

**KHOPOLI INVESTMENTS LIMITED**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014**

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

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**1.**

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**KHOPOLI INVESTMENTS LIMITED  
COMPANY INFORMATION**

2.

	<b>Date of appointment</b>	<b>Date of resignation</b>
<b>DIRECTORS:</b> Kapildeo Joory	8 May 2007	7 March 2014
Ramakrishnan Sowmyan	22 February 2012	28 February 2014
Anil Sardana	22 February 2012	-
Abdool Fareed Soreefan	6 January 2012	-
Sameema Nobeebux	7 March 2014	-
Zakir Hussein Niamut	16 September 2010	-
Hardeep Singh Guru	11 September 2013	28 February 2014
(Permanent alternate director to Ramakrishnan Sowmyan)		
Deepak Kumar Mahendra	7 March 2014	-
Deepak Kumar Mahendra	11 September 2013	7 March 2014
(Permanent alternate director to Anil Sardana)		
Hardeep Singh Guru	7 March 2014	
(Permanent alternate director to Anil Sardana)		
Miti Vaidya	7 March 2014	
(Permanent alternate director to Anil Sardana)		
Nitin Johar	22 February 2012	11 September 2013
(Permanent alternate director to Anil Sardana)		
Sanjay Dube	21 March 2012	11 September 2013
(Permanent alternate director to Ramakrishnan Sowmyan)		

**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

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

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

State Bank of India  
15 King Street  
London, EC2VC 8EA3  
United Kingdom

**BANKERS (CONTINUED):**

Standard Chartered Bank (Mauritius) Limited  
6th Floor, Raffles Tower  
Cybercity  
Ebene  
Mauritius

PT CIMB Securities Indonesia  
The Jakarta Stock Exchange  
Building Tower II  
20th Floor, JL. Jend Sudirman  
Kav. 52-53, Jakarta 12190  
Indonesia

**AUDITOR:**

Deloitte  
7th Floor, Raffles Tower  
19 Cybercity  
Ebene, Mauritius

**KHOPOLI INVESTMENTS LIMITED  
COMMENTARY OF DIRECTORS  
FOR THE YEAR ENDED 31 MARCH 2014**

4.

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

**PRINCIPAL ACTIVITIES**

The principal activities of the Company are investment holding and to provide loans to related companies. The Company also provides 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.

During the year, the Company had paid a dividend of USD5,000,000 to its sole shareholder, The Tata Power Company Limited.

**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**

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



.....  
**for International Financial Services Limited  
Secretary**

**Registered office:**

IFS Court  
TwentyEight  
Cybercity  
Ebene  
Mauritius

**Date: 19 May 2014**

## Independent auditor's report to the shareholder of Khopoli 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 shareholders those matters we are required to state to the shareholder in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's 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 **Khopoli Investments Limited** on pages 8 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 Standards (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 27, the Company has not met the specific exemption requirements and has stated its investments in joint ventures amounting to USD 171,850,623 at cost as at 31 March 2014. Accordingly, the interim 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 IFRS 12 Disclosure of Interests in Other Entities relating to interests in joint arrangements as per Paragraph 20 to 23 of that Standard.

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

*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 8 to 34 do not give a true and fair view of the financial position of **Khopoli 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.

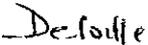
**Emphasis of matter - going concern**

We draw attention to note 25 in the financial statements which indicates that, at 31 March 2014, the Company had net current liabilities of USD 313,900,439. This condition, along with the matters as set out in note 25 indicates the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements have been prepared on a going concern basis, the validity of which depends upon continued availability of debt facilities and funds being made available by the shareholder. The financial statements do not include any adjustments that would result from non availability of finance.

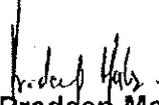
**Report on other legal requirements**

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

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

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

8.

	Notes	2014 USD	2013 USD
<b>INCOME</b>			
Management fee income	17	50,000,000	40,000,000
Bank interest income		82,401	315,620
Interest income on loan to related party		4,914,150	5,999,195
Interest income on loan to other party		-	421,762
Marked to market gain on derivatives		1,612,985	870,951
Other income	18	1,979,368	1,734,890
		<u>58,588,904</u>	<u>49,342,418</u>
<b>OPERATING EXPENSES</b>			
Licence fees		2,100	1,775
Audit fees		27,250	24,400
Bank charges		7,906	7,966
Professional and legal fees		4,062,487	2,168,296
Interest expense on loans		5,946,910	3,932,145
Loan amortization		5,342,336	7,372,607
Premium on derivatives		1,734,891	1,739,644
Foreign exchange loss		755,255	1,304,100
Guarantee commission	21	395,404	227,687
Service fee expense	20	160,242	230,911
Management fee expense	19	16,800,000	11,200,000
Custodian fees		1,228	4,151
Management fee income written off		4,500,000	-
Transaction cost		23	-
Other charges		1,222	-
Interest income written off		1,239	-
		<u>39,738,493</u>	<u>28,213,682</u>
<b>PROFIT BEFORE TAXATION</b>		18,850,411	21,128,736
Taxation	16	(5,000,093)	(4,000,998)
<b>PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>13,850,318</u>	<u>17,127,738</u>

The notes on pages 12 to 34 form an integral part of these financial statements.  
The independent audit report is on pages 6-7.

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

9.

	Notes	2014 USD	2013 USD
<b>ASSETS</b>			
<u>Non current assets</u>			
Investments in joint ventures	5	171,850,623	165,742,977
Available for sale investment	6(a)	29,285	4,396,662
Loans to related parties	7(a)	340,000,000	306,958,095
		<u>511,879,908</u>	<u>477,097,734</u>
<u>Current assets</u>			
Loans to related parties	7(b)	23,586,669	13,489,996
Trade and other receivables	8	11,026,811	6,616,471
Cash and cash equivalents	9	11,617,696	15,382,780
		<u>46,231,176</u>	<u>35,489,247</u>
<u>Asset classified as held for sale</u>			
Available for sale investment	6(b)	4,396,662	-
		<u>4,396,662</u>	<u>-</u>
<b>Total assets</b>		<u>562,507,746</u>	<u>512,586,981</u>
<b>EQUITY AND LIABILITIES</b>			
<u>Capital and reserves</u>			
Stated capital	10	47,007,350	47,007,350
Retained earnings		16,658,624	7,808,306
Shareholder's funds		<u>63,665,974</u>	<u>54,815,656</u>
<u>Non current liability</u>			
Loans	11 (a)	134,313,495	268,338,119
<u>Current liabilities</u>			
Trade and other payables	12	30,689,169	11,951,582
Derivative financial liabilities	13	1,286,289	2,899,274
Loans from related parties	14	27,552,819	4,500,000
Loans	11 (b)	205,000,000	70,082,350
Shareholder's loan	15	100,000,000	100,000,000
		<u>364,528,277</u>	<u>189,433,206</u>
<b>Total equity and liabilities</b>		<u>562,507,746</u>	<u>512,586,981</u>

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

  
 .....  
 Director

  
 .....  
 Director

The notes on pages 12 to 34 form an integral part of these financial statements.  
 The independent audit report is on pages 6-7.

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

10.

	Note	Stated capital USD	(Accumulated losses)/ Retained earnings USD	Total USD
At 1 April 2012		7,350	(9,319,432)	(9,312,082)
Issue of shares		47,000,000	-	47,000,000
Profit and total comprehensive income for the year		-	17,127,738	17,127,738
At 31 March 2013		<u>47,007,350</u>	<u>7,808,306</u>	<u>54,815,656</u>
Profit and total comprehensive income for the year		-	13,850,318	13,850,318
Dividend paid	26	-	(5,000,000)	(5,000,000)
At 31 March 2014		<u>47,007,350</u>	<u>16,658,624</u>	<u>63,665,974</u>

The notes on pages 12 to 34 form an integral part of these financial statements.  
 The independent audit report is on pages 6-7.

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

11.

	2014 USD	2013 USD
<b>Cash flows from operating activities</b>		
Profit before taxation	18,850,411	21,128,736
<i>Adjustments for:</i>		
Bank interest income	(82,401)	(315,620)
Interest income	(4,914,150)	(6,420,957)
Interest on loan	5,946,910	3,932,145
Loan amortization	5,342,336	7,372,607
Transaction cost capitalised	-	(211,827)
Unrealised foreign exchange loss	829,940	1,303,427
Marked to market gain on derivatives	(1,612,985)	(870,951)
	<u>24,360,061</u>	<u>25,917,560</u>
<b>Movement in working capital:</b>		
Increase in trade and other receivables	(4,371,006)	(6,430,530)
Increase in other payables	18,711,957	6,795,226
<b>Cash generated from operating activities</b>	<u>38,701,012</u>	<u>26,282,256</u>
Withholding tax suffered	(5,000,093)	(4,000,998)
<b>Net cash generated from operating activities</b>	<u>33,700,919</u>	<u>22,281,258</u>
<b>Cash flows from investing activities</b>		
Dividend paid	(5,000,000)	-
Bank interest received	77,984	301,676
Interest received	4,879,233	6,111,639
Investment in joint ventures	(6,107,646)	(161,054,745)
Investment in available for sale	(29,285)	(4,396,662)
Loan repayment received	-	18,891,908
Loan repaid to related party	(5,460,000)	-
Loan from related party	5,910,000	-
Loans to related parties	(21,365,699)	(7,000,000)
<b>Net cash used in investing activities</b>	<u>(27,095,413)</u>	<u>(147,146,184)</u>
<b>Cash flows from financing activities</b>		
Issue of shares	-	47,000,000
Loan from shareholder	-	100,000,000
Interest paid	(10,370,590)	(6,795,771)
<b>Net cash (used in)/ generated from financing activities</b>	<u>(10,370,590)</u>	<u>140,204,229</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<u>(3,765,084)</u>	<u>15,339,303</u>
<b>Cash and cash equivalents at beginning of the year</b>	<u>15,382,780</u>	<u>43,477</u>
<b>Cash and cash equivalents at end of year</b>	<u>11,617,696</u>	<u>15,382,780</u>

The notes on pages 12 to 34 form an integral part of these financial statements.  
The independent audit report is on pages 6-7.

**1. BACKGROUND INFORMATION**

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

The principal activities of the Company are investment holding and to provide loans to related companies. The Company also provides management support services to related parties.

**2. ACCOUNTING POLICIES**

Except for non-compliance with IFRS 11 Joint arrangement and IFRS 12 Disclosure in Other Entities, the financial statements have been prepared in accordance with and comply with International Financial Reporting Standards ("IFRS"). The preparation of the financial statements in accordance with IFRS requires the directors to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates. A summary of the important accounting policies, which have been applied consistently, is set out below.

**(a) Basis of preparation**

The financial statements are prepared under the historical cost convention except for the derivative instruments that are measured at fair value.

**(b) Foreign currency translation**

*Functional and presentation currency*

Items included in the financial statements of the Company are measured using the currency of the primary economic environment of the Company (the "functional currency"). The financial statements of the Company are presented in United States Dollars ("USD"), which is the Company's functional currency and presentation currency.

*Transactions and balances*

Transactions denominated in foreign currencies are translated in USD at the rate of exchange ruling 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.

**(c) Cash and cash equivalents**

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

**(d) Financial instruments**

Financial assets and financial liabilities are recognized when an entity becomes 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 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 or loss are recognized immediately in profit or loss.

**(i) Financial Assets**

Financial assets are classified into 'available for sale' ("AFS") financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

2. ACCOUNTING POLICIES (CONTINUED)

(d) Financial instruments (Continued)

*(i) Financial assets (continued)*

Available for sale investments

Available for sale investments are non-derivatives that are either designated as AFS or are not classified as loans and receivables.

The Company has investments in unlisted shares that are not traded in active market but are classified as AFS financial assets and stated at fair value. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the investments are disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividend on AFS equity instruments are recognised in profit or loss when the Company's right to receive the dividend is declared.

The fair value of AFS monetary assets denominated in foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The foreign gains or losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

AFS investments which do not have a quoted market price are measured at fair value. Where the basis for fair value becomes no longer reliable, it becomes appropriate to carry the AFS investments at cost or amortised cost rather than the fair value, the carrying amount of the financial asset on that date becomes its new cost or amortised cost, as applicable. Any previous gain or loss on the asset that has been recognised in other comprehensive income is recognised in profit or loss when the financial asset is sold or otherwise disposed of. If the financial asset is subsequently impaired, any previous gain or loss that has been recognised in other comprehensive income is reclassified from equity to profit or loss.

Loans and receivables

Loans to related party and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are 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.

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 party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risk and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized 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 recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

2. ACCOUNTING POLICIES (CONTINUED)

(d) Financial instruments (Continued)

(i) *Financial assets (continued)*

Derecognition of financial assets (continued)

On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset), the Company allocated the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

(ii) *Financial liabilities and equity instruments issued by the Company*

(a) Classification as debt or equity

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

(b) Equity instruments

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

(c) Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

*Financial liabilities at FVTPL*

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

A financial liability is classified as held for trading if:

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

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

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

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

*Derivative financial instruments*

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate including interest rate cap. Further details of derivative financial instruments are disclosed in notes 13 and 23.

2. ACCOUNTING POLICIES (CONTINUED)

(d) Financial instruments (continued)

(ii) *Financial liabilities and equity instruments issued by the Company (continued)*

(c) Financial liabilities (continued)

*Derivative financial instruments (continued)*

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

(d) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Transaction costs are defined as incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or a financial liability. An incremental cost is one that would not have been incurred if the Company had not acquired, issued or disposed of the financial instrument.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

(e) Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled, 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.

(e) Impairment of financial assets

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

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

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

2. ACCOUNTING POLICIES (CONTINUED)

(e) Impairment of financial assets (continued)

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.

(f) Related parties

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

(g) Revenue recognition

*Dividend income*

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

*Interest income*

Interest revenue is recognised when it is probable that the economic benefits will flow to the Company and the amount of income 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.

*Management fee income*

Management fee 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. Management fee income is accrued on a time basis.

(h) Expense recognition

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

(i) Taxation

Income tax expense represents the sum of the tax currently payable and deferred 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 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 is accounted for using the statement of financial position 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 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 difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only

2. ACCOUNTING POLICIES (CONTINUED)

(i) Taxation (Continued)

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.

(j) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

(k) Investments in Joint Ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangements. 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 loss. Where an indication of impairment exists, the carrying amount of the investment is assessed. Where the carrying amount of the investment is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount and the impairment loss is recognised as an expense in the statement of profit or loss and other comprehensive income.

(l) 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.

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 years 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.

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

3.1 *Standards affecting presentation and disclosure (continued)*

IAS 1 Amendments to IAS 1 Presentation of Items of Other Comprehensive Income (continued)

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.)

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 Cennergi (Proprietary) Limited and PT Baramulti Suksessarana which were classified as a jointly controlled entities under IAS 31 should be classified as a joint venture under IFRS 11. However, the Company will continue not to account for its investments in joint ventures in these financial statements as per note 27.

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 27.

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

3.1 *Standards affecting presentation and disclosure (continued)*

IFRS 13 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.

IFRS 13 required prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requires set out in comparative information provided for the years before the application of the Standard. In accordance with these transitional provisions, the Company has not made any disclosure required under IFRS 13 for the 2012 comparative year. Other than additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the financial statements.

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

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 years 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)

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)*

- 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 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 JUDGEMENTS

*Critical accounting judgements in applying the Company's accounting policies*

In the process of applying the Company's accounting policies, which are described in Note 2, the directors have made the following judgements that have the most significant effect on the amounts recognised in the 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*

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.

*Fair value of available for sale 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 25 June 2013 of the Company resolved to dispose the available for sale investment to Tata Power Company Limited ("Tata Power") at a consideration to be agreed between parties. Tata Power's board of directors has in parallel resolved on 30 May 2013 to acquire the available for sale investment at a price not exceeding USD4.39M. At 31 March 2014, the available for sale investment-held for disposal has been reported at cost which the directors believe approximate the fair value of investment.

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

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**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)**

*Fair value of derivative financial liabilities*

The Company had entered into a variety of derivative financial instruments to manage its exposure to interest rate including interest rate cap. The interest rate caps have been designated as financial liabilities at fair value through profit or loss. The fair valuation is the marked to market value as at the reporting date. The fair value of the derivative is worked out by the respective bank. The valuation methodology used by the bank is based on the Black-Scholes model.

**5. INVESTMENTS IN JOINT VENTURES**

	2014	2013
	USD	USD
Opening balance	165,742,977	4,054,642
Additions during the year	6,507,002	159,251,648
Transaction costs capitalised	-	2,436,687
Reduction in investment amount	(399,356)	-
Closing balance	<u>171,850,623</u>	<u>165,742,977</u>

The details of the investments in joint ventures as at 31 March 2014 are as follows:

Name of joint venture	Country of incorporation	Number and type of shares	2014 and	2014	2013
			2013	Cost	Cost
			% holding	USD	USD
Cennergi (Proprietary) Limited	South Africa	59 ordinary shares	50%	20,152,947	13,645,945
PT Baramulti Suksessarana	Indonesia	680,290,000 ordinary shares	26%	151,697,676	152,097,032

The shares held in Cennergi (Proprietary) Limited carry voting rights.

Cennergi (Proprietary) Limited, is a company focused on renewable energy projects in South Africa. The joint venture ("JV") in the future will examine the feasibility, development, ownership, operation, maintenance, acquisition and management of electricity generation projects in South Africa, Botswana and Namibia. The JV has already been awarded bids for 2 wind power projects, Amakhala Emoyeni Wind Farm and Tsitsikama Community Wind Farm and financial closure has been achieved for these projects. The projects are currently in the development phase.

PT Baramulti Suksessarana ("BSSR"), is a company incorporated in Indonesia, engaged in the production of coal and is listed on the stock exchange of Indonesia. It wholly owns PT Antang Gunung Meratus ("PT Antang"). BSSR along with PT Antang own approximately 1 billion tonnes of coal resources in South and East Kalimantan in Indonesia.

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.

**6. AVAILABLE FOR SALE INVESTMENTS**

(a) *Available for sale investment*

Name of Company	Country of incorporation	Number and type of shares	2014	2013	2014	2013
			% Holding	% Holding	Cost USD	Cost USD
PT Sumber Energi Andalan Tbk	Indonesia	114,000 ordinary shares	0.3%	-	29,285	-
Trust Energy Resources Pte Ltd	Singapore	4,390,000 ordinary shares	-	3.4%	-	4,396,662

The Board resolved to purchase a 0.3% stake in PT Sumber Energi Andalan Tbk ("Sumber") on 17 February 2014. Sumber is a company listed on the Indonesian Stock Exchange ("IDX") and is involved in investment holding, consultancy in energy and power sector in Indonesia.

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

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6. **AVAILABLE FOR SALE INVESTMENTS (CONTINUED)**

(b) *Available for sale investment held for sale*

Name of Company	Country of incorporation	Number and type of shares	2014 % Holding	2013 % Holding	2014 Cost USD	2013 Cost USD
Trust Energy Resources Pte Ltd	Singapore	4,390,000 ordinary shares	3.4%	-	4,396,662	-

Trust Energy Resources Pte Ltd ("Trust Energy") is a company whose principal activities are providing shipping, coal handling and cargo services, investment holding, and trading in energy related commodities. The shares carry rights on dividend declared by the company.

The Board of directors had on 25 June 2013 approved the disposal of the Company's investment in Trust Energy to its sole shareholder, The Tata Power Company Limited ("Tata Power"). On 30 May 2013, Tata Power, had resolved to acquire the investment at a price not exceeding USD4.39M. The said investment has accordingly been reclassified from non-current assets to current assets for the year.

7. **LOANS TO RELATED PARTIES**

(a) *Loan to Bhira Investments Limited*

	2014 USD	2013 USD
Opening balance	306,958,095	325,850,003
Repayment of loan	-	(18,891,908)
Loan granted	33,041,905	-
Closing balance	340,000,000	306,958,095

The loan to Bhira Investments Limited is unsecured, repayable on 31 December 2021 and carries interest at the rate of LIBOR plus margin as agreed between the parties on the basis of 360 days a year. The effective rate of interest ranges from 1.11900% to 2.55150% per annum.

(b) *Short term loans*

	2014 USD	2013 USD
(i) Cennergi (Proprietary) Limited	5,660,056	6,489,996
(ii) Trust Energy Resources Pte Ltd	7,000,000	7,000,000
(iii) TAHL (Mauritius) Power Projects Limited	10,926,613	-
	23,586,669	13,489,996

(b) (i) *Loan to Cennergi (Proprietary) Limited (Denominated in South African Rand ("ZAR"))*

	2014 USD	2013 USD
Opening balance	6,489,996	7,793,423
Unrealised foreign exchange loss	(829,940)	(1,303,427)
Closing balance	5,660,056	6,489,996

(b) (ii) *Loan to Trust Energy Resources Pte Ltd*

	2014 USD	2013 USD
Opening balance	7,000,000	-
Loan granted	-	7,000,000
Closing balance	7,000,000	7,000,000

(b) (iii) *TAHL (Mauritius) Power Projects Limited*

	2014 USD	2013 USD
Loan granted	10,926,613	-
Closing balance	10,926,613	-

The loans to Cennergi (Proprietary) Limited and Trust Energy Resources Pte Ltd are unsecured, interest free and have no fixed terms of repayments.

The loan to TAHL (Mauritius) Power Projects Limited ("TAHL") is unsecured, interest free and has no fixed terms of repayments. It is intended that TAHL would utilize the proceeds of the sale of its investment in the Itezhi Tezhi Power Corporation Limited to repay the loan granted by the Company.

KHOPOLI 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
Other receivables	299,262	430,281
Prepaid expenses	4,463	2,438
Interest receivable on short term deposits (Note 9)	18,359	13,942
Interest on loan to related party (Note 7 (a))	204,727	169,810
Management fees receivable	10,500,000	6,000,000
	<u>11,026,811</u>	<u>6,616,471</u>

Other receivables represent amounts due from Bhira Investments Limited ("Bhira") which are unsecured, interest free, carry no fixed terms of repayment and will be recalled for payment as and when required. Prepaid expenses refer to the fees paid to International Financial Services Limited in respect of the services rendered.

Interest on loan to related party represent interest income due from Bhira Investments Limited ("Bhira") and payment of interest income is made as and when required.

Management fees are receivable from PT Arutmin Indonesia ("Arutmin") and PT Kaltim Prima Coal ("KPC") on a monthly basis and are unsecured and carry no interest, and will be recalled for payment as and when required.

In determining the recoverability of the management fees receivable, the Company considers any change in the credit quality of the receivable from the date the credit was initially granted up to the reporting date.

The concentration of credit risk is limited given that Arutmin and KPC are liquid entities based on their latest available results and the latter have been settling their dues to the Company promptly during the year under review. Accordingly, the directors believe that there is no need for allowance for doubtful debts.

<i>Age of receivables</i>	2014	2013
	USD	USD
30 days	3,204,726	4,669,810
31-60 days	-	1,500,000
61-90 days	-	-
91-120 days	-	-
>120 days	7,500,000	-
	<u>10,704,726</u>	<u>6,169,810</u>

9. CASH AND CASH EQUIVALENTS

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

	2014	2013
	USD	USD
Cash at bank	507,696	31,365
Short term fixed deposits	11,110,000	15,351,415
	<u>11,617,696</u>	<u>15,382,780</u>

The interest rate on short term fixed deposits ranges from 0.25% to 1.10% per annum for the year under review.

10. STATED CAPITAL

	2014	2013
	USD	USD
Opening balance	47,007,350	7,350
Issue of 47,000,000 ordinary shares of USD1 each	-	47,000,000
Closing balance	<u>47,007,350</u>	<u>47,007,350</u>

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

**KHOPOLI INVESTMENTS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
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24.

**11. LOANS**

The Company has entered into interest rate hedging transactions with JPMorgan Chase Bank N.A and HSBC for its loan of USD270 million with Sumitomo Mitsui Banking Corporation ("SMBC"), pursuant to which it will benefit a cap on LIBOR.

	2014	2013
	USD	USD
<i>(a) Long term loans</i>		
Loan of USD270 million	<u>134,313,495</u>	<u>268,338,119</u>

The long term bank loan of USD270 million is unsecured and carries interest at the rate of LIBOR plus 0.90%. Of the total principal, 50% is repayable after 72 months from the Utilisation date of 28 April 2008 and has been reclassified as short term loan.

The balance 50% is repayable after 84 months from the Utilisation date of 28 April 2008. The loan is recognized at amortised cost.

	2014	2013
	USD	USD
Opening balance	268,338,119	267,737,036
Reclassified as short term loan (see note 11 (b))	(135,000,000)	-
Loan amortization	4,568,135	4,989,198
Loan interest paid	(3,592,759)	(4,388,115)
Closing balance	<u>134,313,495</u>	<u>268,338,119</u>

The effective interest rate of the long term loan is 1.24670% per annum.

The Company has purchased USD interest rate caps on LIBOR for the loan to hedge the risk of LIBOR above a certain level (See note 13).

	2014	2013
	USD	USD
<i>(b) Short term loans</i>		
Loan of USD270 million (See note 11(a))	135,000,000	-
Loan of USD70 million	<u>70,000,000</u>	<u>70,082,350</u>
	<u>205,000,000</u>	<u>70,082,350</u>

The loan of USD70 million was taken from SMBC and was repayable within 36 months after utilization date of 27 July 2010 and carried interest at the rate of LIBOR plus 2.2%. The effective interest rate for the short term loan is 2.4819% per annum. The holding company has acted as guarantor to the bank loans of USD70 million and USD270 million respectively contracted by the Company (See note 21).

On 26 July 2013, the loan of USD70 million from SMBC has been refinanced by a consortium of banks comprising the Royal Bank of Scotland ("RBS"), Australia and New Zealand Banking Group Limited ("ANZBC"), Barclays Bank Plc ("Barclays") and DBS Bank Ltd ("DBS") and bears an interest of LIBOR plus margin of 1.5%.

	2014	2013
	USD	USD
<i>(b) (i) Loan of USD70 million from SMBC</i>		
Opening balance	70,082,350	70,106,597
Loan amortisation	774,201	2,383,409
Loan interest paid	(856,551)	(2,407,656)
Loan refinanced	(70,000,000)	-
Closing balance	<u>-</u>	<u>70,082,350</u>
<i>(b) (ii) Loan of USD70 million from RBS, ANZBC, Barclays and DBS</i>		
Loan refinanced	<u>70,000,000</u>	-
Closing balance	<u>70,000,000</u>	-

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

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**12. TRADE AND OTHER PAYABLES**

	2014	2013
	USD	USD
Interest payable on loan	19,285	-
Interest on short term loans from related parties (Note 14)	491,087	429,186
Interest on short term loans from shareholder (Note 15)	3,805,555	3,861,111
Audit fees	9,775	8,625
Guarantee commission/service fees	190,868	152,961
Expenses paid by related companies	3,746,710	2,380,170
Premium on derivatives	52,285	52,284
Management fee expense	21,000,000	4,200,000
Other payables	1,373,604	867,245
	<u>30,689,169</u>	<u>11,951,582</u>

Payments of the interest on loans are made as and when required.

Expenses paid by related companies relates to expenses of the Company paid by Bhivpuri Investments Limited ("Bhivpuri") and Bhira Investments Limited ("Bhira") and are unsecured, interest free and have no fixed terms of repayment.

Guarantee commission is payable to The Tata Power Company Limited on account of the guarantees for the loans of USD270 million, USD70 million and hedge obligation guarantees of USD 3.91 million and USD 1.65 million (see notes 11 and 21). These are unsecured, interest free and have no fixed terms of repayment.

The other payables and management fee expenses are unsecured, interest free and payable as and when required.

**13. DERIVATIVE FINANCIAL LIABILITIES**

The Company has purchased 2 interest rate caps at the cap rate of 1.1% p.a. on LIBOR for the long term loan of USD270 million (see Note 11) to mitigate the risk of LIBOR moving higher. Settlement of the cap payoff would be made semi-annually on a net basis. In case the LIBOR is below 1.1%, there is no pay out to the Company.

However, if the LIBOR is higher than 1.1%, the Company receives the applicable LIBOR on the notional value and pays only 1.1% on the outstanding notional value.

	2014	2013
	USD	USD
Opening balance	2,899,274	3,770,225
Marked to market gain	(1,612,985)	(870,951)
Closing balance	<u>1,286,289</u>	<u>2,899,274</u>

The interest rate caps have been designated as financial liabilities at fair value through profit or loss. The fair valuation is the marked to market value as at the reporting date. The following table gives information about how the fair values of the financial liabilities have been determined.

Financial liabilities	Fair value hierarchy	Valuation technique	Fair value as at
	Level 2		2014
Derivative financial liabilities		Black Scholes Model	1,286,289

The fair value of the derivative is worked out by the respective bank. The valuation methodology used by the bank is based on the Black-Scholes model.

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

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**14. LOANS FROM RELATED PARTIES**

*(i) Loan from Bhivpuri Investments Limited*

The loan of USD4.5 million from Bhivpuri Investments Limited, a related party, is unsecured, repayable on demand and carries interest at the rate of LIBOR plus margin as agreed between the parties calculated on the basis of 360 days a year. The effective rate of interest ranges from 1.4300% to 1.4774% per annum.

	2014	2013
	USD	USD
Opening balance	4,500,000	4,500,000
Loan received	-	-
Loan repaid	<u>(3,900,000)</u>	-
Closing balance	<u>600,000</u>	<u>4,500,000</u>

*(ii) Loan from Bhira Investments Limited*

	2014	2013
	USD	USD
Opening balance	-	-
Loan received	28,512,819	-
Loan repaid	<u>(1,560,000)</u>	-
Closing balance	<u>26,952,819</u>	-

The loan from Bhira Investments Limited is unsecured, interest free and repayable on demand.

**15. SHAREHOLDER'S LOAN**

The Company had taken a loan of USD100 million from its shareholder, The Tata Power Company Limited, which is unsecured, repayable on demand as agreed between the parties and carries an interest of 5% per annum on the basis of 360 days a year.

**16. 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 did not have any accumulated tax losses to be carried forward at the reporting date.

	2014	2013
	USD	USD
Profit before taxation	<u>18,850,411</u>	<u>21,128,736</u>
Tax at the applicable rate of 15%	2,827,561	3,169,310
Tax effect of :		
-Other deductible expenses	(619,901)	(1,062,525)
-Items outside scope of taxation	1,313,740	-
-Non allowable expenses	574,873	1,551,411
-Withholding tax suffered	5,000,093	4,000,998
-Foreign tax credit	(4,096,273)	-
-Tax losses (utilized)	-	(247,209)
-Deemed tax credit	-	<u>(3,410,987)</u>
Tax charge	<u>5,000,093</u>	<u>4,000,998</u>

**17. MANAGEMENT FEE INCOME**

Pursuant to a Deed of Novation dated 1 August 2012 entered between the Company, Bhivpuri Investments Limited and each of PT Kaltim Prima Coal ("KPC") and PT Arutmin Indonesia ("Arutmin"), the Company provides management support services to KPC and Arutmin. The management fee income for the year ended 31 March 2014 was USD50,000,000 (2013:USD40,000,000). On 6 December 2013, the Board approved that the management fee income from Arutmin be waived by the Company effective as from 1 July 2013 to 31 December 2014.

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

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18. OTHER INCOME

	2014	2013
	USD	USD
Hedging cost	1,734,890	1,734,890
Reimbursement of professional fees	244,478	-
	<u>1,979,368</u>	<u>1,734,890</u>

19. MANAGEMENT FEE EXPENSE

The Company has subcontracted to Bhira Investments Limited for the provision of management support services to KPC and Arutmin pursuant to a Subcontracting Agreement dated 1 August 2012. On 11 September 2013, the Board of directors approved an addendum to the Subcontracting Agreement where it was approved that Bhivpuri Investments Limited become a party to the agreement. However, as on date, no services have been provided by Bhivpuri Investments Limited. On 14 January 2014, the Board approved the appointment of Tata Power International Pte Limited ("TPIPL") as subcontractor of management services in the stead of Bhivpuri, however as at the year end, no services had been provided yet by TPIPL. The management fee expense for the year ended 31 March 2014 was USD16,800,000 (2013: USD11,200,000).

20. SERVICE FEE EXPENSE

The Company has entered into a Procurement Services Agreement dated 1 September 2012 with its holding Company, The Tata Power Company Limited ("Tata Power"), for the provision of expert services to the Company in relation to investment opportunity evaluation and capital raising. The Company pays service fee expense to Tata Power in exchange of its services. The service fee expense for the year ended 31 March 2014 was USD160,242 (2013: USD230,911).

21. GUARANTEE COMMISSION

Guarantee commission represent arm's length fees payable to the holding company for providing corporate guarantees of USD100 million and USD450 million to the long term bank loans of USD70 million and USD270 million (Note 11) respectively, and hedge obligation guarantees of USD 3.91 million and USD 1.65 million. The guarantee commission for the year ended 31 March 2014 was USD395,404 (2013: USD227,687).

22. RELATED PARTY TRANSACTIONS

During the year ended 31 March 2014, the Company transacted with certain related parties. Details of the nature, volume of transactions and the balances with the related parties are as follows:

	2014		2013	
	USD	USD	USD	USD
<i>(i) Payable to The Tata Power Company Limited</i>				
<i>Opening balance:</i>				
-Loan	100,000,000		-	
-Interest payable	3,861,111		-	
-Other payable	152,961	104,014,072	56,517	56,517
<i>Movement:</i>				
Interest expense	5,069,444		3,861,111	
Guarantee commission	395,404		227,687	
Service fees	160,242		230,911	
Long term loan received	-		100,000,000	
Paid during the year	(5,642,739)	(17,649)	(362,154)	103,957,555
<i>Closing balance:</i>				
-Loan	100,000,000		100,000,000	
-Interest payable	3,805,555		3,861,111	
-Other payable	190,868	103,996,423	152,961	104,014,072
		<u>103,996,423</u>		<u>104,014,072</u>

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

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

	2014		2013	
	USD	USD	USD	USD
<i>(ii) Receivable from / payable to Bhira Investments Limited</i>				
<b>Opening balance:</b>				
-Loan receivable	306,958,095		325,850,003	
-Loan payable	-		-	
-Interest receivable	169,810		282,253	
-Management fee payable	(4,200,000)		-	
-Other payable	(1,872,170)		(176,332)	
-Other receivable	430,281	301,486,016	-	325,955,924
<b>Movement:</b>				
Interest income	4,914,150		5,999,195	
Loan received	33,041,905		-	
Repayment of loan / (received)	1,560,000		(18,891,908)	
Loan granted	(28,512,819)		-	
Interest received	(4,879,233)		(6,111,639)	
Hedging costs paid	(2,110,388)		(4,200,000)	
Management fee expense	(16,800,000)		430,281	
Hedging costs	1,734,891		-	
Expenses paid on behalf of the Company	(1,366,540)	(12,418,034)	(1,695,837)	(24,469,908)
<b>Closing balance:</b>				
-Loan receivable	340,000,000		306,958,095	
-Loan payable	(26,952,819)		-	
-Interest receivable	204,727		169,810	
-Management fee payable	(21,000,000)		(4,200,000)	
-Other payable	(3,238,710)		(1,872,170)	
-Other receivable	54,784	289,067,982	430,281	301,486,016
		<u>289,067,982</u>		<u>301,486,016</u>
<i>(iii) Payable to Bhiopuri Investments Limited</i>				
<b>Opening balance:</b>				
-Loan	4,500,000		4,500,000	
-Interest	429,186		358,152	
-Other payable	508,000	5,437,186	508,000	5,366,152
<b>Movement:</b>				
Loan repaid	(3,900,000)		-	
-Interest expense	61,901	(3,838,099)	71,034	71,034
<b>Closing balance:</b>				
-Loan	600,000		4,500,000	
-Interest	491,087		429,186	
-Other payable	508,000	1,599,087	508,000	5,437,186
		<u>1,599,087</u>		<u>5,437,186</u>

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

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22. RELATED PARTY TRANSACTIONS (CONTINUED)

	2014		2013	
	USD	USD	USD	USD
<i>(iv) Receivable / (payable) from Cenmergi (Proprietary) Limited</i>				
<i>Opening balance:</i>				
-Loan	6,489,996	6,489,996	-	-
<i>Movement:</i>				
-Loan received	-	-	7,793,423	-
-Expense payable	(80,110)	-	-	-
-Unrealised foreign exchange loss	(829,940)	(910,050)	(1,303,427)	6,489,996
<i>Closing balance:</i>				
-Expense payable	(80,110)	-	-	-
-Loan	5,660,056	5,579,946	6,489,996	6,489,996
		5,579,946		6,489,996
<i>(v) Receivable from Trust Energy Resources Pte Ltd</i>				
<i>Opening balance:</i>				
-Loan	7,000,000	7,000,000	-	-
<i>Movement:</i>				
-Loan received	-	-	7,000,000	7,000,000
<i>Closing balance</i>				
-Loan	7,000,000	7,000,000	7,000,000	7,000,000
		7,000,000		7,000,000
<i>(vi) Receivable / (Payable) to Tata Power International Pte Ltd "TPIPL"</i>				
<i>Movement:</i>				
-Expenses incurred on behalf of TPIPL	244,478	244,478	-	-
<i>Closing balance</i>				
-Receivable	244,478	244,478	-	-
		244,478		-
<i>(vii) Receivable from TAHL (Mauritius) Power Projects Limited ("TAHL")</i>				
<i>Movement:</i>				
-Loan granted to TAHL	10,926,613	10,926,613	-	-
<i>Closing balance</i>				
-Loan	10,926,613	10,926,613	-	-
		10,926,613		-

*Compensation to key management personnel*

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

23. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

*Capital risk management*

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholder through the optimisation of the debt and equity balance. The capital structure of the Company consists of net debt, which includes loans (offset by cash and cash equivalents) and equity comprising stated capital and retained earnings.

23. 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	2013
<b>Financial assets</b>	USD	USD
Available for sale investment	4,425,947	4,396,662
Loans and receivables (including cash and cash equivalents)	386,226,713	342,444,904
	<u>390,652,660</u>	<u>346,841,566</u>
<b>Financial liabilities</b>		
Amortised cost	497,555,483	454,872,051
Derivative financial liabilities designated at FVTPL	1,286,289	2,899,274
	<u>498,841,772</u>	<u>457,771,325</u>

Prepayments amounting to USD4,463 (2013: USD2,438) do not form part of financial assets.

In its ordinary operations, the Company's investment activities expose it to the various types of risks, which are associated with the financial instruments and markets in which it transacts. The following is a summary of the main risks:

Financial risk management

Market risk

Market risk is the risk that changes in market prices, such as (i) foreign exchange rates (currency risk), (ii) interest rates (interest rate risk) and (iii) credit 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.

(i) Currency risk

The Company is exposed to volatility in the South African Rand (ZAR) on its loan to Cennergi (Proprietary) Limited (Note 7(b) (i)) and is thus exposed to foreign currency risk relative to the ZAR.

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

	2014		2013	
	Increase/ (decrease) In USD Against ZAR %	Effect on Profit and Loss USD	Increase/ (decrease) In USD Against ZAR %	Effect on Profit and Loss USD
Loan to related party (ZAR)	10%	(514,550)	10%	(590,001)
	-10%	(628,896)	-10%	721,109

23. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

*Sensitivity analysis*

(ii) *Interest rate risk*

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

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

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

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

	2014 5% increase USD	2014 5% decrease USD	2013 5% increase USD	2013 5% decrease USD
<i>USD denominated</i>				
Interest on loan	(297,346)	297,346	(196,607)	196,607
Effect on profit and loss before tax	(297,346)	297,346	(196,607)	196,607

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

	2014 5% increase USD	2014 5% decrease USD	2013 5% increase USD	2013 5% decrease USD
<i>USD denominated</i>				
Interest on loan	245,708	(245,708)	321,047	(321,047)
Effect on profit before tax	245,708	(245,708)	321,047	(321,047)

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:

	2014 5% increase USD	2014 5% decrease USD	2013 5% increase USD	2013 5% decrease USD
<i>USD denominated</i>				
Bank interest income	4,120	(4,120)	15,781	(15,781)
Effect on profit before tax	4,120	(4,120)	15,781	(15,781)

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

LIBOR Cap rate	Premium	End date	Notional value USD	2014 Fair value USD	2013 Fair value USD
1.1% p.a.	0.81% p.a.	28 April 2015	135 million	1,219,391	2,224,727
1.1% p.a.	0.4575% p.a.	28 April 2014	135 million	66,898	674,547
				1,286,289	2,899,274

(iii) *Credit risk*

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

Financial assets that potentially expose the Company to credit risk consist principally of loans and interest, management fees receivable from related party and short terms deposits.

With respect to credit risk arising from financial assets which comprise of other receivables, the Company's exposure to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of the financial assets.

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

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23. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

(iii) Credit risk (continued)

Carrying Amount	2014	2013
	USD	USD
Loan to related parties	363,586,669	320,448,091
Trade and other receivables	11,022,348	6,614,033
Cash and cash equivalents	11,617,696	15,382,780
	<u>386,226,713</u>	<u>342,444,904</u>

(iv) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors and in managing the Company's short, medium and long term funding and liquidity requirements, the Board of Directors is guided by similar practices adopted by its holding company. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity and interest risk tables

The following table details the Company's remaining contractual maturity for its non-derivative financial assets and liabilities. The table has been drawn up based on the undiscounted cash flows of financial assets and liabilities based on the earliest date on which the Company can be required to pay. The Company will continue receiving support from the holding company as and when required. The table includes both interest and principal cash flows.

	Less than 1 year USD 2014	More than 1 year USD 2014	Total USD 2014
<b>Financial assets</b>			
Non-interest bearing	39,034,964	-	39,034,964
Variable interest rate instruments	11,617,696	340,000,000	351,617,696
	<u>50,652,660</u>	<u>340,000,000</u>	<u>390,652,660</u>
<b>Financial liabilities</b>			
Non-interest bearing	58,928,277	-	58,928,277
Variable interest rate instruments	205,600,000	134,313,495	339,913,495
Fixed interest rate instruments	100,000,000	-	100,000,000
	<u>364,528,277</u>	<u>134,313,495</u>	<u>498,841,772</u>
	Less than 1 year 2013 USD	More than 1 year 2013 USD	Total 2013 USD
<b>Financial assets</b>			
Non-interest bearing	20,104,029	4,396,662	24,500,691
Variable interest rate instruments	15,382,780	306,958,095	322,340,875
	<u>35,486,809</u>	<u>311,354,757</u>	<u>346,841,566</u>
<b>Financial liabilities</b>			
Non-interest bearing	14,850,856	-	14,850,856
Variable interest rate instruments	74,582,350	268,338,119	342,920,469
Fixed interest rate instruments	100,000,000	-	100,000,000
	<u>189,433,206</u>	<u>268,338,119</u>	<u>457,771,325</u>

23. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

(v) Fair values

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

*Fair value measurement recognized in the statement of financial position*

Except where stated otherwise, the carrying amounts of the Company's financial assets and financial liabilities approximate their fair values.

The fair values of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid market, is determined with reference to quoted market prices.
- The fair value of other financial asset and financial liability is determined in accordance with generally accepted pricing model, based on discounted cash flow analysis using prices from observable current market transactions and dealer quote for similar instruments.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1-Quoted prices (unadjusted) in active market for identical assets and liabilities:

Level 2-Input other than quoted prices included within level 1 that are observable for the asset and liability either directly (that is as prices) or indirectly (that is derived from prices); and

Level 3-For the asset or liability that are not based on observable market data (unobservable input)

The level in the fair value hierarchy within which the fair value measurement has been categorized in the entirety has been determined on the basis of the lowest level of the input that is significant to the fair value measurement in its entirety.

The following table summarizes the levels within the fair value hierarchy in which the fair value measurements of the Company's investment fall:

<u>2014</u>	Level 3
Assets	USD
Available for sale investments at fair value	<u>4,425,947</u>
<u>2013</u>	
Assets	
Available for sale investments at fair value	<u>4,396,662</u>

On 30 May 2013, The Tata Power Company Limited had resolved to acquire Trust Energy Resources Pte Ltd at a price not exceeding USD4.39M. At 31 March 2014, the available for sale investment has been reported at cost which the directors believe approximate the fair value of investment.

24. 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.

25. GOING CONCERN

At 31 March 2014, the Company had a net current liabilities of USD313,900,439 (31 March 2013: USD153,943,959). These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern and therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

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

**26. DIVIDEND PAID**

During the year, dividend of USD0.11 per share had been declared by the directors for a total of USD5,000,000 and paid in full (2013: Nil).

**27. 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 given that the ultimate shareholder of the Company was consolidating the financial statements of the Company along with its investee companies.

Similarly 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.

**28. CONTINGENCIES AND COMMITMENTS**

As at the reporting date, the Company held a 3.4% stake in Trust Energy Resources Pte Ltd and had invested USD4,396,662. Consequently the Board of Directors has approved the disposal of the investments to The Tata Power Company Limited at a price not exceeding USD4.39M.

*Contingencies*

As at the reporting year, the Company did not have any contingency with respect to its investments in the joint ventures.

*Commitments*

During the year, the Board of Directors had approved budgets for the evaluation of various projects. As of the reporting date, the due diligence was still in progress and the Company had not yet acquired any stake.

**29. SUBSEQUENT EVENTS**

On 15 April 2014, the Board had approved the refinancing of the loans of USD135 million and USD70 million (Note 11(b)), by obtaining a new syndicated loan facility of USD205 million for a tenure of 3 years.

**KHOPOLI 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		
<b>INCOME</b>						
Management fee income	50,000,000	60.50	3,025,000,000	40,000,000	54.45	2,178,000,000
Bank interest income	82,401	60.50	4,985,261	315,620	54.45	17,185,509
Interest income on loan to related party	4,914,150	60.50	297,306,075	5,999,195	54.45	326,656,168
Interest income on loan to other party	-	60.50	-	421,762	54.45	22,964,941
Mark to market gain on derivatives	1,612,985	60.50	97,585,593	870,951	54.45	47,423,282
Other income	1,979,368	60.50	119,751,764	1,734,890	54.45	94,464,761
	<u>58,588,904</u>	60.50	<u>3,544,628,692</u>	<u>49,342,418</u>	54.45	<u>2,686,694,660</u>
<b>OPERATING EXPENSES</b>						
License fees	2,100	60.50	127,050	1,775	54.45	96,649
Audit fees	27,250	60.50	1,648,625	24,400	54.45	1,328,580
Bank charges	7,906	60.50	478,313	7,966	54.45	433,749
Professional and legal fees	4,062,487	60.50	245,780,464	2,168,296	54.45	118,063,717
Interest expense on loans	5,946,910	60.50	359,788,055	3,932,145	54.45	214,105,295
Loan amortization	5,342,336	60.50	323,211,328	7,372,607	54.45	401,438,451
Premium on derivatives	1,734,891	60.50	104,960,906	1,739,644	54.45	94,723,616
Foreign exchange loss	755,255	60.50	45,692,928	1,304,100	54.45	71,008,245
Guarantee commission	395,404	60.50	23,921,942	227,687	54.45	12,397,557
Service fee expense	160,242	60.50	9,694,641	230,911	54.45	12,573,104
Management fees expense	16,800,000	60.50	1,016,400,000	11,200,000	54.45	609,840,000
Custodian fee	1,228	60.50	74,294	4,151	54.45	226,022
Management fee income written off	4,500,000	60.50	272,250,000	-	54.45	-
Transaction cost	23	60.50	1,392	-	54.45	-
Other charges	1,222	60.50	73,931	-	54.45	-
Interest income written off	1,239	60.50	74,960	-	54.45	-
	<u>39,738,493</u>	60.50	<u>2,404,178,827</u>	<u>28,213,682</u>	54.45	<u>1,536,234,985</u>
<b>PROFIT BEFORE TAXATION</b>	<b>18,850,411</b>	<b>60.50</b>	<b>1,140,449,866</b>	<b>21,128,736</b>	<b>54.45</b>	<b>1,150,459,675</b>
Taxation	(5,000,093)	60.50	(302,505,627)	(4,000,998)	54.45	(217,854,341)
<b>PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b><u>13,850,318</u></b>	<b>60.50</b>	<b><u>837,944,239</u></b>	<b><u>17,127,738</u></b>	<b>54.45</b>	<b><u>932,605,334</u></b>

**KHOPOLI 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>						
Investment in joint ventures	171,850,623	59.89	10,292,133,811	165,742,977	54.38	9,013,103,089
Available for sale investment	29,285	59.89	1,753,879	4,396,662	54.38	239,090,480
Loans to related parties	340,000,000	59.89	20,362,600,000	306,958,095	54.38	16,692,381,206
	<u>511,879,908</u>	59.89	<u>30,656,487,690</u>	<u>477,097,734</u>	54.38	<u>25,944,574,775</u>
<u>Current assets</u>						
Loans to related parties	23,586,669	59.89	1,412,605,606	13,489,996	54.38	733,585,982
Trade and other receivables	11,026,811	59.89	660,395,711	6,616,471	54.38	359,803,693
Cash and cash equivalents	11,617,696	59.89	695,783,813	15,382,780	54.38	836,515,576
	<u>46,231,176</u>	59.89	<u>2,768,785,131</u>	<u>35,489,247</u>	54.38	<u>1,929,905,252</u>
<u>Assets classified as held for sale</u>						
Available for sale investment	4,396,662	59.89	263,316,087	-	54.38	-
	<u>4,396,662</u>	59.89	<u>263,316,087</u>	<u>-</u>	54.38	<u>-</u>
<b>Total assets</b>	<b><u>562,507,746</u></b>	<b>59.89</b>	<b><u>33,688,588,908</u></b>	<b><u>512,586,981</u></b>	<b>54.38</b>	<b><u>27,874,480,027</u></b>
<b>EQUITY AND LIABILITIES</b>						
<u>Capital and reserves</u>						
Stated capital	47,007,350	54.29	2,551,932,526	47,007,350	54.29	2,551,932,526
Retained earnings	16,658,624	61.42	1,023,120,904	7,808,306	62.46	487,676,665
Exchange fluctuation reserve	-		237,901,753	-		(58,733,818)
Shareholder's funds	<u>63,665,974</u>	59.89	<u>3,812,955,183</u>	<u>54,815,656</u>	54.38	<u>2,980,875,373</u>
<u>Non current liabilities</u>						
Loans	134,313,495	59.89	8,044,035,216	268,338,119	54.38	14,592,226,911
<u>Current liabilities</u>						
Trade and other Payables	30,689,169	59.89	1,837,974,331	11,951,582	54.38	649,927,029
Derivative financial liabilities	1,286,289	59.89	77,035,848	2,899,274	54.38	157,662,520
Loan from related parties	27,552,819	59.89	1,650,138,330	4,500,000	54.38	244,710,000
Loans	205,000,000	59.89	12,277,450,000	70,082,350	54.38	3,811,078,193
Shareholder's loan	100,000,000	59.89	5,989,000,000	100,000,000	54.38	5,438,000,000
	<u>364,528,277</u>	59.89	<u>21,831,598,510</u>	<u>189,433,206</u>	54.38	<u>10,301,377,742</u>
<b>Total equity and liabilities</b>	<b><u>562,507,746</u></b>	<b>59.89</b>	<b><u>33,688,588,908</u></b>	<b><u>512,586,981</u></b>	<b>54.38</b>	<b><u>27,874,480,027</u></b>

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

	Stated capital	Exchange Rate	Amount	(Accumulated losses) / Retained Earnings	Exchange Rate	Amount	Total	Exchange Rate	Amount
	USD		₹	USD		₹	USD		₹
At 1 April, 2012	7,350	41.16	302,526	(9,319,432)	47.74	(444,928,669)	(9,312,082)	47.75	(444,626,143)
Issue of shares	47,000,000	54.29	2,551,630,000	-		-	47,000,000	54.29	2,551,630,000
Profit and total comprehensive income for the year	-		-	17,127,738	54.45	932,605,334	17,127,738	54.45	932,605,334
At 31 March 2013	<u>47,007,350</u>	54.29	<u>2,551,932,526</u>	<u>7,808,306</u>	62.46	<u>487,676,665</u>	<u>54,815,656</u>	55.45	<u>3,039,609,191</u>
Profit and total comprehensive income for the year	-		-	13,850,318	60.50	837,944,239	13,850,318	60.50	837,944,239
Dividend Paid	-		-	(5,000,000)	60.50	(302,500,000)	(5,000,000)	60.50	(302,500,000)
At 31 March 2014	<u>47,007,350</u>	54.29	<u>2,551,932,526</u>	<u>16,658,624</u>	61.42	<u>1,023,120,904</u>	<u>63,665,974</u>	56.15	<u>3,575,053,430</u>

**KHOPOLI 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>						
Profit before taxation	18,850,411	60.50	1,140,449,866	21,128,736	54.45	1,150,459,675
<i>Adjustments for:</i>						
Bank interest income	(82,401)	60.50	(4,985,261)	(315,620)	54.45	(17,185,509)
Interest income	(4,914,150)	60.50	(297,306,075)	(6,420,957)	54.45	(349,621,109)
Interest on loan	5,946,910	60.50	359,788,055	3,932,145	54.45	214,105,295
Loan amortisation	5,342,336	60.50	323,211,328	7,372,607	54.45	401,438,451
Transaction costs capitalized	-	60.50	-	(211,827)	54.45	(11,533,980)
Unrealised foreign exchange loss	829,940	60.50	50,211,370	1,303,427	54.45	70,971,600
Mark to market gain on derivatives	(1,612,985)	60.50	(97,585,593)	(870,951)	54.45	(47,423,282)
	<u>24,360,061</u>	60.50	<u>1,473,783,691</u>	<u>25,917,560</u>	54.45	<u>1,411,211,142</u>
<b>Movement in working capital :</b>						
Increase in trade and other receivables	(4,371,006)	60.50	(264,445,863)	(6,430,530)	54.45	(350,142,359)
Increase in other payables	18,711,957	60.50	1,132,073,399	6,795,226	54.45	370,000,056
<b>Cash generated from operating activities</b>	<u>38,701,012</u>	60.50	<u>2,341,411,226</u>	<u>26,282,256</u>	54.45	<u>1,431,068,839</u>
Withholding tax suffered	(5,000,093)	60.50	(302,505,627)	(4,000,998)	54.45	(217,854,341)
<b>Net cash generated from operating activities</b>	<u>33,700,919</u>	60.50	<u>2,038,905,600</u>	<u>22,281,258</u>	54.45	<u>1,213,214,498</u>
<b>Cash flows from Investing activities</b>						
Dividend paid	(5,000,000)	60.50	(302,500,000)	-	54.45	-
Bank interest received	77,984	60.50	4,718,032	301,676	54.45	16,426,258
Interest received	4,879,233	60.50	295,193,597	6,111,639	54.45	332,778,744
Investment in joint venture	(6,107,646)	60.50	(369,512,583)	(161,054,745)	54.45	(8,769,430,865)
Investment available for sale	(29,285)	60.50	(1,771,743)	(4,396,662)	54.45	(239,398,246)
Loan repayment received	-	60.50	-	18,891,908	54.45	1,028,664,391
Loan repaid to related party	(5,460,000)	60.50	(330,330,000)	-	54.45	-
Loan from related party	5,910,000	60.50	357,555,000	-	54.45	-
Loan to related parties	(21,365,699)	60.50	(1,292,624,790)	(7,000,000)	54.45	(381,150,000)
<b>Net cash used in investing activities</b>	<u>(27,095,413)</u>	60.50	<u>(1,639,272,487)</u>	<u>(147,146,184)</u>	54.45	<u>(8,012,109,719)</u>
<b>Cash flows from financing activities</b>						
Issue of shares	-	60.50	-	47,000,000	54.45	2,559,150,000
Loan from shareholder	-	60.50	-	100,000,000	54.45	5,445,000,000
Interest paid	(10,370,590)	60.50	(627,420,695)	(6,795,771)	54.45	(370,029,731)
<b>Net cash (used in) / generated from financing activities</b>	<u>(10,370,590)</u>	60.50	<u>(627,420,695)</u>	<u>140,204,229</u>	54.45	<u>7,634,120,269</u>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<u>(3,765,084)</u>	60.50	<u>(227,787,582)</u>	<u>15,339,303</u>	54.45	<u>835,225,048</u>
Cash and cash equivalents at beginning of year	15,382,780	54.38	836,515,576	43,477	51.19	2,225,588
Effect of exchange fluctuation on cash and cash equivalents			87,055,819			(935,060)
<b>Cash and cash equivalents at end of year</b>	<u>11,617,696</u>	59.89	<u>695,783,813</u>	<u>15,382,780</u>	54.38	<u>836,515,576</u>