

BHIRA INVESTMENTS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

**BHIRA INVESTMENTS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014**

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**BHIRA INVESTMENTS LIMITED
COMPANY INFORMATION**

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		Date of appointment	Date of resignation
DIRECTORS:	Kapildeo Joory	27 April 2007	7 March 2014
	Anil Sardana	15 February 2011	-
	Fareed Soreefan	6 January 2012	-
	Sameema Nobeebux	7 March 2014	-
	Ramakrishnan Sowmyan	4 February 2011	28 February 2014
	Zakir Niamut	16 September 2010	-
	Deepak Kumar Mahendra	7 March 2014	-
	Deepak Kumar Mahendra (Permanent Alternate Director to Anil Sardana)	11 September 2013	7 March 2014
	Hardeep Singh Guru (Permanent Alternate Director to Ramakrishnan Sowmyan)	11 September 2013	28 February 2014
	Hardeep Singh Guru (Permanent Alternate Director to Anil Sardana)	7 March 2014	
	Miti Vaidya (Permanent Alternate Director to Deepak Kumar Mahendra)	7 March 2014	
	Sanjay Dube (Permanent Alternate Director to Anil Sardana)	21 March 2012	11 September 2013
	Soniya Parekh (Permanent Alternate Director to Ramakrishnan Sowmyan)	4 July 2011	11 September 2013
	REGISTERED OFFICE:	IFS Court, TwentyEight Cybercity Ebene Mauritius	
SECRETARY, ADMINISTRATOR AND TAX AGENT:	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		

BANKERS (CONTINUED):

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

AUDITOR:

Deloitte
7th Floor, Raffles Tower
19 Cybercity
Ebene
Mauritius

The directors present the financial statements of Bhira Investments Limited (the "Company") for the year ended 31 March 2014.

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 year are shown in the statement of profit or loss and other comprehensive income and related notes.

The Company had paid a dividend of USD25,000,000 to its sole shareholder out of an amount of USD35,000,000 which was declared during the year under review. (2013: Nil)

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 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.

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

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**

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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 Mauritius Companies Act 2001 during the financial year ended 31 March 2014.



.....
for International Financial Services Limited
Secretary

Registered office:

IFS Court
TwentyEight
Cybercity
Ebene
Mauritius

Date:

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 7 to 34 which comprise the statement of financial position as at 31 March 2014 and the statement of profit or loss and other 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 Financial Reporting Standard (IFRS) 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities

IFRS 11 Joint Arrangements requires the Company to recognise its investment in a joint venture as an investment and to account for that investment using the equity method in accordance with IAS 28 Investments in Associates and Joint Ventures unless the Company is exempted from applying the equity method as specified in that standard. As explained in Note 24 the Company has not met the specific exemption requirements and has stated its investments in joint ventures amounting to USD716,342,528 at cost as at 31 March 2014. Accordingly, the financial statements have not been prepared in accordance with the requirements of IFRS 11.

The Company has also not complied with the disclosure requirements of IFRS12 Disclosure of Interests in Other Entities relating to interests in joint arrangements as per Paragraph 20 to 23 of that Standard.

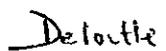
Adverse Opinion

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph, the financial statements on pages 7 to 34 do not give a true and fair view of the financial position of **Bhira Investments Limited** as at 31 March 2014, 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

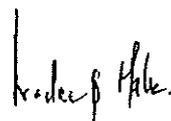
In accordance with the requirements of the Mauritius Companies Act 2001, we report as follows:

- we have no relationship with, or interests in, the Company other than in our capacity as auditor;
- except as indicated in the basis for adverse opinion above, 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 11 and IFRS 12; and
- except for the non-compliance with IFRS 11 and IFRS 12, 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

19 May 2014



Pradeep Malik, FCA
Licensed by FRC

BHIRA INVESTMENTS LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2014

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	Notes	2014 USD	2013 USD
INCOME			
Dividend income	11 (c)	74,268,838	58,333,333
Bank interest income		188,426	1,622,647
Interest income on loan		28,345	6,204,254
Loan amortisation income		9,100,629	8,203,615
Management fee income	15	16,800,000	15,385,000
Service fee income	14	-	2,000,000
Other income		674	161,753
		<u>100,386,912</u>	<u>91,910,602</u>
OPERATING EXPENSES			
Licence fees		2,100	1,775
Audit fees		25,724	25,091
Bank charges		17,254	16,651
Interest expense on loan		14,721,190	16,995,669
Amortisation of subordinated note	12	38,691,725	38,655,699
Legal and professional fees		590,907	1,352,997
Donation	16	750,000	1,310,000
Service fee expense	17	1,084,610	1,371,667
Guarantee commission	18	1,349,998	1,350,000
Hedging costs		1,734,890	1,734,890
Interest income written off		65	-
Foreign exchange loss		-	7
		<u>58,968,463</u>	<u>62,814,446</u>
PROFIT BEFORE TAXATION		41,418,449	29,096,156
Taxation	19	(7,426,884)	(6,033,333)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>33,991,565</u>	<u>23,062,823</u>

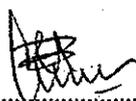
The notes on pages 11 to 34 form an integral part of these financial statements.
The independent audit report is on page 6.

BHIRA INVESTMENTS LIMITED
STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2014

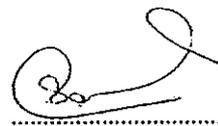
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	Notes	2014 USD	2013 USD
ASSETS			
<u>Non current assets</u>			
Investments in Joint Ventures	5	616,253,431	716,342,528
Loans to related parties	7(a)	76,418,965	90,635,217
		<u>692,672,396</u>	<u>806,977,745</u>
<u>Current assets</u>			
Loans to related parties	7(b)	196,928,370	165,735,540
Trade and other receivables	8	30,164,667	18,976,265
Cash and cash equivalents	9	70,083,709	35,835,372
		<u>297,176,746</u>	<u>220,547,177</u>
<u>Assets classified as held for sale</u>			
Investments in joint ventures	6	100,089,097	-
		<u>100,089,097</u>	<u>-</u>
Total assets		<u>1,089,938,239</u>	<u>1,027,524,922</u>
EQUITY AND LIABILITIES			
<u>Capital and reserves</u>			
Stated capital	10	1,000,000	1,000,000
Retained earnings		39,814,910	40,823,345
Total equity		<u>40,814,910</u>	<u>41,823,345</u>
<u>Non current liabilities</u>			
Loan from related parties	11 (a/b)	458,800,000	425,758,095
Subordinated Note Due 2071	12	461,402,153	460,960,428
		<u>920,202,153</u>	<u>886,718,523</u>
<u>Current liabilities</u>			
Other payables	13	27,995,375	16,459,281
Loan from related parties	11 (c/d/e)	100,925,801	82,523,773
		<u>128,921,176</u>	<u>98,983,054</u>
Total equity and liabilities		<u>1,089,938,239</u>	<u>1,027,524,922</u>

Approved by the Board of Directors and authorised for issue on 19 May 2014



Director



Director

The notes on pages 11 to 34 form an integral part of these financial statements.
The independent audit report is on page 6.

**BHIRA INVESTMENTS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2014**

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	Note	Stated capital	Retained earnings	Total
		USD	USD	USD
At 1 April 2012		1,000,000	17,760,522	18,760,522
Profit and total comprehensive income for the year		-	23,062,823	23,062,823
At 31 March 2013		1,000,000	40,823,345	41,823,345
Profit and total comprehensive income for the year		-	33,991,565	33,991,565
Dividend	22	-	(35,000,000)	(35,000,000)
At 31 March 2014		1,000,000	39,814,910	40,814,910

The notes on pages 11 to 34 form an integral part of these financial statements.
The independent audit report is on page 6.

BHIRA INVESTMENTS LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2014

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	2014 USD	2013 USD
Cash flows from operating activities		
Profit before taxation	41,418,449	29,096,156
<i>Adjustments for:</i>		
Bank interest income	(188,426)	(1,622,647)
Interest income on loan	(28,345)	(6,204,254)
Loan amortisation income	(9,100,629)	(8,203,615)
Interest expense on loan	14,721,190	16,995,669
Amortisation of subordinated note	38,691,725	38,655,699
Dividend income	(66,841,954)	(52,500,000)
	<u>18,672,010</u>	<u>16,217,008</u>
Movement in working capital:		
Increase in trade and other receivables	(9,364,706)	(5,721,230)
Decrease in other payables	(7,513,403)	(16,615,051)
	<u>(16,878,109)</u>	<u>(22,337,281)</u>
Cash generated from/ (used in) operating activities	<u>1,793,901</u>	<u>(6,119,273)</u>
Withholding tax suffered	(7,426,884)	(6,033,333)
Net cash used in operating activities	<u>(5,632,983)</u>	<u>(12,152,606)</u>
Cash flows from investing activities		
Bank interest received	219,567	-
Purchase of investments	-	(3,190,000)
Disposal of investments	-	3,190,000
	<u>219,567</u>	<u>-</u>
Net cash generated from investing activities	<u>219,567</u>	<u>-</u>
Cash flows from financing activities		
Upfront fee received	-	5,310,000
Loan management fee income received	1,421,944	1,288,550
Dividend paid	(25,000,000)	1,680,340
Interest paid	(5,671,693)	(9,815,825)
Interest on subordinated note	(38,250,000)	(38,250,000)
Loan repaid to related parties	-	(18,891,908)
Loan received from related party	95,683,068	94,527,584
Interest received on loan	5,944,460	5,412,088
Loan to related party	(29,440,000)	(40,000,000)
Loan repaid by related party	34,973,974	35,067,278
Loan repaid to shareholder	-	(200,000,000)
	<u>39,661,753</u>	<u>(163,671,893)</u>
Net cash generated from/ (used in) financing activities	<u>39,661,753</u>	<u>(163,671,893)</u>
Net increase / (decrease) in cash and cash equivalents	<u>34,248,337</u>	<u>(175,824,499)</u>
Cash and cash equivalents at beginning of year	<u>35,835,372</u>	<u>211,659,871</u>
Cash and cash equivalents at end of year	<u>70,083,709</u>	<u>35,835,372</u>

The notes on pages 11 to 34 form an integral part of these financial statements.
The independent audit report is on page 6.

1. BACKGROUND INFORMATION

The Company was incorporated in Mauritius under the Companies Act 2001 on 27 April 2007 as a domestic and 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 ancillary services of collecting accounts receivable of its related parties, provision of loan to related parties and management support services to related parties.

2. ACCOUNTING POLICIES

Except for non-compliance with IFRS11 Joint arrangements and IFRS 12 Disclosure in Other Entities, the financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The preparation of the financial statements in accordance with and in compliance 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 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) Investments in Joint Ventures

A joint venture is a joint arrangement whereby parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities 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 profit or loss and other comprehensive income.

(c) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less cost to sell.

2. ACCOUNTING POLICIES (CONTINUED)

(d) 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 on 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 profit or loss and other comprehensive income.

(e) Cash and cash equivalents

Cash comprises of cash at bank and short term deposits. 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.

(f) 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 subsequently 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.

Impairment of financial assets

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.

2. ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

(i) Financial Assets (continued)

Impairment of financial assets (continued)

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; or
- disappearance of an active market for that financial asset because of financial liabilities.

For certain categories of financial assets, 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 that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent years.

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.

When available for sale financial assets is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the year.

For financial assets measured at amortised cost, if, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized 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 recognized.

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve in respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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.

3. ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

(i) Financial Assets (continued)

Derecognition of financial asset (continued)

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 loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

(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.

2. ACCOUNTING POLICIES (CONTINUED)

(g) 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.

(h) Revenue recognition

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

Services fee income, management fee income and other income are recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. They are also accounted on an accrual 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.

(i) Expense recognition

All expenses are accounted for in the statement of profit or loss and other comprehensive income on the accruals basis.

(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 investments in joint ventures, except where 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.

2. ACCOUNTING POLICIES (CONTINUED)

(j) Taxation (continued)

Deferred tax (continued)

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 recover or settle the carrying amount of its assets and liabilities.

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 of assets

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 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 effective for accounting periods beginning on 1 April 2013.

3.1 *Standards affecting presentation and disclosure*

IAS 1 Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The Company has applied the amendments to IAS 1 Presentation of Items of Other Comprehensive Income. The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed the 'statement of profit or loss and other comprehensive income'. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. Other than the above mentioned presentation changes the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

IFRS 11 Joint Arrangements

IFRS11 replaces IAS 31: "Interests in Joint Ventures", and the guidance contained in a related interpretation, SIC-13 "Jointly Controlled entities - Non Monetary Contributions by Venturers", has been incorporated in IAS 28 (as revised in 2011). IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under IFRS 11, there are only two types of joint arrangements - joint operations and joint ventures. The classification of joint arrangements under IFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, IAS 31 contemplated 3 types of joint arrangements - jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under IAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

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

3.1 *Standards affecting presentation and disclosure*

IFRS 11 Joint Arrangements (continued)

The initial and subsequent accounting of joint ventures and joint operations is different. Investment in joint ventures is accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognizes its assets (including its share of assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable Standards.

The directors of the Company reviewed and assessed the classification of the Company's investment in joint arrangements in accordance with the requirements of IFRS 11. The directors concluded that the Company's investment in joint ventures namely PT Kaltim Prima Coal, PT Indocoal Kaltim Resources, Candice Investments Pte Ltd, PT Dwikarya Prima Abadi and PT Marvel Capital Indonesia which was classified as a jointly controlled entities under IAS 31 should be classified as joint ventures under IFRS 11.

However, the Company will continue not to account for its investments in joint ventures in these financial statements as explained in note 24.

IFRS12 Disclosure of Interest in Other Entities

IFRS 12 is a new disclosure standard and is applicable to entities that have investments in joint arrangement. In general, the application of IFRS 12 has resulted in more extensive disclosures in the financial statements. However, the Company will continue not to equity account for its investments in joint ventures in these financial statements as explained in note 24.

3.2 *Standards and Interpretations adopted with no effect on the 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.

- IAS 1 Presentation of Financial Statements - Amendments resulting from Annual Improvements 2009-2011 Cycle (comparative information)
- IAS 28 Investments in Associates - Reissued as IAS 28 Investments in Associates and Joint Ventures (as amended in 2011)
- IAS 32 Financial instruments: Presentation - Amendments resulting from Annual Improvements 2009-2011 Cycle (tax effect of equity distributions)
- IAS 34 Interim Financial Reporting - Amendments resulting from Annual Improvements 2009-2011 Cycle (interim May 2012 reporting of segments assets)
- IFRS 7 Financial instruments: Disclosures - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities
- IFRS 11 Joint arrangements - Amendments to transitional guidance
- IFRS 12 Disclosure of Interest in Other Entities - Amendments to transitional guidance
- IFRS 13 Fair Value Measurement - Original Issue

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

3.3 *New and Revised Standards and Interpretations 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 24 Related Party Disclosures - Amendments resulting from Annual Improvements 2010-2012 Cycle (management entities) (effective 1 July 2014)
- IAS 32 Financial instruments: Presentation - Amendments to application guidance on offsetting of financial assets and financial liabilities (effective 1 January 2014)
- IAS 36 Impairment of Assets - Amendments arising from Recoverable Amount Disclosures for Non-financial Assets (effective 1 January 2014)
- IAS 39 Financial Instruments: Recognition and Measurement - Amendments for novations of derivatives (effective 1 January 2014)
- IAS 39 Financial Instruments: Recognition and Measurement - Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception (effective 1 January 2018)
- IFRS 7 Financial Instruments: Disclosures - Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures (effective 1 January 2018)
- IFRS 7 Financial Instruments: Disclosures - Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9 (effective 1 January 2018)
- IFRS 9 Financial Instruments - Original issue (Classification and measurement of financial assets) (effective 1 January 2018)
- IFRS 9 Financial Instruments - Reissue to include requirements for the classification and measurement of financial liabilities and incorporate existing derecognition requirements (effective 1 January 2018)
- IFRS 9 Financial Instruments - Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures (effective 1 January 2018)
- IFRS 9 Financial Instruments - Reissue to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the 'own credit' gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9 (effective 1 January 2018)
- IFRS 12 Disclosure of Interests in Other Entities - Amendments for investment entities (effective 1 January 2014)
- IFRS 13 Fair Value Measurement - Amendments resulting from Annual Improvements 2011-2013 Cycle (scope of the portfolio exception in paragraph 52) (effective 1 July 2014)
- IFRS 13 Fair Value Measurement - Amendments resulting from Annual Improvements 2010-2012 Cycle (Short term receivables and payables) (Amendments to basis for conclusion only)

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 JUDGMENTS

Critical accounting judgments 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 financial statements.

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 investments in joint ventures

Determining whether investments 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 2014, the directors believe that the carrying values approximate the fair values of these investments and no impairment loss to be recognised in the financial statements.

Fair value of investment held for sale

The Company also holds financial instruments that are not quoted on active markets. At a meeting of the board of directors held on 26 November 2013 of the Company resolved to dispose the investment held in PT Arutmin Indonesia and PT Indocoal Kalsel to Long Haul Holdings Ltd or its nominee at a gross consideration of USD 390 million. At 31 March 2014, the investment held for disposal has been reported at the lower of the carrying amount and fair value less cost to sell.

5. INVESTMENTS IN JOINT VENTURES

	2014 USD	2013 USD
Investments in joint ventures	<u>616,253,431</u>	<u>716,342,528</u>

Details of the investments in joint ventures are as follows:

	Place of incorporation	Number of shares	% Holding 2013 & 2014		Cost 2014 USD	Carrying Value 2014 USD	Cost 2013 USD	Carrying Value 2013 USD
			Direct	Indirect				
PT Arutmin Indonesia	Indonesia	3,000	30%	-	-	-	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
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>618,045,125</u>	<u>616,253,431</u>	<u>718,134,222</u>	<u>716,342,528</u>

BHIRA INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 MARCH 2014

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5. INVESTMENTS IN JOINT VENTURES (CONTINUED)

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

The Company has a 30% shareholding stake in Candice Investments Pte Ltd ("Candice") and an indirect shareholding of 30% in each of its subsidiaries, PT Dwikarya Prima Abadi ("DPA") and PT Marvel Capital Indonesia ("MCI").

In assessing the value of KPC, the Company considered a valuation report dated 31 March 2014 by Tasman Mining, an independent valuer. The value of KPC attributable to the Company was USD963M.

The carrying value of the Company's share of investments in KPC has been recorded at USD 616.22M, being the lower of cost and estimated value in use.

The Company has 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. The pledge on the shares held in Candice, DPA and MCI has been released subsequently.

6. ASSET CLASSIFIED AS HELD FOR SALE

Name of Company	Country of incorporation	Number and type of shares	% Holding	Cost 2014 USD	Cost 2013 USD
PT Arutmin Indonesia	Indonesia	3,000 ordinary shares	30%	100,057,997	-
PT Indocoal Kalsel Resources	Indonesia	60,000 ordinary shares	30%	31,100	-
				<u>100,089,097</u>	<u>-</u>

On 26 November 2013 the Board of directors had approved the disposal of the Company's investment in PT Arutmin Indonesia and Indocoal Kalsel Resources. Subsequently, the Company entered into a conditional agreement on 30 January 2014 for the sale of these shares. Since the investment is expected to be disposed within the next 12 months, the said investments have accordingly been reclassified from non-current assets (Note 5) to asset held for sale at year end.

7. LOAN TO RELATED PARTIES

(a) Long term loans	2014 USD	2013 USD
(i) PT Mitratama Perkasa ("PTMP")		
Opening balance	103,115,678	118,000,000
Upfront fee	-	(5,310,000)
Amortisation income from loan	9,100,629	8,203,615
Loan repayment received	(12,183,974)	(11,077,299)
Interest payment received	(5,944,460)	(5,412,088)
Management fee income received	(1,421,944)	(1,288,550)
Cash in transit	(1,826,492)	-
Closing balance	<u>90,839,437</u>	<u>103,115,678</u>
Classified as:		
-short term	14,420,472	12,480,461
-long term	76,418,965	90,635,217
	<u>90,839,437</u>	<u>103,115,678</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% per annum whilst Loan B carries interest at a rate of LIBOR plus 6.25% per annum and loan management fees of 1.5% per annum. 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.

BHIRA INVESTMENTS LIMITED
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
 FOR THE YEAR ENDED 31 MARCH 2014

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7. LOAN TO RELATED PARTIES (CONTINUED)

<i>(ii) Bhivpuri Investments Limited</i>	2014 USD	2013 USD
Opening balance	-	137,245,058
Reclassified as short term loan	-	(137,245,058)
Closing balance	-	-

(b) Short term loans	2014 USD	2013 USD
(i) Bhivpuri Investments Limited	149,355,079	153,255,079
(ii) PT Mitratama Perkasa	14,420,472	12,480,461
(iii) Tata Power International Pte Ltd	6,200,000	-
(iv) Khopoli Investments Limited	26,952,819	-
	<u>196,928,370</u>	<u>165,735,540</u>

<i>(i) Bhivpuri Investments Limited</i>	2014 USD	2013 USD
Opening balance	153,255,079	-
Reclassified as short term loan	-	137,245,058
Loan granted	-	40,000,000
Loan repaid	(3,900,000)	(23,989,979)
Closing balance	<u>149,355,079</u>	<u>153,255,079</u>

The loan to Bhivpuri Investments Limited is interest free, unsecured and repayable as and when agreed by the parties.

(ii) PT Mitratama Perkasa ("PTMP")

Part of the loan to PTMP (refer to note 7(a)(i)) has been re-classified as current asset since this is due for payment within 1 year.

<i>(iii) Tata Power International Pte Ltd</i>	2014 USD	2013 USD
Opening balance	-	-
Loan granted-interest free	17,330,000	-
Loan repaid	(17,330,000)	-
Loan granted-interest bearing	6,200,000	-
Closing balance	<u>6,200,000</u>	<u>-</u>

(iii) Tata Power International Pte Ltd (continued)

Two loans had been granted to Tata Power International Pte Ltd during the year under review. The loan of USD17,330,000 is unsecured, interest free and repayable on demand. Same was repaid during the year. The loan of USD6,200,000 bears an interest of LIBOR plus 1.50 % per annum and would be repayable on demand.

<i>(iv) Khopoli Investments Limited</i>	2014 USD	2013 USD
Opening balance	-	-
Loan granted	28,512,819	-
Loan repaid	(1,560,000)	-
Closing balance	<u>26,952,819</u>	<u>-</u>

The loan to Khopoli Investments Limited is unsecured, interest free and repayable on demand.

BHIRA INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 MARCH 2014

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8. TRADE AND OTHER RECEIVABLES

	2014	2013
	USD	USD
Interest on loan to related parties	5,080,983	12,111,901
Interest receivable on short-term deposits	33,473	64,614
Prepayments	4,465	2,438
Management fee receivable	21,725,143	4,925,143
Amounts paid at the request of related parties	3,320,603	1,872,169
	<u>30,164,667</u>	<u>18,976,265</u>

The management service fee is receivable from Khopoli Investments Limited, a related company and PT Nusantara Pratama Indah, and it has been agreed by both parties to repay the dues as and when required.

The amounts paid at the request of related parties are unsecured, non-interest bearing and repayable on demand.

<i>Age of receivables</i>	2014	2013
	USD	USD
30 days	1,400,000	1,400,000
31-60 days	2,800,000	2,800,000
60-90 days	2,800,000	12,111,901
90-120 days	2,800,000	-
More than 120 days	17,006,126	725,143
	<u>26,806,126</u>	<u>17,037,044</u>

9. CASH AND CASH EQUIVALENTS

	2014	2013
	USD	USD
Cash in transit	1,826,492	-
Cash at bank	17,427,924	258,424
Short term bank deposits	50,829,293	35,576,948
	<u>70,083,709</u>	<u>35,835,372</u>

The interest rate on short term fixed deposits ranges from 0.45% to 1.2% for the year under review.

10. STATED CAPITAL

	2014	2013
	USD	USD
1,000,000 Ordinary shares of USD1 each	1,000,000	1,000,000
	<u>1,000,000</u>	<u>1,000,000</u>

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

BHIRA INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 MARCH 2014

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11. LOAN FROM RELATED PARTIES

Long term loans	2014	2013
	USD	USD
(a) Khopoli Investments Limited	340,000,000	306,958,095
(b) PT Mitratama Perkasa	118,800,000	118,800,000
	<u>458,800,000</u>	<u>425,758,095</u>
(a) <u>Khopoli Investments Limited</u>	2014	2013
	USD	USD
Opening balance	306,958,095	325,850,003
Loan repaid	-	(18,891,908)
Loan received	33,041,905	-
Closing balance	<u>340,000,000</u>	<u>306,958,095</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 1.11900% to 2.55150% per annum.

(b) PT Mitratama Perkasa ("PTMP")

	2014	2013
	USD	USD
Opening balance	118,800,000	-
Loan received	-	118,800,000
Closing balance	<u>118,800,000</u>	<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 72 months after initial drawdown for Loan B, as defined in the inter company loan agreement entered with PTMP.

Short term loans	2014	2013
	USD	USD
(c) PT Kaltim Prima Coal	39,019,139	38,956,155
(d) PT Arutmin Indonesia	48,924,761	43,567,618
(e) PT Dwikarya Prima Abadi	12,981,901	-
	<u>100,925,801</u>	<u>82,523,773</u>

(c) 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 to the Company. 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.

For the year ended 31 March 2014, the Company had received dividend income amounting to USD74,268,838 from KPC (2013: USD58,333,333). USD66,841,954 (dividend amount, as reduced by withholding tax in Indonesia) was netted off against the loan from KPC for the year ended 31 March 2014.

	2014	2013
	USD	USD
Opening balance	38,956,155	34,800,000
Loan received	66,904,938	56,656,155
Dividend income (net of withholding tax)	(66,841,954)	(52,500,000)
Closing balance	<u>39,019,139</u>	<u>38,956,155</u>

11. LOAN FROM RELATED PARTIES (CONTINUED)

(d) 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 to the Company. 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.

	2014 USD	2013 USD
Opening balance	43,567,618	6,496,189
Loan received	5,357,143	37,071,429
Closing balance	<u>48,924,761</u>	<u>43,567,618</u>

(e) PT Dwikarya Prima Abadi ("Dwikarya")

The Company entered into an inter-company loan facility agreement dated 24 March 2014 with Dwikarya having effective date 24 March 2014. Pursuant to the agreement, Dwikarya has agreed to grant a loan facility of up to USD27,900,000 to the Company. The loan is unsecured, repayable on demand only out of dividend received by the Company from Dwikarya and carries interest at the rate of 1 month LIBOR plus margin of 2% per annum.

	2014 USD	2013 USD
Opening balance	-	-
Loan received	12,981,901	-
Closing balance	<u>12,981,901</u>	<u>-</u>

12. SUBORDINATED NOTE DUE 2071

	2014 USD	2013 USD
Opening balance	460,960,428	460,554,729
Amortisation charge	38,691,725	38,655,699
Interest paid	(38,250,000)	(38,250,000)
	<u>461,402,153</u>	<u>460,960,428</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 for USD900M. The transaction costs incurred at the time of issue will be amortised over 10 years from the issuance date.

13. OTHER PAYABLES

	2014 USD	2013 USD
Dividend payable	10,000,000	-
Accruals	91,371	49,041
Interest on loan from related parties	17,195,893	8,146,396
Expenses incurred by related parties on behalf of the Company	-	7,625,346
Other payables to shareholder	641,893	635,998
Other payables to related party	55,869	2,500
Other payables	10,349	-
	<u>27,995,375</u>	<u>16,459,281</u>

Payments of the interest on loans are made as and when required. Expenses incurred by related parties on behalf of the Company are unsecured, interest free and made as and when required.

14. SERVICE FEE INCOME

The Company received technical service fee income from PT Kaltim Prima Coal amounting USD1,000,000 per month in the previous year. The technical services agreement was terminated with effect from 1 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 was entitled to receive a one-time management fee income of USD4,185,000. For the year ended 31 March 2014, the Company had not received any management fee income (2013: USD3,459,857).

(ii) Pursuant to a Subcontracting Agreement dated 1 August 2012 (the "Subcontracting Agreement") entered with Khopoli Investments Limited ("Khopoli"), Khopoli has subcontracted the provision of management support services to the Company in return for a fee of USD1,400,000 per month.

For the year ended 31 March 2014, the Company had received a management fee income of USD16,800,000 (2013: USD15,385,000).

16. DONATION

On 18 August 2012, the Company had also 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.

During the year ended 31 March 2014, the Company had contributed USD750,000 (2013: USD750,000) towards the development of MIT.

17. SERVICE FEE EXPENSE

Pursuant to a 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, management of currency and interest rate markets. The Company pays service fee expense as agreed between parties from time to time. For the year ended 31 March 2014, the Company had incurred a service fee expense of USD1,084,610 (2013: USD1,371,667).

18. GUARANTEE COMMISSION

Guarantee commission represent arm's length fees payable to the holding company for acting as guarantor for the issue of subordinated notes contracted by the Company (see Note 11). For the year ended 31 March 2014, the Company had incurred a guarantee commission of USD1,349,998 (2013: USD1,350,000).

19. TAXATION

The Company is liable to income tax on its chargeable income at the rate of 15%. (2013:15%) 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 not subject to tax in Mauritius.

The Company had a tax charge of USD7,426,884 for the year under review (2013: USD6,033,333).

BHIRA INVESTMENTS LIMITED
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
 FOR THE YEAR ENDED 31 MARCH 2014

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19. TAXATION (CONTINUED)

	2014	2013
	USD	USD
Profit before taxation	<u>41,418,449</u>	<u>29,096,156</u>
Tax at the applicable rate of 15%	6,212,767	4,364,423
Tax effect of :		
- Exempt income	-	(4)
-Taxable income	1,172,055	-
-Non taxable income	(1,365,094)	(1,230,543)
-Other allowable expenses	(5,817,187)	(5,817,187)
-Non allowable expenses	8,181,310	8,021,291
-Withholding tax suffered	7,426,884	6,033,333
-Foreign tax credit	<u>(8,383,851)</u>	<u>(5,337,980)</u>
Tax charge	<u>7,426,884</u>	<u>6,033,333</u>

20. RELATED PARTY TRANSACTIONS

For the year under review, the Company transacted with related parties. Details of the nature, volume of transactions and the balances with the related parties are as follows:

	2014	2013
	USD	USD
<i>Transactions</i>		
(a) <i>International Financial Services Limited</i>		
Professional fees	<u>-</u>	<u>64,730</u>

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

	2014	2013
	USD	USD
(b) <i>Khopoli Investments Limited</i>		
Disposal of investment	<u>-</u>	<u>3,190,000</u>

During the year ended 31 March 2013, the Company had disposed its investments held in Trust Energy Resources Pte Ltd to Khopoli Investments Limited at cost.

	2014		2013	
	USD	USD	USD	USD
(c) (i) <i>Payable to The Tata Power Company Limited</i>				
<i>Opening balance:</i>				
-Loan payable	-		(200,000,000)	
-Guarantee commission and service fee payable	<u>(635,998)</u>	<u>(635,998)</u>	<u>(633,277)</u>	<u>(200,633,277)</u>
<i>Movement:</i>				
Interest expense	-		(2,444,444)	
Guarantee commission	1,349,998		(1,350,000)	
Service fee expense	1,084,610		(1,371,667)	
Dividend declared	35,000,000			
Dividend paid	(25,000,000)			
Loan repayment received	-		205,113,390	
Expenses paid on behalf of the shareholder	<u>(2,428,713)</u>	<u>(10,005,895)</u>	<u>50,000</u>	<u>199,997,279</u>
<i>Closing balance:</i>				
-Dividend payable	(10,000,000)			
-Guarantee commission and service fee payable	<u>(641,893)</u>	<u>(10,641,893)</u>	<u>(635,998)</u>	<u>(635,998)</u>
		<u>(10,641,893)</u>		<u>(635,998)</u>

BHIRA INVESTMENTS LIMITED
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
 FOR THE YEAR ENDED 31 MARCH 2014

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20. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) (ii) (Payable to) / Receivable from Khopoli Investments Limited ("Khopoli")	2014		2013	
	USD	USD	USD	USD
Opening balance:				
-Loan payable	(306,958,095)		(325,850,003)	
-Loan receivable	-		-	
-Interest payable	(169,808)		(282,253)	
-Management fee receivable	4,200,000		-	
-Other receivable	1,872,169		176,332	
-Other payable	(430,282)	(301,486,016)	-	(325,955,924)
Movement:				
Interest expense	(4,914,150)		5,999,195	
Loan repayment received	(1,560,000)		(18,891,908)	
Loan received	(33,041,905)		-	
Loan granted	28,512,819		-	
Interest paid	4,879,231		(6,111,639)	
Hedging cost paid	2,110,388		-	
Management fee income	16,800,000		(4,200,000)	
Hedging cost	(1,734,890)		430,281	
Expenses paid on behalf of Khopoli	1,366,541	12,418,034	(1,695,837)	24,469,908
Closing balance:				
-Loan payable	(340,000,000)		(306,958,095)	
-Loan receivable	26,952,819		-	
-Interest payable	(204,727)		(169,808)	
-Management fee receivable	21,000,000		4,200,000	
-Other receivable	3,238,710		1,872,169	
-Other payable	(54,784)	(289,067,982)	(430,282)	(301,486,016)
		<u>(289,067,982)</u>		<u>(301,486,016)</u>
(c) (iii) Receivable from Tata Power International Pte Ltd				
Opening balance:				
Movement:				
Interest income	28,345		-	
Loan given	23,530,000		-	
Loan paid	(17,330,000)	6,228,345	-	
Closing balance:				
Interest receivable	28,345		-	
Loan	6,200,000	6,228,345	-	
		<u>6,228,345</u>		<u>-</u>

BHIRA INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 MARCH 2014

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20. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) (iv) (Payable to)/Receivable from
Bhivpuri Investments Limited
 ("Bhivpuri")

	2014		2013	
	USD	USD	USD	USD
Opening balance:				
-Loan	153,255,079		137,245,057	
-Interest receivable	12,111,901		5,907,646	
-Other payable	(7,187,215)	158,179,765	(22,752,858)	120,399,845
Movement:				
Interest income	-		6,204,254	
Expenses paid by the Company	209,846		565,645	
Repayment of other payable	-		15,000,000	
Interest receivable netted	(7,059,263)		-	
Other payables netted off	7,059,263		-	
Loan given	-		40,000,000	
Loan repayment received	(3,900,000)	(3,690,154)	(23,989,979)	37,779,920
Closing balance:				
-Loan	149,355,079		153,255,079	
-Interest receivable	5,052,638		12,111,901	
-Other receivable	81,894	154,489,611	(7,187,215)	158,179,765
		<u>154,489,611</u>		<u>158,179,765</u>

(c) (v) Payable to PT Dwikarya Prima Abadi

Opening balance:	-	-	-	-
Movement:				
Interest expense	(5,440)			
Loan received	(12,981,901)	(12,987,341)	-	-
Closing balance:				
-Interest payable	(5,440)			
-Loan	(12,981,901)	(12,987,341)	-	-
		<u>(12,987,341)</u>		<u>-</u>

(c) (vi) (Payable to)/Receivable from PT
 Mitratama Perkasa ("PTMP")

Opening balance:				
-Loan to PTMP	103,115,678		-	
-Interest payable	(6,161,929)		-	
-Loan from PTMP	(118,800,000)	(21,846,251)	-	-
Movement:				
Loan received	-		(118,800,000)	
Loan granted	-		118,000,000	
Amortisation of loan income	9,100,629		8,203,615	
Upfront fee received	-		(5,310,000)	
Loan repayment received	(12,183,974)		(11,077,299)	
Interest received	(5,944,460)		(5,412,088)	
Interest expense	(7,673,271)		(6,161,929)	
Loan management fee received	(1,421,944)		(1,288,550)	
Other receivable	(1,826,492)	(19,949,512)	-	(21,846,251)
Closing balance:				
-Loan to PTMP	90,839,437		103,115,678	
-Interest payable	(13,835,200)		(6,161,929)	
-Loan from PTMP	(118,800,000)	(41,795,763)	(118,800,000)	(21,846,251)
		<u>(41,795,763)</u>		<u>(21,846,251)</u>

20. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) (vii) (Payable to) / Receivable from PT Kaltim Prima Coal	2014		2013	
	USD	USD	USD	USD
Opening balance:				
-Loan	(38,956,155)		(34,800,000)	
-Interest payable	(493,586)		(354,395)	
-Service fee receivable	-	(39,449,741)	900,000	(34,254,395)
Movement:				
Service fee	-		2,000,000	
Withholding tax	-		(200,000)	
Service fee received	-		(1,800,000)	
Loan received	(66,904,938)		(56,656,155)	
Dividend income netted off	66,841,954		52,500,000	
Interest expense	(1,031,451)		(1,398,933)	
Interest paid	792,462		359,742	
Other payable	(3,077)	(305,050)	-	(5,195,346)
Closing balance:				
-Loan payable	(39,019,139)		(38,956,155)	
-Interest payable	(732,575)		(493,586)	
-Other payable	(3,077)	(39,754,791)	-	(39,449,741)
		<u>(39,754,791)</u>		<u>(39,449,741)</u>

(c) (viii) Payable to PT Arutmin Indonesia

Opening balance:				
-Loan payable	(43,567,618)		(6,496,188)	
-Interest payable	(1,321,073)	(44,888,691)	(329,905)	(6,826,093)
Movement:				
Loan received	(5,357,143)		(37,071,429)	
Interest expense	(1,096,878)	(6,454,021)	(991,169)	(38,062,598)
Closing balance:				
-Loan payable	(48,924,761)		(43,567,618)	
-Interest payable	(2,417,951)	(51,342,712)	(1,321,073)	(44,888,691)
		<u>(51,342,712)</u>		<u>(44,888,691)</u>

Compensation to key management personnel

No compensation has been paid to key management personnel during the year ended 31 March 2014 (2013: Nil).

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.

BHIRA INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 MARCH 2014

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21. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

Gearing ratio

The gearing ratio at the year end was as follows:

	2014 USD	2013 USD
Debt (i)	1,021,127,954	969,242,296
Cash and cash equivalents	(70,083,709)	(35,835,372)
Net debt	<u>951,044,245</u>	<u>933,406,924</u>
Equity	1,000,000	1,000,000
Reserves	39,814,910	40,823,345
	<u>40,814,910</u>	<u>41,823,345</u>
Net debt to equity ratio	<u>2,330%</u>	<u>2,232%</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

	2014 USD	2013 USD
Financial assets		
Loans and receivables (including cash and cash equivalents)	<u>373,591,246</u>	<u>311,179,956</u>
Financial liabilities		
Amortised cost	<u>1,049,123,329</u>	<u>985,701,577</u>

Prepayments amounting to USD4,465 (2013: USD2,438) do not form part of 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) *Market risk*

Market risk is the risk that changes in market prices, such as (i) foreign exchange rates (currency risk) and (ii) interest rates (interest rate risk) will affect the Company's income or the value of its holdings of financial instruments. The Company takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(ii) *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.

21. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

All investments are financed by loan from related parties and the shareholder and proceeds from subordinated note. The Company's financial assets except trade and other receivables, loans to Bhivpuri Investments Limited and Khopoli Investments Limited and cash and cash equivalents 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 would be as follows:

	5% increase 2014 USD	5% decrease 2014 USD	5% increase 2013 USD	5% decrease 2013 USD
Interest expense on loan	<u>(736,060)</u>	<u>736,060</u>	<u>(727,561)</u>	<u>727,561</u>
Effect on profit before tax	<u>(736,060)</u>	<u>736,060</u>	<u>(727,561)</u>	<u>727,561</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 2014 USD	5% decrease 2014 USD	5% increase 2013 USD	5% decrease 2013 USD
Bank interest income	<u>(9,421)</u>	<u>9,421</u>	<u>(81,132)</u>	<u>81,132</u>
Effect on profit before tax	<u>(9,421)</u>	<u>9,421</u>	<u>(81,132)</u>	<u>81,132</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 parties would be as follows:

	5% increase 2014 USD	5% decrease 2014 USD	5% increase 2013 USD	5% decrease 2013 USD
Interest income on loan	<u>(1,417)</u>	<u>1,417</u>	<u>(410,181)</u>	<u>310,213</u>
Effect on profit before tax	<u>(1,417)</u>	<u>1,417</u>	<u>(410,181)</u>	<u>310,213</u>

(iv) 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	2014 USD	2013 USD
Loan receivable	273,347,335	256,370,757
Interest receivable on loan	5,080,983	12,111,901
Interest receivable on short term deposits	33,473	64,614
Management fee income receivable	21,275,143	4,925,143
Expenses paid on behalf of related parties	<u>3,320,603</u>	<u>1,872,169</u>
	<u>303,057,537</u>	<u>275,344,584</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)

(v) *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	More than 1 year USD	Total USD
2014			
Financial assets			
Non-interest bearing	206,468,100	-	206,468,100
Variable interest rate instruments	90,704,181	76,418,965	167,123,146
	<u>297,172,281</u>	<u>76,418,965</u>	<u>373,591,246</u>
Financial liabilities			
Non-interest bearing	27,995,375	-	27,995,375
Variable interest rate instruments	100,925,801	458,800,000	559,725,801
Fixed interest rate instruments	-	461,402,153	461,402,153
	<u>128,921,176</u>	<u>920,202,153</u>	<u>1,049,123,329</u>
	Less than 1 year USD	More than 1 year USD	Total USD
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>

(v) *Fair values*

The Company's financial assets and liabilities include cash and cash equivalents, trade and other receivables, loan to and from related parties, subordinated note and other payables.

Except where stated otherwise, the carrying amounts of these financial assets and financial liabilities approximate their fair values which would have been included in level 3.

22. DIVIDEND PAID

During the year, an interim dividend of USD35 per share had been declared by the directors at the Board meetings held on 28 June 2013 and 28 March 2014 for a total of USD35,000,000, out of which USD25,000,000 has been paid.

23. 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.

24. NON COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) 11 INTERESTS IN JOINT ARRANGEMENTS AND IFRS 12 DISCLOSURE OF INTERESTS IN OTHER ENTITIES

IFRS 11 requires a parent company that holds investments in joint ventures to apply the equity method for accounting its investments. However, the Company has not applied the equity method for accounting its joint venture in these financial statements which are being presented on a standalone basis. The investee companies' financial statements are being consolidated at group level in the Company's parent financial statements.

IFRS 12 Disclosure of Interests in Other Entities requires the parent company to make additional disclosures on its joint ventures. However the Company had not applied IFRS 12 given the non availability of information on its joint ventures at 31 March 2014.

25. CONTINGENCIES AND COMMITMENT

Contingencies

The Company's share of contingent claims arising on its 30% investments in joint ventures as at 31 March 2014 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 issue of Offset of Royalty with VAT Input, is one where the outcome could be substantial. The contingent liability on this account is approximately USD100.40M (2013: USD117.85M).

(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 issue of Offset of Royalty with VAT Input, is one where the outcome could be substantial. The contingent liability on this account is approximately USD219.36M (2013: USD259.17M).

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

Commitments

On 14 May 2012, the Board of Directors (the "Board") had approved the buying out of Indocoal Resources (Cayman) Limited ("Indocoal") at the price that would be equivalent to the cost at which Indocoal was held in the books of Bhivpuri Investments Limited which was approximately USD432 million. However, Bhivpuri has entered into an agreement on 30 January 2014 for the sale of Indocoal Resources (Cayman) Limited. Consequently, the commitment will be contingent if buyer under the sale agreement does not proceed with the purchase of Indocoal.

On 6 December 2013, the Board approved rights issue of equity shares by PT Kaltim Prima Coal ("KPC") and PT Indocoal Kaltim Resources ("Indocoal Kaltim") and had authorised the Company to subscribe to 30% of the shares issued by KPC and Indocoal Kaltim as part of the rights issues to maintain its 30% stake in KPC and Indocoal Kaltim.

BHIRA INVESTMENTS LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2014

	Year ended March, 2014	Exchange Rate	Amount	Year ended March, 2013	Exchange Rate	Amount
	USD		₹	USD		₹
INCOME						
Dividend income	74,268,838	60.50	4,493,264,699	58,333,333	54.45	3,176,249,982
Bank interest income	188,426	60.50	11,399,773	1,622,647	54.45	88,353,129
Interest income on loan	28,345	60.50	1,714,873	6,204,254	54.45	337,821,630
Loan amortisation income	9,100,629	60.50	550,588,055	8,203,615	54.45	446,686,837
Management fees income	16,800,000	60.50	1,016,400,000	15,385,000	54.45	837,713,250
Service fee	-	60.50	-	2,000,000	54.45	108,900,000
Other income	674	60.50	40,777	161,753	54.45	8,807,451
	<u>100,386,912</u>	60.50	<u>6,073,408,176</u>	<u>91,910,602</u>		<u>5,004,532,279</u>
OPERATING EXPENSES						
License fees	2,100	60.50	127,050	1,775	54.45	96,649
Audit fees	25,724	60.50	1,556,302	25,091	54.45	1,366,205
Bank charges	17,254	60.50	1,043,867	16,651	54.45	906,647
Interest expense on loan	14,721,190	60.50	890,631,995	16,995,669	54.45	925,414,177
Amortisation of subordinated note	38,691,725	60.50	2,340,849,363	38,655,699	54.45	2,104,802,811
Legal and professional fees	590,907	60.50	35,749,874	1,352,997	54.45	73,670,687
Donation	750,000	60.50	45,375,000	1,310,000	54.45	71,329,500
Service fee expense	1,084,610	60.50	65,618,905	1,371,667	54.45	74,687,268
Guarantee commission	1,349,998	60.50	81,674,879	1,350,000	54.45	73,507,500
Hedging costs	1,734,890	60.50	104,960,845	1,734,890	54.45	94,464,761
Interest income written off	65	60.50	3,933	-	54.45	-
Foreign exchange loss	-	60.50	-	7	54.45	381
	<u>58,968,463</u>	60.50	<u>3,567,592,012</u>	<u>62,814,446</u>	54.45	<u>3,420,246,585</u>
PROFIT BEFORE TAXATION	41,418,449	60.50	2,505,816,165	29,096,156	54.45	1,584,285,694
Taxation	(7,426,884)	60.50	(449,326,482)	(6,033,333)	54.45	(328,514,982)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>33,991,565</u>	60.50	<u>2,056,489,683</u>	<u>23,062,823</u>	54.45	<u>1,255,770,712</u>

BHIRA INVESTMENTS LIMITED
STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2014

	As at March, 2014	Exchange Rate	Amount	As at March, 2013	Exchange Rate	Amount
	USD		₹	USD		₹
ASSETS						
<u>Non current assets</u>						
Interest in joint ventures	616,253,431	59.89	36,907,417,983	716,342,528	54.38	38,954,706,673
Loan to related party	76,418,965	59.89	4,576,731,814	90,635,217	54.38	4,928,743,100
	<u>692,672,396</u>	59.89	<u>41,484,149,796</u>	<u>806,977,745</u>	54.38	<u>43,883,449,773</u>
<u>Current assets</u>						
Loans to related parties	196,928,370	59.89	11,794,040,079	165,735,540	54.38	9,012,698,665
Trade and other receivables	30,164,667	59.89	1,806,561,907	18,976,265	54.38	1,031,929,291
Cash and cash equivalents	70,083,709	59.89	4,197,313,332	35,835,372	54.38	1,948,727,529
	<u>297,176,746</u>	59.89	<u>17,797,915,318</u>	<u>220,547,177</u>	54.38	<u>11,993,355,485</u>
<u>Assets classified as held for sale</u>						
Investments in joint ventures	100,089,097	59.89	5,994,336,019	-	54.38	-
	<u>100,089,097</u>	59.89	<u>5,994,336,019</u>	<u>-</u>	54.38	<u>-</u>
Total assets	<u>1,089,938,239</u>	59.89	<u>65,276,401,134</u>	<u>1,027,524,922</u>	54.38	<u>55,876,805,258</u>
EQUITY AND LIABILITIES						
<u>Capital and reserves</u>						
Stated capital	1,000,000	41.00	41,000,000	1,000,000	41.00	41,000,000
Retained earnings	39,814,910	56.05	2,231,535,516	40,823,345	56.16	2,292,545,834
Foreign Currency Translation Reserves	-		171,869,443	-		(59,192,333)
Total equity	<u>40,814,910</u>	59.89	<u>2,444,404,960</u>	<u>41,823,345</u>	54.38	<u>2,274,353,501</u>
<u>Non current liabilities</u>						
Loan from related party	458,800,000	59.89	27,477,532,000	425,758,095	54.38	23,152,725,206
Subordinated notes due 2071	461,402,153	59.89	27,633,374,943	460,960,428	54.38	25,067,028,075
	<u>920,202,153</u>	59.89	<u>55,110,906,943</u>	<u>886,718,523</u>	54.38	<u>48,219,753,281</u>
<u>Current liabilities</u>						
Other payables	27,995,375	59.89	1,676,643,009	16,459,281	54.38	895,055,701
Loan from related parties	100,925,801	59.89	6,044,446,222	82,523,773	54.38	4,487,642,776
	<u>128,921,176</u>	59.89	<u>7,721,089,231</u>	<u>98,983,054</u>	54.38	<u>5,382,698,477</u>
Total equity and liabilities	<u>1,089,938,239</u>	59.89	<u>65,276,401,134</u>	<u>1,027,524,922</u>	54.38	<u>55,876,805,258</u>

BHIRA INVESTMENTS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2014

	Stated Capital	Exchange Rate	Amount	Retained earnings	Exchange Rate	Amount	Total	Exchange Rate	Amount
	USD		₹	USD		₹	USD		₹
At 1 April 2012	1,000,000	41.00	41,000,000	17,760,522	58.38	1,036,775,122	18,760,522	57.45	1,077,775,122
Profit and total comprehensive income for the year	-		-	23,062,823	54.45	1,255,770,712	23,062,823	54.45	1,255,770,712
At 31 March 2013	1,000,000	41.00	41,000,000	40,823,345	56.16	2,292,545,834	41,823,345	55.80	2,333,545,834
Profit and total comprehensive income for the year	-		-	33,991,565	60.50	2,056,489,683	33,991,565	60.50	2,056,489,683
Dividend	-		-	(35,000,000)	60.50	(2,117,500,000)	(35,000,000)	60.50	(2,117,500,000)
At 31 March 2014	1,000,000	41.00	41,000,000	39,814,910	56.05	2,231,535,516	40,814,910	55.68	2,272,535,516

BHIRA INVESTMENTS LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2014

	Year ended March,2014	Exchange Rate	Amount	Year ended March,2013	Exchange Rate	Amount
	USD		₹	USD		₹
Cash flows from operating activities						
Profit before taxation	41,418,449	60.50	2,505,816,165	29,096,156	54.45	1,584,285,694
<i>Adjustments for:</i>						
Bank interest income	(188,426)	60.50	(11,399,773)	(1,622,647)	54.45	(88,353,129)
Interest income on loan	(28,345)	60.50	(1,714,873)	(6,204,254)	54.45	(337,821,630)
Loan amortisation income	(9,100,629)	60.50	(550,588,055)	(8,203,615)	54.45	(446,686,837)
Interest expense on loan	14,721,190	60.50	890,631,995	16,995,669	54.45	925,414,177
Amortisation of subordinated note	38,691,725	60.50	2,340,849,363	38,655,699	54.45	2,104,802,811
Dividend income	(66,841,954)	60.50	(4,043,938,217)	(52,500,000)	54.45	(2,858,625,000)
	<u>18,672,010</u>	60.50	<u>1,129,656,605</u>	<u>16,217,008</u>	54.45	<u>883,016,086</u>
<i>Movement in working capital :</i>						
Increase/(decrease) in trade and other receivables	(9,364,706)	60.50	(566,564,713)	(5,721,230)	54.45	(311,520,974)
Increase/(decrease) in payables	<u>(7,513,403)</u>	60.50	<u>(454,560,882)</u>	<u>(16,615,051)</u>	54.45	<u>(904,689,527)</u>
Cash generated from / (used in) operating activities	<u>1,793,901</u>	60.50	<u>108,531,011</u>	<u>(6,119,273)</u>	54.45	<u>(333,194,415)</u>
Withholding tax suffered	(7,426,884)	60.50	(449,326,482)	(6,033,333)	54.45	(328,514,982)
Net cash used in operating activities	<u>(5,632,983)</u>	60.50	<u>(340,795,472)</u>	<u>(12,152,606)</u>	54.45	<u>(661,709,397)</u>
Cash flows from investing activities						
Bank interest received	219,567	60.50	13,283,804	-	54.45	-
Purchase of investments	-	60.50	-	(3,190,000)	54.45	(173,695,500)
Disposal of investments	-	60.50	-	3,190,000	54.45	173,695,500
Net cash generated from investing activities	<u>219,567</u>	60.50	<u>13,283,804</u>	<u>-</u>	54.45	<u>-</u>
Cash flows from financing activities						
Upfront fee received	-	60.50	-	5,310,000	54.45	289,129,500
Loan management fees income received	1,421,944	60.50	86,027,612	1,288,550	54.45	70,161,548
Dividend paid	(25,000,000)	60.50	(1,512,500,000)	1,680,340	54.45	91,494,513
Interest paid	(5,671,693)	60.50	(343,137,427)	(9,815,825)	54.45	(534,471,671)
Interest on subordinated note	(38,250,000)	60.50	(2,314,125,000)	(38,250,000)	54.45	(2,082,712,500)
Loan repaid to related party	-	60.50	-	(18,891,908)	54.45	(1,028,664,391)
Loan from related party	95,683,068	60.50	5,788,825,614	94,527,584	54.45	5,147,026,949
Interest received on loan	5,944,460	60.50	359,639,830	5,412,088	54.45	294,688,192
Loan to related party	(29,440,000)	60.50	(1,781,120,000)	(40,000,000)	54.45	(2,178,000,000)
Loan repaid by related party	34,973,974	60.50	2,115,925,427	35,067,278	54.45	1,909,413,287
Loan repaid to shareholder	-	60.50	-	(200,000,000)	54.45	(10,890,000,000)
Net cash generated from / (used in) financing activities	<u>39,661,753</u>	60.50	<u>2,399,536,057</u>	<u>(163,671,893)</u>	54.45	<u>(8,911,934,574)</u>
Net increase / (decrease) in cash and cash equivalents	<u>34,248,337</u>	60.50	<u>2,072,024,389</u>	<u>(175,824,499)</u>	54.45	<u>(9,573,643,971)</u>
Cash and cash equivalents at beginning of year	35,835,372	54.38	1,948,727,529	211,659,871	51.19	10,834,868,796
Effect of exchange fluctuation on cash and cash equivalents			176,561,414			687,502,703
Cash and cash equivalents at end of the year	<u>70,083,709</u>	59.89	<u>4,197,313,332</u>	<u>35,835,372</u>	54.38	<u>1,948,727,529</u>