,232,377
Repayment of loan	(18,891,908)	(42,899,266)
Loan received	-	145,000
Interest paid	(6,111,639)	(6,209,361)
Management fee receivable	(4,200,000)	-
Other payable	430,281	-
Expenses paid on behalf of Khopoli	(1,695,837)	(176,332)
Closing balance	301,486,016	325,955,924

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 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
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20. RELATED PARTY TRANSACTIONS (CONTINUED)

<i>(Payable to)/Receivable from Bhiopuri Investments Limited ("Bhiopuri")</i>	2013	2012
	USD	USD
Opening balance	120,399,845	(112,365,523)
Interest income	6,204,254	10,144,932
Other income	-	3,349,296
Interest expense	-	(382,795)
Amortisation of transaction costs	-	(7,409,435)
Expenses paid by/(on behalf of) the Company	15,565,645	(115,341)
Loan given	40,000,000	178,300,059
Loan received	-	(1,250,000)
Loan repayment received	(23,989,979)	(41,055,001)
Interest repayment netted off against payable	-	91,183,653
Closing balance	158,179,765	120,399,845
<i>(Payable to)/Receivable from PT Mitratama Perkasa</i>		
Loan received	(118,800,000)	-
Loan granted	118,000,000	-
Amortisation of loan income	8,203,615	-
Upfront fee received	(5,310,000)	-
Loan repayment received	(11,077,299)	-
Interest received	(5,412,088)	-
Interest expense	(6,161,929)	-
Loan management fee received	(1,288,550)	-
Closing balance	(21,846,251)	-
<i>(Payable) / receivable from PT Kaltim Prima Coal</i>		
Opening balance	(34,254,395)	1,800,000
Service fee	2,000,000	12,000,000
Withholding tax	(200,000)	(1,200,000)
Service fee received	(1,800,000)	(11,700,000)
Loan received	(56,656,155)	(133,800,000)
Dividend income netted off	52,500,000	99,000,000
Interest expense	(1,398,933)	(735,505)
Interest paid	359,742	381,110
Closing balance	(39,419,711)	(34,254,395)
<i>Payable to PT Arutmin Indonesia</i>		
Opening balance	6,826,093	10,006,190
Loan received	37,071,429	21,136,189
Interest expense	991,169	329,907
Dividend income netted off	-	(24,646,190)
Closing balance	44,888,691	6,826,093

Compensation to key management personnel

No compensation has been paid to key management personnel during the period ended 31 March 2013 (Year ended 31 March 2012: USDNil)

21. 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 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 period end was as follows:

	2013 USD	2012 USD
Debt (i)	969,242,296	1,027,700,921
Cash and cash equivalents	(35,835,372)	(211,659,871)
Net debt	<u>933,406,924</u>	<u>816,041,050</u>
Equity	1,000,000	1,000,000
Reserves	40,823,345	17,760,522
	<u>41,823,345</u>	<u>18,760,522</u>
Net debt to equity ratio	<u>2,232%</u>	<u>4,350%</u>

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

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

	2013 USD	2012 USD
Financial assets		
Loans and receivables (including cash and cash equivalents)	<u>311,179,956</u>	<u>356,011,215</u>
Financial liabilities		
Amortised cost	<u>985,701,577</u>	<u>1,053,595,109</u>

Prepayments amounting to USD2,438 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 and Singapore. 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.

21. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

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, loan to related party, cash at bank and financial liabilities, except other payables, 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 income from bank deposits may fluctuate in amount, in particular due to changes in the interest rates.

Interest expense on loan 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 loan from related parties and shareholder would be as follows:

	5% increase 2013 USD	5% decrease 2013 USD	5% increase 2012 USD	5% decrease 2012 USD
Interest on loan	(727,561)	727,561	(1,063,876)	1,063,876
Effect on profit before tax	<u>(727,561)</u>	<u>727,561</u>	<u>(1,063,876)</u>	<u>1,063,876</u>

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 2013 USD	5% decrease 2013 USD	5% increase 2012 USD	5% decrease 2012 USD
Bank interest income	(81,132)	81,132	(173,214)	173,214
Effect on profit before tax	<u>(81,132)</u>	<u>81,132</u>	<u>(173,214)</u>	<u>173,214</u>

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 2013 USD	5% decrease 2013 USD	5% increase 2012 USD	5% decrease 2012 USD
Interest income on loan	(410,181)	410,181	-	-
Effect on profit before tax	<u>(410,181)</u>	<u>410,181</u>	<u>-</u>	<u>-</u>

(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:

Carrying Amount	2013 USD	2012 USD
Loan receivable	256,370,757	137,215,058
Interest receivable on loan	12,111,901	5,907,646
Other interest receivable	61,611	122,308
Management fee income receivable	4,925,143	-
Service fee receivable	-	900,000
Expenses paid on behalf of related parties	1,872,169	176,332
	<u>275,344,584</u>	<u>144,351,311</u>

All of the above are due from related companies or banks. 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.

21. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

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

	Less than 1 year USD	5+ years USD	Total USD
	2013	2013	2013
Financial assets			
Non-interest bearing	172,228,906	-	172,228,906
Variable interest rate instruments	48,315,833	90,635,217	138,951,050
	<u>220,544,739</u>	<u>90,635,217</u>	<u>311,179,956</u>
Financial liabilities			
Non-interest bearing	16,459,281	-	16,459,281
Variable interest rate instruments	82,523,773	425,758,095	508,281,868
Fixed interest rate instruments	-	460,960,428	460,960,428
	<u>98,983,054</u>	<u>886,718,523</u>	<u>985,701,577</u>
	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	-	211,659,871
Fixed interest rate instruments	137,245,058	-	137,245,058
	<u>356,011,215</u>	<u>-</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>

(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 available for sale investments, 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.

22. IMMEDIATE 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 immediate holding and ultimate holding company.

23. 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 2(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.

24. CONTINGENCIES AND COMMITMENTS

Contingencies

The Company's share of claims arising on its 30% interests in joint ventures as at 31 March 2013 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\$ 117.85M.

(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 is offset of royalty with VAT Input approximately US\$ 259.17M.

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 2013, the Company had not entered into any capital commitment.

25. AVAILABLE FOR SALE INVESTMENTS

During the year under review, the Company acquired an investment of 3.11% in Frust Energy Resources Pte. a company engaged in ship owning, chartering, operating and production of lower grade coal. The investment was disposed to Khopoli Investments Limited during the year under review at cost.

BHIRA INVESTMENTS LIMITED
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED 31 MARCH 2013

	Year ended March,2013	Exchange Rate	Amount	Year ended March,2012	Exchange Rate	Amount
	USD		Rs	USD		Rs
INCOME						
Dividend Income	58,333,333	54.45	3,176,249,982	127,500,000	47.95	6,113,625,000
Bank Interest Income	1,622,647	54.45	88,353,129	3,464,287	47.95	166,112,562
Interest income on Loan	6,204,254	54.45	337,821,630	10,144,932	47.95	486,449,489
Service fee	2,000,000	54.45	108,900,000	12,000,000	47.95	575,400,000
Other income	161,753	54.45	8,807,451	3,349,296	47.95	160,598,743
Net foreign exchange gain	(7)	54.45	(381)	465	47.95	22,297
Management fees Income	15,385,000	54.45	837,713,250	-	-	-
Loan amortisation income	8,203,615	54.45	446,686,837	-	-	-
Total income	91,910,595		5,004,531,898	156,458,980		7,502,208,091
OPERATING EXPENSES						
License fees	1,775	54.45	96,649	1,750	47.95	83,913
Service fee	1,371,667	54.45	74,687,268	2,881,571	47.95	138,171,329
Audit fees	25,091	54.45	1,366,205	18,075	47.95	866,696
Bank charges	16,651	54.45	906,647	14,855	47.95	712,297
Interest on loan	16,995,669	54.45	925,414,177	21,277,526	47.95	1,020,257,372
Legal and professional fees	1,352,997	54.45	73,670,687	3,075,688	47.95	147,479,240
Amortisation of transaction costs	-	54.45	-	7,409,395	47.95	355,280,490
Amortisation of Subordinate Note	38,655,699	54.45	2,104,802,811	35,348,495	47.95	1,694,960,335
Research and development Costs	1,310,000	54.45	71,329,500	900,000	47.95	43,155,000
Guarantee Commission	1,350,000	54.45	73,507,500	1,257,534	47.95	60,298,755
Settlement Fee	-	54.45	-	1,500,000	47.95	71,925,000
Hedging Cost	1,734,890	54.45	94,464,761	-	-	-
Total expenditure	62,814,439	54.45	3,420,246,204	73,684,889	47.95	3,533,190,428
OPERATING LOSS BEFORE TAX	29,096,156	54.45	1,584,285,694	82,774,091	47.95	3,969,017,663
Taxation	(6,033,333)	54.45	(328,514,982)	(13,950,000)	47.95	(668,902,500)
LOSS FOR THE PERIOD	23,062,823	54.45	1,255,770,712	68,824,091	47.95	3,300,115,163

BHIRA INVESTMENTS LIMITED
BALANCE SHEET AT 31 MARCH 2013

	31.03.2013		31.03.2012		Exchange Rate	Amount
	USD	Rs	USD	Rs		
ASSETS						
<u>Non current assets</u>						
Interest in Joint Ventures	716,342,528	54.38	716,342,528	51.19	36,669,574,008	
Loan to Related Party	90,635,217	54.38	137,245,058	51.19	7,025,574,519	
	806,977,745		853,587,586		43,695,148,527	
<u>Current Assets</u>						
Loans to related parties	165,735,540	54.38	9,012,698,665			
Trade and other receivables	18,976,265	54.38	7,108,474	51.19	363,882,784	
Cash and cash equivalents	35,835,372	54.38	211,659,871	51.19	10,834,868,796	
Exchange fluctuation reserve			59,192,333		117,424,000	
	220,547,177	54.38	218,768,345	51.19	11,316,175,581	
Total assets	1,027,524,922		1,072,355,931		55,011,324,108	
EQUITY AND LIABILITIES						
<u>Capital and reserves</u>						
Stated capital	1,000,000	41.00	1,000,000	41.00	41,000,000	
Retained Earnings /(Accumulated losses)	40,823,345		17,760,522		1,036,775,122	
	41,823,345		18,760,522		1,077,775,122	
<u>Non current liabilities</u>						
Loan from related party	425,758,095	54.38	325,850,003	51.19	16,680,261,654	
Subordinated Notes Due 2071	460,960,428	54.38	460,554,729	51.19	23,575,796,578	
	886,718,523		786,404,732		40,256,058,231	
<u>Current liabilities</u>						
Other Payables	16,459,281	54.38	25,894,488	51.19	1,325,538,841	
Loan From Related Parties	82,523,773	54.38	41,296,189	51.19	2,113,951,915	
Shareholder's loan		54.38	200,000,000	51.19	10,238,000,000	
	98,983,054		267,190,677		13,677,490,756	
Total equity and liabilities	1,027,524,922		1,072,355,931		55,011,324,108	

BHIRA INVESTMENTS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2013

	Stated Capital		Accumulated Losses		Total	
	USD	Exchange Rate	USD	Exchange Rate	USD	Exchange Rate
		Rs		Rs		Rs
At 1 April 2008	1,000,000	41.00	(27,294,911)	39.93	939,190	39,661,221
De-recognition of equity component of shareholder's loan			27,234,101	39.97		
Total comprehensive loss for the year			(90,237,405)	45.91	(90,237,405)	(4,142,799,264)
At 1 April 2009	<u>1,000,000</u>	<u>41,000,000</u>	<u>(90,298,215)</u>		<u>(89,298,215)</u>	<u>(4,103,138,043)</u>
Total comprehensive income for the year			50,262,411	47.42	50,262,411	2,383,443,530
At 1st April, 2010	1,000,000	41,000,000	(40,035,804)		(39,035,804)	(1,719,694,513)
Total comprehensive income for the year			(11,027,765)	45.58	(11,027,765)	(502,645,529)
At 31 March 2011	<u>1,000,000</u>	<u>41,000,000</u>	<u>(51,063,569)</u>		<u>(50,063,569)</u>	<u>(2,222,340,042)</u>
Total comprehensive income for the year			68,824,091	47.95	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>18,760,522</u>	<u>1,077,775,122</u>
Total comprehensive income for the year			23,062,823	54.45	23,062,823	1,255,770,712
At 31 March 2013	<u>1,000,000</u>	<u>41,000,000</u>	<u>40,823,345</u>		<u>41,823,345</u>	<u>2,333,545,834</u>

BHIRA INVESTMENTS LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2013

	Year ended March,2013	Exchange Rate	Amount	Year ended March,2012	Exchange Rate	Amount
	USD		Rs	USD		Rs
Cash flows from operating activities						
Operating loss before tax	29,096,156	54.45	1,584,285,694	82,774,091	47.95	3,969,017,663
<i>Adjustments for:</i>						
Bank Interest Income	(1,622,647)	54.45	(88,353,129)	(3,464,287)	47.95	(166,112,562)
Interest income						
Expenses paid By related Company						
Interest Income on Loan	(6,204,254)	54.45	(337,821,630)	(10,144,932)	47.95	(486,449,489)
Loan amortisation Income	(8,203,615)	54.45	(446,686,837)			
Reversal of Impairment of interests in joint ventures						
Increase in prepayments						
Interest on loan	16,995,669	54.45	925,414,177	21,277,526	47.95	1,020,257,372
Transaction costs written off to income statement						
Amortisation of transaction costs				7,409,395	47.95	355,280,490
Amortisation of Subordinated Note	38,655,699	54.45	2,104,802,811	35,348,495	47.95	1,694,960,335
Loss on shareholder's loan						
Decrease in trade and other receivables						
Increase/(Decrease) in Trade Receivables	(5,721,230)	54.45	(311,520,974)	723,668	47.95	34,699,881
Increase/(Decrease) in payables	(16,615,051)	54.45	(904,689,527)	(8,361,880)	47.95	(400,952,146)
Loan amortisation						
Dividend Income	(52,500,000.00)	54.45	(2,858,625,000)	(123,646,190.00)	47.95	(5,928,834,811)
Cash generated from operating activities	(6,119,273)		(333,194,415)	1,915,886		91,866,734
Withholding tax suffered	(6,033,333)	54.45	(328,514,982)	(13,950,000)	47.95	(668,902,500)
Net cash generated from operating activities	(12,152,606)		(661,709,397)	(12,034,114)		(577,035,766)
Cash flows from investing activities						
Purchase of Investments	(3,190,000.00)	54.45	(173,695,500)	-		
Disposal of Investments	3,190,000.00	54.45	173,695,500	-		
Interest received						
Net cash generated from investing activities	-		-	-		-
Cash flows from financing activities						
Upfront fee received	5,310,000.00	54.45	289,129,500	-		
Loan Management fees Income received	1,288,550.00	54.45	70,161,548			
Interest paid	(9,815,825)	54.45	(534,471,671)	(24,751,764)	47.95	(1,186,847,084)
Interest on subordinated Note	(38,250,000)	54.45	(2,082,712,500)	(19,125,000)	47.95	(917,043,750)
Bank Interest Received	1,680,340	54.45	91,494,513	3,341,980	47.95	160,247,941
Interest Received on Loan	5,412,088	54.45	294,688,192	4,237,286	47.95	203,177,864
Loan from related party	94,527,584	54.45	5,147,026,949	166,337,379	47.95	7,975,877,323
Loan repaid to related party	(18,891,908)	54.45	(1,028,664,391)	(140,517,654)	47.95	(6,737,821,509)
Loan to Related party	(40,000,000)	54.45	(2,178,000,000)	(178,300,059)	47.95	(8,549,487,829)
Loan Repaid by Related party	35,067,278	54.45	1,909,413,287	41,055,001	47.95	1,968,587,298
Loan Repaid to shareholder	(200,000,000)	54.45	(10,890,000,000)	(73,000,000)	47.95	(3,500,350,000)
Issue of subordinated Note				444,331,234	47.95	21,305,682,670
Exchange fluctuation			687,502,703			686,058,691
Net cash generated from financing activities	(163,671,893)		(8,224,431,870)	223,608,403		11,408,081,615
Net (decrease)/increase in cash and cash equivalents	(175,824,499)		(8,886,141,267)	211,574,289		(17,812,215)
Cash and cash equivalents at the beginning of period	211,659,871		10,834,868,796	85,582		3,822,948
Cash and cash equivalents as 31 st March	35,835,372		1,948,727,529	211,659,871		10,834,868,796