

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

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

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		Date of appointment	Date of resignation
<b>DIRECTORS:</b>	Kapildeo Joory	17 May 2012	7 March 2014
	Couldiplall Basanta Lala	17 May 2012	7 March 2014
	Fareed Soreefan	26 September 2012	-
	Zakir Niamut	7 March 2014	-
	Sameema Nobeebux	7 March 2014	-
	Anil Kumar Sardana	31 January 2011	19 May 2014
	Ramakrishnan Sowmyan	18 May 2007	28 February 2014
	Deepak Kumar Mahendra	11 September 2013	7 March 2014
	(Permanent Alternate Director to Anil Kumar Sardana)		
	Deepak Kumar Mahendra	7 March 2014	-
	Hardeep Singh Guru	11 September 2013	28 February 2014
	(Permanent Alternate Director to Ramakrishnan Sowmyan)		
	Hardeep Singh Guru	7 March 2014	19 May 2014
	(Permanent Alternate Director to Anil Kumar Sardana)		
	Miti Vaidya	7 March 2014	-
	(Permanent Alternate Director to Deepak Kumar Mahendra)		
	Sanjay Dube	29 October 2012	11 September 2013
	(Permanent alternate director to Mr Anil Sardana)		

**REGISTERED OFFICE:** IFS Court, TwentyEight  
Cybercity  
Ebene  
Mauritius

**SECRETARY:** International Financial Services Limited  
IFS Court, TwentyEight  
Cybercity  
Ebene  
Mauritius

**BANKER:** HSBC Bank (Mauritius) Limited  
6th Floor, HSBC Centre  
18 Cybercity  
Ebene  
Mauritius

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

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

#### **PRINCIPAL ACTIVITY**

The principal activities of the Company are that of investment holding and 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.

#### **DIRECTORS**

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

#### **DIVIDENDS**

No dividend have been declared nor paid during the year ended 31 March 2014 (2013: USD55,000,000).

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

Company law requires the directors to prepare financial statements, 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 apply them consistently;
- make judgments 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 in the foreseeable future.

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.

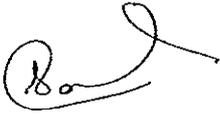
The directors have confirmed that they have complied with the above requirements in preparing the financial statements.

#### **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**

We certify that, to the best of our knowledge and belief, we have filed with the Registrar of Companies all such returns as are required of Bhivpuri Investments Limited under the Mauritius Companies Act 2001 for the year ended 31 March 2014.



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**For International Financial Services Limited  
Secretary**

**Registered Office:**  
IFS Court  
TwentyEight  
Cybercity  
Ebene  
Mauritius

**Date: 26 May 2014**

## Independent auditor's report to the shareholder of Bhivpuri 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 **Bhivpuri Investments Limited** on pages 7 to 28 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 18 the Company has not met the specific exemption requirements and has stated its investments in joint ventures amounting to USD432,320,685 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.

In addition, in the absence of relevant information and explanations, we have not been able to assess whether the carrying value of the investment in joint venture now classified as held for sale as at 31 March 2014, amounting to USD432,320,685 is appropriate as per the requirement of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*

#### *Opinion*

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion paragraph, the financial statements on pages 7 to 28 do not give a true and fair view of the financial position of **Bhivpuri 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.

**Independent auditor's report to the shareholder of  
Bhivpuri Investments Limited (Cont'd)**

**Emphasis of matter - going concern**

We draw attention to note 20 in the financial statements which indicates that, at 31 March 2014, the company had net current liabilities of USD 241,170,807 excluding investment in joint venture held for sale. These conditions, along with the matters as set out in note 20 indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements have been prepared on a going concern basis, the validity of which depends upon continued availability of debt facilities and funds being made available by the ultimate holding company. The financial statements do not include any adjustments that would result from non availability of finance.

**Report on other legal requirements**

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

- we have no relationship with, or interests in, the company other than in our capacity as 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 5, 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

26 May 2014

  
Pradeep Malik, FCA  
Licensed by FRC

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

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		2014	2013
		USD	USD
<b>INCOME</b>	Notes		
Management fee income	13	-	20,000,000
Interest income on loan		61,901	71,034
Interest income on bank account		47	5
Other income		-	501
		<u>61,948</u>	<u>20,071,540</u>
<b>EXPENSES</b>			
Licence fees		2,100	2,276
Audit fees		18,452	66,681
Bank charges		828	2,519
Finance cost		-	6,204,255
Accounting fees		-	14,567
Foreign exchange loss		-	1,214
TRC renewal fees		200	-
Legal and professional fees		167,428	297,485
VAT irrecoverable		-	3,468
		<u>189,008</u>	<u>6,592,465</u>
<b>(LOSS) / PROFIT BEFORE TAXATION</b>		(127,060)	13,479,075
Taxation	14	-	(2,290,220)
<b>(LOSS) / PROFIT FOR THE YEAR</b>		(127,060)	11,188,855
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR</b>		<u>(127,060)</u>	<u>11,188,855</u>

The notes on pages 11 to 28 form an integral part of these financial statements.  
The independent audit report is on pages 5 and 6.

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

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		2014 USD	2013 USD
<b>ASSETS</b>			
<u>Non current asset</u>			
Investment in Joint Venture	5	-	432,320,685
		-	432,320,685
<u>Current assets</u>			
Loan to related party	7	600,000	4,500,000
Trade and other receivables	8	1,003,550	8,126,839
Cash and cash equivalents	9	68,092	68,872
		1,671,642	12,695,711
<u>Asset classified as held for sale</u>			
Investment in Joint Venture	6	432,320,685	-
<b>Total assets</b>		<b>433,992,327</b>	<b>445,016,396</b>
<b>EQUITY AND LIABILITIES</b>			
<u>Capital and reserves</u>			
Stated capital	10	1,000,000	1,000,000
Retained earnings		190,149,878	190,276,938
<b>Total equity</b>		<b>191,149,878</b>	<b>191,276,938</b>
<u>Current liabilities</u>			
Loan from related parties	11	237,170,452	241,070,452
Other payables	12	5,169,866	12,144,694
Taxation	14	502,131	524,312
		242,842,449	253,739,458
<b>Total equity and liabilities</b>		<b>433,992,327</b>	<b>445,016,396</b>

Approved by the Board of Directors and authorised for issue on 26 May 2014

.....  
Director

.....  
Director

The notes on pages 11 to 28 form an integral part of these financial statements.  
The independent audit report is on pages 5 and 6.

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

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	Note	Stated capital USD	Retained earnings USD	Total USD
At 1 April 2012		1,000,000	234,088,083	235,088,083
Profit for the year and total comprehensive income		-	11,188,855	11,188,855
Dividend	19	-	(55,000,000)	(55,000,000)
At 31 March 2013		1,000,000	190,276,938	191,276,938
Loss for the year and total comprehensive loss		-	(127,060)	(127,060)
At 31 March 2014		1,000,000	190,149,878	191,149,878

The notes on pages 11 to 28 form an integral part of these financial statements.  
The independent audit report is on pages 5 and 6.

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

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	2014	2013
	USD	USD
<b>Cash flows from operating activities</b>		
(Loss)/profit before taxation	(127,060)	13,479,075
<i>Adjustments for:</i>		
Bank interest income	(47)	(5)
Interest income on loan	(61,901)	(71,034)
Loan interest expense	-	6,204,255
	<u>(189,008)</u>	<u>19,612,291</u>
<b>Movement in working capital:</b>		
Decrease in trade and other receivables	103,745	21,615,486
Increase/(decrease) in other payables	84,436	(9,955)
<b>Cash (used in)/generated from operating activities</b>	(827)	41,217,822
Withholding tax suffered	-	(2,000,000)
Tax paid	-	(160,968)
<b>Net cash (used in)/generated from operating activities</b>	<u>(827)</u>	<u>39,056,854</u>
<b>Cash flows from investing activities</b>		
Interest received	47	5
Loan repayment received	3,900,000	-
Loan received	-	40,000,000
<b>Net cash generated from investing activities</b>	<u>3,900,047</u>	<u>40,000,005</u>
<b>Cash flows from financing activities</b>		
Repayment of borrowings	(3,900,000)	(23,989,980)
Dividend paid	-	(55,000,000)
<b>Net cash used in financing activities</b>	<u>(3,900,000)</u>	<u>(78,989,980)</u>
<b>Net (decrease)/ increase in cash and cash equivalents</b>	(780)	66,879
Cash and cash equivalents at beginning of year	68,872	1,993
Cash and cash equivalents at end of year	<u>68,092</u>	<u>68,872</u>

The notes on pages 11 to 28 form an integral part of these financial statements.  
The independent audit report is on pages 5 and 6.

1. BACKGROUND INFORMATION

The Company was incorporated in Cyprus on 8 March 2007 as a private company with limited liability under the Companies Law, Cap. 113. On 17 May 2012 the Company has been struck off the Cyprus Registrar of Companies and re-domiciled in Mauritius under the Companies Act 2001 as the holder of Category 1 Global Business Licence as issued by the Financial Services Commission. The registered office address of the Company is at IFS Court, TwentyEight Cybercity, Ebene, Mauritius.

The principal activities of the Company are that of investment holding and management support services to related parties.

2. ACCOUNTING POLICIES

Except for non-compliance with IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests 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 more important accounting policies, which have been applied consistently, is set out below.

(a) Basis of preparation

The financial statements are prepared under the historical cost convention.

(b) Investment in Joint Venture

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 joint arrangement. Investment in joint ventures is accounted for using the equity method.

The Company accounts for its investment in joint venture 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.

(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.

2. ACCOUNTING POLICIES (CONTINUED)

(e) Cash and cash equivalents

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

Short term deposits

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

(f) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions 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 (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the 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 or loss are recognised immediately in the statement of profit or loss.

(i) Financial Assets

(a) Classification

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

(b) 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.

(c) 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.

(d) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

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

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial liabilities.

(f) Financial instruments (continued)

(i) Financial Assets (continued)

(d) Impairment of financial assets (continued)

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.

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.

(e) Derecognition of financial assets

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in the statement of profit or loss.

2. ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (continued)

(ii) Financial liabilities

(a) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

(b) Equity instruments

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

(c) Financial liabilities

Financial liabilities are classified as 'other financial liabilities'.

(d) Other financial liabilities

Other financial liabilities, including borrowings, 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.

(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 revenue is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Services fee income and other income are recognised on an accrual basis in the financial statements when recognised.

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

2. ACCOUNTING POLICIES (CONTINUED)

(i) Expense recognition

All expenses are accounted for in the statement of profit or loss and other comprehensive income on an accrual 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 as reported in the Statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes 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 reporting date.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) 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 arising on interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date 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 is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

2. ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of assets

The Company's assets are assessed for indicators of impairment at each reporting date.

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 asset is reduced by the impairment loss directly for all 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 the statement of profit or loss.

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 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'. 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.

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

3.1 *Standards affecting presentation and disclosure (continued)*

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).

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 Indocoal Resources (Cayman) Limited ("Indocoal") which was classified as a jointly controlled entity under IAS 31 should be classified as joint venture under IFRS 11. However, the Company will continue not to account for its investment in Indocoal in these financial statements as explained in note 18.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of IFRS 12 results in more extensive disclosures in consolidated financial statements. However, the Company will not apply the disclosure requirements of IFRS 12 in these financial statements as explained in note 18.

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

3.1 *Standards affecting presentation and disclosure (continued)*

IFRS 13 Fair Value Measurement - Original Issue

The Company has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurements of IFRS 13 apply to both financial instruments items and non financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 Share based Payment, leasing transactions that are within the scope of IAS 17 leases and measurements that have some similarities to fair value but are not fair value (e.g net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimates using another valuation technique. Also, IFRS 13 include extensive disclosure requirements.

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 years 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)
- 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 (effective 1 January 2013)
- IFRS 12 Disclosure of interests in other entities
- IFRIC 20 Stripping cost in the production phase of a surface mine

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)

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 (continued)*

- 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: 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: Amendments for investment entities
- 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 years. The directors have not yet had an opportunity to consider the potential impact of the application of those amendments.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements, in accordance with IFRS, requires the directors and management to exercise judgment in the process of applying the accounting policies. It also requires the use of accounting estimates and assumptions that may affect the reported amounts and disclosures in the financial statements. Judgments and estimates are continuously evaluated and are based on historical experience and other factors, including expectations and assumptions concerning future events that are believed to be reasonable under the circumstances. The actual results could, by definition therefore, often differ from the related accounting estimates.

Where applicable, the notes to the financial statements set out areas where management has applied a higher degree of judgment that have a significant effect on the amounts recognised in the financial statements, or estimations and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

*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.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

*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 Indocoal Resources (Cayman) Limited to Long Haul Holdings Ltd or its nominee. 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.

*Impairment of investment in joint venture*

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

As at 31 March 2014, the directors believe that the carrying values approximate to the fair values of these investments.

5. INVESTMENT IN JOINT VENTURE

	2014 USD	2013 USD
Investment in joint venture	-	432,320,685

Details of the investment in joint venture are as follows:

	Place of incorporation	Number of shares	2013 % Holding	Carrying Value 2014 USD	Cost 2014 USD	Carrying Value 2013 USD	Cost 2013 USD
Indocoal Resources (Cayman) Limited	Cayman Islands	300	30%	-	-	432,320,685	432,320,685

Investment in joint venture is stated at cost less impairment if any.

The main business activity of Indocoal Resources (Cayman) Limited ("Indocoal") is coal trading. The shares held in Indocoal carry dividend and voting rights.

The directors are of the opinion that the estimated recoverable amount of the investment in the joint venture is not less than its carrying amount as pursuant to a written resolution dated 23 May 2013 where it was approved that, in the event the business model of Indocoal would no longer be viable, Bhira Investments Limited, a related company, would buy out Indocoal from the Company at a price equal to the cost of Indocoal in the books of the Company.

6. INVESTMENT IN JOINT VENTURE - ASSET CLASSIFIED AS HELD FOR SALE

	Place of incorporation	Number of shares	2014 % Holding	Carrying Value 2014 USD	Carrying Value 2013 USD
Indocoal Resources (Cayman) Limited	Cayman Islands	300	30%	432,320,685	-

The Board of directors had on 26 November 2013 approved the disposal of the Company's investment in Indocoal Resources (Cayman) Limited. Subsequently, the Company entered into a conditional agreement with an unrelated third party on 30 January 2014 for the sale of these shares. Should the sale of Indocoal not be completed under the conditional agreement, Bhira Investments Limited, a related company, would undertake to buy out Indocoal from the Company at a price equal to the cost of Indocoal in the books of the Company. Since the investment is expected to be disposed within the next 12 months, it has accordingly been reclassified from non-current assets to asset held for sale at year end.

7. LOAN TO RELATED PARTY

	2014 USD	2013 USD
<i>Khopoli Investments Limited ("Khopoli")</i>		
Opening Balance	4,500,000	4,500,000
Loan repayment	(3,900,000)	-
Closing balance	600,000	4,500,000

The loan to Khopoli Investments Limited, a related party is unsecured, repayable on demand and carries interest at the rate of LIBOR plus margin as agreed between the parties and calculated on the basis of 360 days a year. The effective rate ranges from 1.4300% to 1.4774%.

8. TRADE AND OTHER RECEIVABLES

	2014 USD	2013 USD
Interest on loan to related party	491,087	429,186
Receivables from related companies	508,000	7,695,213
Interest on short term deposit	3	5
Other receivables and prepayments	4,460	2,435
	1,003,550	8,126,839

Receivables from related companies pertain to expenses paid by the Company on behalf of related parties and these are unsecured, interest free and will be recalled for payment as and when required.

Age of receivables	2014 USD	2013 USD
Less than 30 days	2,804	5,742
31-59 days	2,902	11,040
60-90 days	5,034	11,498
More than 90 days	480,347	400,906
Total receivables	491,087	429,186

9. CASH AND CASH EQUIVALENTS

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

	2014 USD	2013 USD
Cash at bank	3,042	3,872
Short term bank deposits	<u>65,050</u>	<u>65,000</u>
	<u>68,092</u>	<u>68,872</u>

The short term fixed deposits carries interest of 0.05% per annum. (2013: 0.1%).

10. STATED CAPITAL

	2014 USD	2013 USD
Ordinary shares of EUR1 each	<u>1,000,000</u>	<u>1,000,000</u>

Under its memorandum the Company fixed its share capital at 746,250 ordinary shares of nominal value of EUR1 each. Upon incorporation on 8 March 2007, the Company issued to the subscribers of its Memorandum of Association 746,250 ordinary shares of EUR1 each at par. Re-translation for stated capital from EUR 746,250 to USD 1,000,000 happened as of 30 June 2007 at a rate of 1.34 (EUR/USD exchange rate).

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

11. LOAN FROM RELATED PARTIES

Loans	2014 USD	2013 USD
(a) Bhira Investments Limited	149,355,079	153,255,079
(b) Indocoal Resources (Cayman) Limited	<u>87,815,373</u>	<u>87,815,373</u>
	<u>237,170,452</u>	<u>241,070,452</u>

	2014 USD	2013 USD
<i>(a) Bhira Investments Limited</i>		
Opening balance	153,255,079	137,245,059
Loan taken	-	40,000,000
Loan repaid	<u>(3,900,000)</u>	<u>(23,989,980)</u>
Closing balance	<u>149,355,079</u>	<u>153,255,079</u>

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

	2014 USD	2013 USD
<i>(b) Indocoal Resources (Cayman) Limited</i>		
Loan	<u>87,815,373</u>	<u>87,815,373</u>

The loan is interest free and repayable only out of dividends declared by Indocoal in favour of the Company.

12. OTHER PAYABLES

	2014 USD	2013 USD
Other payable and accruals	117,228	32,792
Interest on loan	<u>5,052,638</u>	<u>12,111,902</u>
	<u>5,169,866</u>	<u>12,144,694</u>

13. MANAGEMENT FEE INCOME

The Company had entered into two management services agreements with each PT Kaltim Prima Coal and PT Arutmin Indonesia pursuant to which the Company had been receiving management service fee of USD 3,333,333 and USD 1,666,667 on a monthly basis. However, the management services agreement had been novated in favour of Khopoli Investments Limited effective from August 2012.

14. TAXATION

	2014 USD	2013 USD
Statement of profit or loss and other comprehensive income		
Tax expense in respect of current year comprises:		
Income tax - Cyprus	-	129,252
Income tax - Mauritius	-	160,968
Tax withheld - Indonesia	-	2,000,000
	-	2,290,220
Statement of financial position	2014 USD	2013 USD
Provision for tax - Cyprus	502,131	524,312

As of 31 March 2014, a loss of USD122,343 can be carried forward and offset against chargeable income till 31 March 2019.

Cyprus

In Cyprus the Company was subject to corporation tax at the rate of 10% on its taxable profits. In case of taxable losses, these can be carried forward indefinitely to be offset against profits of subsequent years. Furthermore, under certain conditions interest may be subject to defence contribution at the rate of 10%. In such cases the same interest will be exempt from corporation tax.

Mauritius

The Company is liable to income tax on its chargeable income at the rate of 15%. The Company is however entitled to a tax credit equivalent to the higher of actual tax suffered or 80% of Mauritian tax payable in respect of its qualifying income, thus reducing its maximum effective tax rate payable to 3%. Capital gains from disposal of the Company's investment are not subject to tax in Mauritius.

	2014 USD
Loss before taxation	(127,060)
Exempt income	(47)
Non allowable expenses	4,764
Tax loss for the year	(122,343)
Tax at the applicable rate of 15%	-
Tax effect of:	
Tax credit	-
Tax Expense	-
Reconciliation as per Statement of profit or loss and other comprehensive income	-

14. TAXATION (CONTINUED)

	From 1 April 2012 to 16 May 2012 USD	From 17 May 2012 to 31 March 2013 USD	From 1 April 2012 to 31 March 2013 TOTAL USD
Profit before taxation	6,036,302	7,442,773	13,479,075
Adjustment for non-allowable items	1,599,647	122,437	1,722,084
Chargeable income for the period/year	<u>7,635,949</u>	<u>7,565,210</u>	<u>15,201,159</u>
Cyprus - Tax at the applicable rate of 10%	763,595	-	763,595
Mauritius - Tax at the applicable rate of 15%	-	1,134,782	1,134,782
Adjustment recognised in the current period in relation to the current tax of prior periods	112,523	-	112,523
Tax effect of:			
Tax credit	(758,242)	(1,134,782)	(1,893,024)
10% additional tax	11,376	-	11,376
Tax already paid under Advanced Payment System	-	160,968	160,968
Income tax expense	<u>129,252</u>	<u>160,968</u>	<u>290,220</u>
Withholding tax suffered in Indonesia	758,242	1,241,758	2,000,000
Reconciliation as per Statement of Profit or Loss and other Comprehensive Income	<u>887,494</u>	<u>1,402,726</u>	<u>2,290,220</u>

15. RELATED PARTY TRANSACTIONS

For the year ended 31 March 2014, the Company entered into the following related party transactions. Details of the nature, volume of transactions and the balances with the related parties are as follows:

Transactions	2014 USD	2013 USD
<i>International Financial Services Limited</i>		
Professional fees	-	<u>43,728</u>

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

Receivables from Khopoli Investments Limited	2014 USD	2013 USD
<b>Opening balance:</b>		
Loan	4,500,000	4,500,000
Other receivable	508,000	508,000
Interest receivable	429,186	358,152
	<u>5,437,186</u>	<u>5,366,152</u>
<b>Movement:</b>		
Loan repayment	(3,900,000)	
Interest income	61,901	71,034
	<u>(3,838,099)</u>	<u>71,034</u>
<b>Closing balance:</b>		
Loan	600,000	4,500,000
Other receivable	508,000	508,000
Interest receivable	491,087	429,186
	<u>1,599,087</u>	<u>5,437,186</u>

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15. RELATED PARTY TRANSACTIONS (CONTINUED)

<i>Payable to/(Receivable from) Bhira Investments Limited ("Bhira")</i>	2014 USD		2013 USD	
<i>Opening balance:</i>				
Loan	153,255,079		137,245,059	
Interest payable/(receivable)	12,111,902		5,907,647	
Other payable/ (receivable)	<u>(7,187,215)</u>	158,179,766	<u>(22,752,860)</u>	120,399,846
<i>Movement:</i>				
Interest Expense/ (income)	-		6,204,255	
Expenses (paid by)/ on behalf of the Company	187,665		565,645	
Settlement of Cyprus tax liability	22,181		-	
Repayment of receivable	-		15,000,000	
Interest payable netted off against Receivables	(7,059,264)		-	
Receivables netted off against Interest Payable	7,059,264		-	
Loan (given)/taken	-		40,000,000	
Loan repayment	<u>(3,900,000)</u>	(3,690,154)	<u>(23,989,980)</u>	37,779,920
<i>Closing balance:</i>				
Loan	149,355,079		153,255,079	
Interest payable/(receivable)	5,052,638		12,111,902	
Other payable/ (receivable)	<u>81,895</u>		<u>(7,187,215)</u>	
		<u>154,489,612</u>		<u>158,179,766</u>

*Indocoal Resources (Cayman) Limited*

The Company has loan from Indocoal Resources (Cayman) Limited (Note 10 (b)).

*Compensation to key management personnel*

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

16. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

**Capital risk management**

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

The capital structure of the Company consists of loans from related parties (offset by cash and cash equivalents) and equity, comprising of stated capital and retained earnings.

**Gearing ratio**

The gearing ratio at the year end was as follows:

	2014 USD	2013 USD
Debt (i)	237,170,452	241,070,452
Cash and cash equivalents	<u>(68,092)</u>	<u>(68,872)</u>
Net debt	<u>237,102,360</u>	<u>241,001,580</u>
Equity	<u>191,149,878</u>	<u>191,276,938</u>
Net debt to equity ratio	<u>124%</u>	<u>126%</u>

(i) Debt is defined as short term borrowings

16. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

Significant accounting policies

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

Categories of financial instruments

	2014 USD	2013 USD
Financial assets		
Loans and receivables (including cash and cash equivalents)	<u>1,667,182</u>	<u>12,693,276</u>
Financial liabilities		
Other financial liabilities	<u>242,340,318</u>	<u>253,215,146</u>

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 foreign currency risk.

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

(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. The Company's financial assets, except trade and other receivables, 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 income from related party may fluctuate in amount, in particular due to changes in the LIBOR Rate. The impact of a 5% fluctuation in the interest rates on loan to related party would be as follows:

	2014		2013	
	5% increase USD	5% decrease USD	5% increase USD	5% decrease USD
<i>USD denominated</i>				
Interest income on loan	<u>3,095</u>	<u>(3,095)</u>	<u>3,552</u>	<u>(3,552)</u>
Effect on profit before tax	<u>3,095</u>	<u>(3,095)</u>	<u>3,552</u>	<u>(3,552)</u>

16. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

(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	2013
	USD	USD
Loan receivable	600,000	4,500,000
Interest receivable on loan	491,087	429,186
Receivables from related parties	508,000	7,695,213
	<u>1,599,087</u>	<u>12,624,399</u>

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

The extent of the Company's exposure to credit risk in respect of these financial assets approximates their carrying values as recorded in the Company's statement of financial position.

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

	2014 USD		2013 USD	
	Less than one year	Total	Less than one year	Total
<b>Financial assets</b>				
Non-interest bearing	1,002,132	1,002,132	8,128,276	8,128,276
Variable interest rate instruments	665,050	665,050	4,565,000	4,565,000
	<u>1,667,182</u>	<u>1,667,182</u>	<u>12,693,276</u>	<u>12,693,276</u>
<b>Financial liabilities</b>				
Non-interest bearing	242,340,318	242,340,318	253,215,146	253,215,146

16. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

(vi) *Fair values*

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

17. HOLDING AND ULTIMATE HOLDING COMPANY

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

18. NON COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) 11 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.

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.

19. DIVIDEND

No dividend has been declared nor paid during the year ended 31 March 2014. (2013: USD55,000,000)

20. GOING CONCERN

At 31 March 2014, the Company had net current liabilities of USD241,170,807 excluding the investment in joint venture held for sale (2013: USD241,043,747). These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

The ultimate holding company has confirmed that it would continue to provide its financial support to the Company for at least the next twelve months starting from the date of approval of the financial statements.

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

	Year ended March, 2014		Amount ₹	Year ended March, 2013		Amount ₹
	USD	Exchange Rate		USD	Exchange Rate	
<b>INCOME</b>						
Management fee income	-	60.50	-	20,000,000	54.45	1,089,000,000
Interest income on loan	61,901	60.50	3,745,011	71,034	54.45	3,867,801
Interest income on bank account	47	60.50	2,844	5	54.45	272
Other income	-	60.50	-	501	54.45	27,279
	<u>61,948</u>	60.50	<u>3,747,854</u>	<u>20,071,540</u>	54.45	<u>1,092,895,353</u>
<b>EXPENSES</b>						
License fees	2,100	60.50	127,050	2,276	54.45	123,928
Audit fees	18,452	60.50	1,116,346	66,681	54.45	3,630,780
Bank charges	828	60.50	50,094	2,519	54.45	137,160
Finance cost	-	60.50	-	6,204,255	54.45	337,821,685
Accounting fees	-	60.50	-	14,567	54.45	793,173
Foreign exchange loss	-	60.50	-	1,214	54.45	66,102
TRC renewal fees	200	60.50	12,100	-	54.45	-
Legal and professional fees	167,428	60.50	10,129,394	297,485	54.45	16,198,058
VAT irrecoverable	-	60.50	-	3,468	54.45	188,833
	<u>189,008</u>	60.50	<u>11,434,984</u>	<u>6,592,465</u>	54.45	<u>358,959,719</u>
<b>(LOSS) / PROFIT BEFORE TAXATION</b>	<b>(127,060)</b>	60.50	<b>(7,687,130)</b>	<b>13,479,075</b>	54.45	<b>733,935,634</b>
Taxation	-	60.50	-	(2,290,220)	54.45	(124,702,479)
<b>(LOSS) / PROFIT FOR THE YEAR</b>	<b>(127,060)</b>	60.50	<b>(7,687,130)</b>	<b>11,188,855</b>	54.45	<b>609,233,155</b>
Other comprehensive income	-	60.50	-	-	54.45	-
<b>TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR</b>	<b>(127,060)</b>	60.50	<b>(7,687,130)</b>	<b>11,188,855</b>	54.45	<b>609,233,155</b>

**BHIVPURI INVESTMENTS LIMITED**  
**STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2014**

	As at March, 2014 USD	Exchange Rate	Amount ₹	As at March, 2013 USD	Exchange Rate	Amount ₹
<b>ASSETS</b>						
<u>Non current assets</u>						
Interest in joint ventures	-	59.89	-	432,320,685	54.38	23,509,598,850
	-	59.89	-	432,320,685	54.38	23,509,598,850
<u>Current assets</u>						
Loan to related party	600,000	59.89	35,934,000	4,500,000	54.38	244,710,000
Trade and other receivables	1,003,550	59.89	60,102,610	8,126,839	54.38	441,937,505
Cash and cash equivalents	68,092	59.89	4,078,030	68,872	54.38	3,745,259
	1,671,642	59.89	100,114,639	12,695,711	54.38	690,392,764
<u>Assets classified as held for sale</u>						
Investments in joint ventures	432,320,685	59.89	25,891,685,825	-	54.38	-
<b>Total assets</b>	<b>433,992,327</b>	<b>59.89</b>	<b>25,991,800,464</b>	<b>445,016,396</b>	<b>54.38</b>	<b>24,199,991,614</b>
<b>EQUITY AND LIABILITIES</b>						
<u>Capital and reserves</u>						
Stated capital	1,000,000	40.76	40,760,000	1,000,000	40.76	40,760,000
Retained earning	190,149,878	42.72	8,122,921,013	190,276,938	42.73	8,130,608,143
Foreign Currency Translation Reserves	-		3,284,285,181	-		2,230,271,746
Total Equity	191,149,878	59.89	11,447,966,193	191,276,938	54.38	10,401,639,888
<u>Current liabilities</u>						
Loans from related parties	237,170,452	59.89	14,204,138,370	241,070,452	54.38	13,109,411,180
Other payables	5,169,866	59.89	309,623,275	12,144,694	54.38	660,428,460
Taxation	502,131	59.89	30,072,626	524,312	54.38	28,512,087
	242,842,449	59.89	14,543,834,271	253,739,458	54.38	13,798,351,726
<b>Total equity and liabilities</b>	<b>433,992,327</b>	<b>59.89</b>	<b>25,991,800,464</b>	<b>445,016,396</b>	<b>54.38</b>	<b>24,199,991,614</b>

**BHIVPURI 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		₹
<b>At 1 April 2012</b>	1,000,000	40.76	40,760,000	234,088,083	44.92	10,516,124,988	235,088,083	44.91	10,556,884,988
Profit for the year and total comprehensive income	-		-	11,188,855	54.45	609,233,155	11,188,855	54.45	609,233,155
Dividend	-		-	(55,000,000)	54.45	(2,994,750,000)	(55,000,000)	54.45	(2,994,750,000)
<b>At 31 st March 2013</b>	<u>1,000,000</u>	40.76	<u>40,760,000</u>	<u>190,276,938</u>	42.73	<u>8,130,608,143</u>	<u>191,276,938</u>	42.72	<u>8,171,368,143</u>
Loss for the year and total comprehensive loss	-		-	(127,060)	60.50	(7,687,130)	(127,060)	60.50	(7,687,130)
<b>At 31 st March 2014</b>	<u>1,000,000</u>	40.76	<u>40,760,000</u>	<u>190,149,878</u>	42.72	<u>8,122,921,013</u>	<u>191,149,878</u>	42.71	<u>8,163,681,013</u>

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

	Year ended	Exchange	Amount	Year ended	Exchange	Amount
	March, 2014	Rate		March, 2013	Rate	
	USD		₹	USD		₹
<b>Cash flows from operating activities</b>						
(loss) / profit before taxation	(127,060)	60.50	(7,687,130)	13,479,075	54.45	733,935,634
<i>Adjustments for:</i>						
Bank interest income	(47)	60.50	(2,844)	(5)	54.45	(272)
Interest income on loan	(61,901)	60.50	(3,745,011)	(71,034)	54.45	(3,867,801)
Loan interest expense	-	60.50	-	6,204,255	54.45	337,821,685
	<u>(189,008)</u>	60.50	<u>(11,434,984)</u>	<u>19,612,291</u>	54.45	<u>1,067,889,245</u>
<i>Movement in working capital:</i>						
Decrease in trade and other receivables	103,745	60.50	6,276,573	21,615,486	54.45	1,176,963,213
Increase / (decrease) in other payables	84,436	60.50	5,108,378	(9,955)	54.45	(542,050)
<b>Cash (used in) / generated from operating activities</b>	<u>(827)</u>	60.50	<u>(50,034)</u>	<u>41,217,822</u>	54.45	<u>2,244,310,408</u>
Withholding tax suffered	-	60.50	-	(2,000,000)	54.45	(108,900,000)
Tax paid	-	60.50	-	(160,968)	54.45	(8,764,708)
<b>Net cash (used in) / generated from operating activities</b>	<u>(827)</u>		<u>(50,034)</u>	<u>39,056,854</u>	54.45	<u>2,126,645,700</u>
<b>Cash flows from investing activities</b>						
Interest received	47	60.50	2,844	5	54.45	272
Loan repayment received	3,900,000	60.50	235,950,000	-	54.45	-
Loans received	-	60.50	-	40,000,000	54.45	2,178,000,000
<b>Net cash generated from investing activities</b>	<u>3,900,047</u>	60.50	<u>235,952,844</u>	<u>40,000,005</u>	54.45	<u>2,178,000,272</u>
<b>Cash flows from financing activities</b>						
Repayment of borrowings	(3,900,000)	60.50	(235,950,000)	(23,989,980)	54.45	(1,306,254,411)
Dividend paid	-	60.50	-	(55,000,000)	54.45	(2,994,750,000)
<b>Net cash used in financing activities</b>	<u>(3,900,000)</u>	60.50	<u>(235,950,000)</u>	<u>(78,989,980)</u>	54.45	<u>(4,301,004,411)</u>
<b>Net (decrease) / Increase in cash and cash equivalents</b>	<u>(780)</u>	60.50	<u>(47,190)</u>	<u>66,879</u>	54.45	<u>3,641,562</u>
Cash and cash equivalents at beginning of year	68,872	54.38	3,745,259	1,993	51.19	102,022
Effect of exchange fluctuation on cash and cash equivalents			379,961			1,676
<b>Cash and cash equivalents at end of year</b>	<u>68,092</u>	59.89	<u>4,078,030</u>	<u>68,872</u>	54.38	<u>3,745,259</u>