

TATA POWER INTERNATIONAL PTE. LIMITED
(Incorporated in Singapore)
(Company Registration No. 201309096C)

FINANCIAL STATEMENTS

**PERIOD FROM APRIL 5, 2013 (DATE OF
INCORPORATION) TO MARCH 31, 2014**

TATA POWER INTERNATIONAL PTE. LIMITED
(Incorporated in Singapore)

FINANCIAL STATEMENTS
PERIOD FROM APRIL 5, 2013 (DATE OF
INCORPORATION) TO MARCH 31, 2014

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TATA POWER INTERNATIONAL PTE. LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements of the company for the financial period from April 5, 2013 (date of incorporation) to March 31, 2014 (the "financial year").

DIRECTORS

The directors of the Company in office at the date of this report are:

Anil Kumar Sardana	(Appointed on April 5, 2013)
Kottamasu Venkateswara Rao	(Appointed on April 5, 2013)
Sanjay Dube	(Appointed on April 5, 2013)
Minesh Shri Krishna Dave	(Appointed on September 2, 2013)

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial period did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors holding office at the end of the financial period had no interests in the share capital or debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act.

DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the date of incorporation, no director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest. Certain directors received remuneration from related corporations in their capacity as directors and/or executives of those related corporations.

TATA POWER INTERNATIONAL PTE. LIMITED

REPORT OF THE DIRECTORS

SHARE OPTIONS

(a) Options to take up unissued shares

During the financial period, no option to take up unissued shares of the Company was granted.

(b) Options exercised

During the financial period, there were no shares of the Company issued by virtue of the exercise of an option to take up unissued shares.

(c) Unissued shares under option

At the end of the financial period, there were no unissued shares of the Company under option.

AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS



Minesh Shri Krishna Dave
Director



Sanjay Dube
Director

Date: 20 JUN 2014

TATA POWER INTERNATIONAL PTE. LIMITED

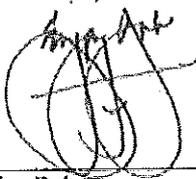
STATEMENT OF DIRECTORS

In the opinion of the directors, the financial statements of the Company as set out on pages 6 to 42 are drawn up so as to give a true and fair view of the state of affairs of the Company as at March 31, 2014 and of the results, changes in equity and cash flows of the company for the financial period from April 5, 2013 (date of incorporation) to March 31, 2014 and at the date of this statement, with the continued financial support of the holding company, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

ON BEHALF OF THE DIRECTORS



Mitesh Shri Krishna Dave
Director



Sanjay Dube
Director

Date: 20 JUN 2014

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF TATA POWER INTERNATIONAL PTE. LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Tata Power International Pte. Limited (the "Company") which comprise the statement of financial position of the Company as at March 31, 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the financial period from April 5, 2013 (date of incorporation) to March 31, 2014, and a summary of significant accounting policies and other explanatory information, as set out on pages 6 to 42.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss account and balance sheet and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 judgement, 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 of financial statements that give a true and fair view 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 audit opinion.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF
TATA POWER INTERNATIONAL PTE. LIMITED**

Opinion

In our opinion the financial statements of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company as at March 31, 2014 and of the results, changes in equity and cash flows of the Company for the financial period from April 5, 2013 (date of incorporation) to March 31, 2014.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

June 20, 2014

TATA POWER INTERNATIONAL PTE. LIMITED

**STATEMENT OF FINANCIAL POSITION
MARCH 31, 2014**

	<u>Note</u>	<u>2014</u> <u>US\$</u>
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	7	1,256,066
Trade receivables	8	332,500
Other financial asset at fair value through profit or loss	9	20,449,209
Total current assets		<u>22,037,775</u>
Non-current assets		
Investment in joint venture	10	17,574,478
Available-for-sale financial assets	11	10,887,522
Total non-current assets		<u>28,462,000</u>
TOTAL ASSETS		<u>50,499,775</u>
<u>LIABILITIES AND EQUITY</u>		
Current liabilities		
Trade payables	12	1,040,057
Other payables	13	14,272,056
Income tax payable		3,300
Total current liabilities		<u>15,315,413</u>
Non-current liability		
Redeemable preference shares	14	<u>19,093,376</u>
Capital and accumulated losses		
Share capital	15	17,950,000
Capital reserve	16	95,319
Accumulated losses		<u>(1,954,333)</u>
Net equity		<u>16,090,986</u>
TOTAL LIABILITIES AND NET EQUITY		<u>50,499,775</u>

See accompany notes to financial statements

TATA POWER INTERNATIONAL PTE. LIMITED

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
PERIOD FROM APRIL 5, 2013 (DATE OF INCORPORATION) TO MARCH 31, 2014**

	<u>Note</u>	April 5, 2013 (date of incorporation) to <u>March 31, 2014</u> US\$
Service fees income from consultancy service rendered		1,026,603
Service fee expense		(732,433)
Staff and related costs		(30,540)
Other income	17	2,599,399
Operating expenses	18	(175,670)
Impairment loss on available-for-sale financial assets	11	(4,564,652)
Finance costs		<u>(73,740)</u>
Loss before income tax	19	(1,951,033)
Income tax expense	20	<u>(3,300)</u>
Total loss for the year, representing total comprehensive loss for the year		<u>(1,954,333)</u>

See accompany notes to financial statements

TATA POWER INTERNATIONAL PTE. LIMITED

**STATEMENT OF CHANGES IN EQUITY
PERIOD FROM APRIL 5, 2013 (DATE OF INCORPORATION) TO MARCH 31, 2014**

	<u>Note</u>	<u>Share capital</u> \$	<u>Capital reserve</u> \$	<u>Accumulated loss</u> \$	<u>Total</u> \$
Balance as at April 5, 2013 (date of incorporation)		1	-	-	1
Issue of share capital	15	17,949,999	-	-	17,949,999
Loss for the period, representing total comprehensive loss for the financial period		-	-	(1,954,333)	(1,954,333)
Deemed capital contribution from holding company	16	-	95,319	-	95,319
Balance at March 31, 2014		<u>17,950,000</u>	<u>95,319</u>	<u>(1,954,333)</u>	<u>16,090,986</u>

See accompany notes to financial statements

TATA POWER INTERNATIONAL PTE. LIMITED

STATEMENT OF CASH FLOWS

PERIOD FROM APRIL 5, 2013 (DATE OF INCORPORATION) TO MARCH 31, 2014

	<u>Note</u>	April 5, 2013 (date of incorporation) to March 31, 2014 US\$
Operating activities		
Loss before income tax:		(1,951,033)
Adjustments for:		
Interest expense		72,924
Interest income	17	(158,865)
Fair value gain on other financial asset at fair value through profit or loss	9	(2,440,534)
Impairment loss on available-for-sale financial assets	11	4,564,652
Cash flows before changes in working capital		<u>87,144</u>
Trade receivables		(332,500)
Trade payables		1,040,057
Other payables		419,871
Cash generated from operations		<u>1,214,572</u>
Interest received		190
Net cash from operating activities		<u>1,214,762</u>
Investing activities		
Purchase of available-for-sale financial assets	11	(7,859,537)
Investment in joint venture	10	(17,574,478)
Other financial asset at fair value through profit or loss	9	(17,850,000)
Net cash used in investing activities		<u>(43,284,015)</u>
Financing activities		
Proceeds on issue of shares	15	17,950,000
Proceeds on issue of redeemable preference share	14	19,080,000
Deemed capital contribution from holding company		95,319
Proceeds from borrowings		23,530,000
Repayment of borrowings		(17,330,000)
Net cash from financing activities		<u>43,325,319</u>
Net increase in cash and cash equivalents		1,256,066
Cash and cash equivalents at date of incorporation		-
Cash and cash equivalents at the end of the financial period	7	<u>1,256,066</u>

Note

During the financial period, unquoted investments of US\$7,592,637 were acquired from a fellow subsidiary of the holding company. The total consideration remained unpaid and is disclosed as other payables. Accordingly, these are disclosed as non-cash transactions.

See accompany notes to financial statements

TATA POWER INTERNATIONAL PTE. LIMITED

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014**

1. GENERAL

The Company (Registration No: 201309096C) is incorporated in Singapore with its principal place of business and registered office at 143 Cecil Street, #25-01 GB Building, Singapore 069542. The financial statements are expressed in United States dollars.

The principal activity of the Company are those of investment holding and rendering of business and management consultancy services.

The financial statements of the Company for the financial period from April 5, 2013 (date of incorporation) to March 31, 2014 were authorised for issue by the board of directors on June 20, 2014.

Consolidated financial statements have not been prepared as the Company itself is a wholly-owned subsidiary of The Tata Power Company Ltd, incorporated in India, which prepares consolidated financial statements. Such financial statements are publicly available. The registered office of The Tata Power Company Ltd is located at Bombay House, 24, Homi Mody Street, Mumbai 400001, India.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING -The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102, leasing transactions that are within the scope of FRS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 or value in use in FRS 36.

TATA POWER INTERNATIONAL PTE. LIMITED

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

ADOPTION OF NEW AND REVISED STANDARDS - The Company has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after April 5, 2013.

At the date of authorisation of these financial statements, the following FRSs and amendments to FRS that are relevant to the Company were issued but not effective:

- FRS 27 *(Revised) Separate Financial Statements*
- FRS 28 *(Revised) Investments in Associates and Joint Ventures*
- FRS 110 *Consolidated Financial Statements*
- FRS 111 *Joint Arrangements*
- FRS 112 *Disclosure of Interests in Other Entities*
- FRS 110, FRS 111, FRS 112 *Transition Guidance*
- Amendments to FRS 32 *Financial Instruments: Presentation*

Consequential amendments were also made to various standards as a result of these new/revised standards.

TATA POWER INTERNATIONAL PTE. LIMITED

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

FRS 110 Consolidated Financial Statements and FRS 27 Separate Financial Statements

FRS 110 replaces the control assessment criteria and consolidation requirements currently in FRS 27 and INT FRS 12 *Consolidation - Special Purpose Entities*.

FRS 110 defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements. It also provides more extensive application guidance on assessing control based on voting rights or other contractual rights. Under FRS 110, control assessment will be based on whether an investor has (i) power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the returns. FRS 27 remains as a standard applicable only to separate financial statements.

FRS 110 will take effect from financial years beginning on or after January 1, 2014, with retrospective application subject to transitional provisions.

FRS 111 Joint Arrangements and FRS 28 Investments in Associates and Joint Ventures

FRS 111 supersedes FRS 31 *Interests in Joint Ventures* and INT FRS 13 *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*.

FRS 111 classifies a joint arrangement as either a joint operation or a joint venture based on the parties' rights and obligations under the arrangement. The existence of a separate legal vehicle is no longer the key factor. A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities. A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets.

The joint venturer should use the equity method under the revised FRS 28 *Investments in Associates and Joint Ventures* to account for a joint venture. The option to use proportionate consolidation method has been removed. For joint operations, the Company directly recognises its rights to the assets, liabilities, revenues and expenses of the investee in accordance with applicable FRSs.

FRS 111 will take effect from financial years beginning on or after January 1, 2014, with retrospective application subject to transitional provisions.

TATA POWER INTERNATIONAL PTE. LIMITED

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

FRS 112 Disclosure of Interests in Other Entities

FRS 112 requires an entity to provide more extensive disclosures regarding the nature of and risks associated with its interest in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

FRS 112 will take effect from financial years beginning on or after January 1, 2014.

Amendments to FRS 32 Financial Instruments: Presentation

The amendments to FRS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of 'currently has a legal enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments to FRS 32 are effective for annual periods beginning on or after January 1, 2014 with retrospective application required.

The management anticipates that the adoption of the above FRSs and amendments to FRS in future periods will not have a material impact on the financial statements of the Company in the period of their initial adoption.

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

FINANCIAL INSTRUMENT - Financial assets and financial liabilities are recognised on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

TATA POWER INTERNATIONAL PTE. LIMITED

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees 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 instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments.

Financial assets

All financial assets are recognised and de-recognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Financial assets are classified as "at fair value through profit or loss", "available-for-sale" financial assets and "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling in the near future; or
- On initial recognition, it is part of an identified portfolio of financial instruments that the group 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.

TATA POWER INTERNATIONAL PTE. LIMITED

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

A financial asset other than a financial asset 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 asset 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 group'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 FRS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in 'other gains and losses' line in the statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in Note 4.

Loans and Receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

TATA POWER INTERNATIONAL PTE. LIMITED

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Available-for-Sale Financial Assets

Certain shares held by the Company are classified as being available-for-sale. Quoted shares classified as available-for-sale are stated at fair value and unquoted shares classified as available for sale are stated at cost. Fair value is determined in the manner described in Note 4. Gains and losses arising from changes in fair value are recognised in other comprehensive income 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 investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income and accumulated in revaluation reserve is reclassified to profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Company's right to receive payments is established. The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at end of the reporting period. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

Impairment of Financial Assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. 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 financial asset have been impacted.

For available-for-sale equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment.

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.

TATA POWER INTERNATIONAL PTE. LIMITED

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, 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 past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss. Impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any subsequent increase in fair value after an impairment loss is recognised in other comprehensive income.

Derecognition of Financial Assets

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

TATA POWER INTERNATIONAL PTE. LIMITED

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity Instruments

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

Financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis, except for short-term payables when recognition of interest would be immaterial.

Interest-bearing redeemable preference shares are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Company's accounting policy for borrowing costs (see below).

Derecognition of Financial Liabilities

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

TATA POWER INTERNATIONAL PTE. LIMITED

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

REVENUE RECOGNITION - Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided and services rendered in the normal course of business, net of discounts and sales related taxes.

Service fees income

Service fees income from consultancy agreements to provide consultancy services is recognised in accordance with the substance of the relevant agreements. Service fee income determined on a time basis are recognised on a straight-line basis over the period of the agreement.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

BORROWING COSTS - Borrowing costs are recognised in profit or loss in the period in which they are incurred.

TATA POWER INTERNATIONAL PTE. LIMITED

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

RETIREMENT BENEFIT COSTS - Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Company's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

INCOME TAX - 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 not taxable or tax deductible. The Company's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on 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 balance sheet 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.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting period.

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.

Current and deferred tax are recognised as an expense or income in profit or loss.

TATA POWER INTERNATIONAL PTE. LIMITED

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

FOREIGN CURRENCY TRANSACTIONS - The financial statements of the Company are measured and presented in the currency of the primary economic environment in which the Company operates (its functional currency). The financial statements of the Company are presented in United States dollars, which is the functional currency of the Company and the presentation currency for the financial statements.

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS - Cash and cash equivalents in the statement of cash flows comprise cash at bank that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

**3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES
OF ESTIMATION UNCERTAINTY**

In the application of the Company's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

TATA POWER INTERNATIONAL PTE. LIMITED

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

a) Critical judgements in applying the Company's accounting policies

Management is of the opinion that there are no critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the Company's accounting policies and that has the most significant effect on the amounts recognised in the financial statements.

b) Key sources of estimation uncertainty

The key assumptions concerning the future, and the other key sources of estimation at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are discussed below.

Impairment of investment in available-for-sale financial assets

Note 2 to the financial statements describe that impairment of investments in available-for-sale financial assets requires management to exercise judgement as to whether a significant or prolonged decline in fair value below the cost has occurred. Details of the Company's investment in available-for-sale financial assets are disclosed in Note 11 to the financial statements.

For the quoted equity shares, the management has considered the decline in the fair value of the investment as compared to the original cost of investment and the related trends and has accordingly made the judgement to impair the investment.

For the unquoted equity shares, the management has considered the available information with regards to the investee and any impairment indicators. Accordingly, management has made a judgement to impair the investments.

TATA POWER INTERNATIONAL PTE. LIMITED

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES
OF ESTIMATION UNCERTAINTY (cont'd)

Investment in available-for-sale financial asset – Exergen Pty Ltd.

The carrying amount of investments in the equity shares of Exergen Pty Ltd, an Australian company which is carried at cost, less impairment loss, amounted to US\$520,891.

Based on a proxy valuation using a recent rights issue exercise, an impairment loss amounting to US\$4,228,559 was recognised in profit or loss, for the financial period ended March 31, 2014. This conclusion by the management involves significant judgements and estimates regarding the performance of Exergen Pty Ltd based on the future plans and budgets as well as the acceptability, success and the results of technologies which are currently in research phase.

Investment in available-for-sale financial asset - OTP Geothermal

The Company has investments in the equity shares of OTP Geothermal Pte Ltd, a company based in Singapore which is carried at cost amounting to US\$7,800,000.

The Company had engaged an independent valuer to carry out a valuation of OTP Geothermal Pte Ltd (“OTP”) as at the end of the reporting period. The valuer adopted discounted cash flow method and asset accumulation method in deriving the valuation of the OTP and the valuation of investment by the Company for a 12.93% ownership interest in OTP was estimated to be US\$8.4 million. The valuation has been carried out by applying a weight average cost of capital of 7.39% per annum, inflation rate of 2.3% per annum and significant assumptions also include expected revenue based on the expected commencement period and capacity of the plants of OTP's underlying projects. Due to the lack of observable market, the valuation is further discounted to derive at US\$8.4 million for the Company's ownership interest.

Management has also considered the current progress, budgets and the future plans of OTP. Based on such information and certain other information which is available to the management, the management has concluded that this investment is not impaired. In making this conclusion the management has also considered that fact that OTP Geothermal is currently in research phase of the business cycle. This conclusion by the management involves significant judgements and estimates regarding the success of OTP Geothermal Pte Ltd based on the future plans and budgets as well as the outcome of research activities in a foreseeable future.

TATA POWER INTERNATIONAL PTE. LIMITED

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014**

**3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES
OF ESTIMATION UNCERTAINTY (cont'd)**

Valuation of other financial asset at fair value through profit or loss and impairment of investment in joint venture

The loan to a joint venture carries the option to convert the outstanding amount of loan and accrued interest into equity shares of the joint venture based on a fixed price per share. The convertible loan is stated at fair value based on independent professional valuations. In determining the fair value, the valuer has used valuation techniques which involve certain estimates and significant unobservable inputs which are disclosed in Note 4. The key assumptions used to determine the fair value include market-corroborated terminal yield, volatility, credit spread, revenue growth rate and discount rate.

Based on the equity value per share estimated by the valuer, management assessed the recoverable amount of the investment and the collectability of the convertible loan, and concluded that they are not impaired.

The carrying amounts of the other financial asset at fair value through profit or loss and investment in joint venture are disclosed in Notes 9 and 10 to the financial statements.

TATA POWER INTERNATIONAL PTE. LIMITED

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

a) Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	<u>2014</u> US\$
Financial assets	
Cash and cash equivalents	1,256,066
Loan and receivables	1,588,566
Other financial asset at fair value through profit or loss	20,449,209
Available-for-sale financial assets	<u>10,887,522</u>

Financial liabilities

Amortised cost	<u>34,405,489</u>
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b) Financial risk management policies and objectives

i) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the company. The Company deals mainly with related companies, related parties and reputable companies. All customers of the Company are evaluated by the holding company, who in turn will advise the credit terms to be granted.

The Company's principal financial assets are cash and cash equivalents and trade and other receivables.

Cash and cash equivalent is deposited with reputable financial institutions.

TATA POWER INTERNATIONAL PTE. LIMITED

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT
(cont'd)

Significant concentration of credit risk

Concentration of credit risk exists when changes in economic, industry or geographical factors similarly affect group of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure.

For the period ended March 31, 2014, one customer represented the entire balance of the Company's trade receivables balance.

Further details of credit risks on trade receivables is disclosed in Note 7.

ii) Interest rate risk management

Interest rate risk arises from the potential change in interest rates that may have an adverse effect on the Company in the currency reporting period or in future years.

The Company's loss for the year is not expected to be substantially affected by changes in interest rates.

iii) Foreign currency risk management

The Company is exposed to changes in foreign exchange rates primarily with respect to the Singapore dollar and Australian dollar.

At the end of the reporting period, the carrying amounts of monetary assets and monetary liabilities dominated in Singapore dollars are as follows:

	<u>2014</u> US\$
<u>Assets</u>	
Singapore dollars	39,471
Australian dollars	<u>1,930,156</u>
 <u>Liabilities</u>	
Singapore dollars	<u>155,758</u>

TATA POWER INTERNATIONAL PTE. LIMITED

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT
(cont'd)

Foreign currency sensitivity

The sensitivity rate used when reporting foreign currency risk to key management personnel is 10%, which is the change in foreign exchange rate that management deems reasonably possible which will affect outstanding foreign currency denominated monetary items at period end.

If the relevant foreign currencies weaken by 10% against the functional currency of the Company, the loss for the year will decrease (increase) by:

	<u>2014</u> US\$
Singapore dollars	11,629
Australian dollars	<u>(193,016)</u>

iv) Capital risk management policies and objective

The Company reviews its capital structure at least annually to ensure that the Company will be able to continue as a going concern. The capital structure of the Company comprises of issued capital and funding from its holding company.

v) Liquidity risk management

Liquidity risk refers to the risk in which the company has difficulties in meeting its short- term obligations. The company's operations are financed mainly through its internally generated cash flow, debt and funding from holding company. During the year, the holding company has invested in US\$17,950,000 in the equity of the Company (Note 15) and subscribed to its redeemable preference shares of US\$19,080,000 (Note 14).

The Company is dependent on its holding company for continued financial support and management is satisfied that the financial support will be available when required. Hence, management is of the opinion that liquidity risk is minimal.

TATA POWER INTERNATIONAL PTE. LIMITED

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT
(cont'd)

Liquidity risk analysis

Non-derivative financial liabilities

The following table details the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability on the statement of financial position.

	Average effective interest rate %	On demand or within <u>1 year</u> US\$	Within <u>2 to 5 years</u> US\$	After <u>5 years</u> US\$	Adjustment US\$	Total US\$
Non-interest bearing	N.A	9,125,489	-	-	-	9,125,489
Variable interest rate instrument	1.65	6,302,424	-	-	(102,424)	6,200,000
Fixed interest rate instruments	7.54	-	-	20,518,632	(1,438,632)	19,080,000
		<u>15,427,913</u>	<u>-</u>	<u>20,518,632</u>	<u>(1,541,056)</u>	<u>34,405,489</u>

Non-derivative financial assets

The following table details the expected maturity for non-derivative financial assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Company's liquidity risk management as the Company's liquidity risk is managed on a net asset and liability basis. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Company anticipates that the cash flow will occur in a different period. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial asset on the statement of financial position.

TATA POWER INTERNATIONAL PTE. LIMITED

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT
(cont'd)

	Average effective interest rate %	On demand or within 1 year US\$	Within 2 to 5 years US\$	After 5 years US\$	Adjustment US\$	Total US\$
Non-interest bearing	N.A	<u>13,732,154</u>	-	-	-	<u>13,732,154</u>

Derivative financial instruments

The following table details the liquidity analysis for derivative financial instruments. The table has been drawn up based on the undiscounted net cash outflows on the derivative instrument that settle on a net basis and the undiscounted gross outflows on those derivatives that require gross settlement. When the amount receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period.

	Average effective interest rate %	On demand or within 1 year US\$	Within 2 to 5 years US\$	After 5 years US\$	Adjustment US\$	Total US\$
Non-interest bearing	N.A	2,440,534	-	-	-	2,440,534
Fixed interest rate instruments	2.00	18,368,849	-	-	(360,174)	18,008,675
		<u>20,809,383</u>	-	-	<u>(360,174)</u>	<u>20,449,209</u>

vi) Fair value of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade receivables and payables and other receivables and payables, approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair value of other classes of financial assets and liabilities are disclosed in the respective notes to financial statements.

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

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and

TATA POWER INTERNATIONAL PTE. LIMITED

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014**

**4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT
(cont'd)**

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The Company classifies fair value measurements using a fair value hierarchy that reflects the significant of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- a. quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- b. inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- c. inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

TATA POWER INTERNATIONAL PTE. LIMITED

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT
(cont'd)

Fair value of the financial assets that are measured at fair value on a recurring basis

Some of the Company's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the values of these financial assets are determined (in particular, the valuation technique(s) and input(s) used).

Financial assets	Fair value	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	as at (US\$'000)				
Other financial assets at fair value through profit or loss (Note 9) Option on convertible loan to joint venture	2014	Level 3	Binomial Tree Model is used with key inputs on assumption relating to timing when the Company may redeem the option, money market rates and swap rates for USD, historical volatility of share prices of companies in similar industry, credit spread using interest rates of project loans for the joint venture and valuation of underlying shares of joint venture	Valuation of underlying shares of joint venture using discounted cash flow. The significant inputs used for the discounted cash flow are stated below. Revenue growth rates, taking into account management's experience and knowledge of market conditions of the specific industries including yield and electricity price. Weighted average cost of capital, determined using a Capital Asset Pricing Model and International Cost of Capital Model, ranging from 11.93% to 13.93 % per annum.	The higher the valuation of the underlying shares of joint venture, the higher the fair value. The higher the revenue growth rate, the higher the fair value. The higher the weighted average cost of capital, the lower the fair value.
	20,449,209				

TATA POWER INTERNATIONAL PTE. LIMITED

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014**

**4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT
(cont'd)**

Financial assets	Fair value as at (US\$'000)	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2014				
	Assets				
Available-for-sale investments (Note 11)	1,930,156	Level 1	Quoted bid prices in an active market.	N/A	N/A

There were no significant transfers between Level 1 and Level 2 of the fair value hierarchy in the period.

Equity price risk management

The Company is exposed to equity risks arising from equity investments classified as available-for-sale. Available-for-sale equity investments are held for strategic rather than trading purposes. The Company does not actively trade available-for-sale investments. Further details of these equity investments can be found in Note 11 to the financial statements.

TATA POWER INTERNATIONAL PTE. LIMITED

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

5. HOLDING COMPANY AND RELATED COMPANIES

The Company is a subsidiary of The Tata Power Company Limited which is the company's ultimate holding company. Related companies in these financial statements refer to members of the ultimate holding company's group of companies.

Many of the Company's transactions and arrangements are between members of the group and the effect of these on the basis determined between the parties is reflected in these financial statements.

The intercompany balances are unsecured, interest-free and repayable on demand unless otherwise stated.

Significant intercompany transactions:

	April 5, 2013 (date of incorporation) to March 31, 2014 US\$
<u>Holding Company</u>	
Service fees expense	(732,433)
Financial guarantee expense	<u>(31,203)</u>
<u>Fellow subsidiaries</u>	
Interest expense	(28,345)
Management fees expense	(107,107)
Consultancy fees expense	<u>(244,478)</u>

6. OTHER RELATED PARTY TRANSACTIONS

Some of the Company's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

	April 5, 2013 (date of incorporation) to March 31, 2014 US\$
<u>Joint venture and subsidiary of joint venture</u>	
Service fees income	332,500
Interest income	158,675
Consultancy fees expense	<u>(19,635)</u>

TATA POWER INTERNATIONAL PTE. LIMITED

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

6. OTHER RELATED PARTY TRANSACTIONS (cont'd)

Compensation of directors and key management personnel

The Company has only one part-time employee. Corporate and administrative services of the Company are managed by Trust Energy Resources Pte Ltd, fellow subsidiary of the Company, and the charges are included under management fee charged by the fellow subsidiary. Hence, there is no key management remuneration cost incurred by the Company.

7. CASH AND CASH EQUIVALENTS

	<u>2014</u> US\$
Cash at bank	<u>1,256,066</u>

The Company's cash and cash equivalents that are not denominated in the functional currency of the Company are follows:

	<u>2014</u> US\$
Singapore dollar	<u>39,471</u>

8. TRADE RECEIVABLES

	<u>Note</u>	<u>2014</u> US\$
Related party	6	<u>332,500</u>

The Company's trade receivables are dominated in United States dollar.

The average credit period is 28 days. Interest is charged on the trade receivables at the rate of 6 months LIBOR plus 2% per annum to the subsidiary of joint venture on trade receivables beyond the credit period of 28 days from the date of invoice.

TATA POWER INTERNATIONAL PTE. LIMITED

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014**

8. TRADE RECEIVABLES (cont'd)

Before accepting any new customer, the Company will assess the potential customer's credit quality. Limits are monitored periodically by management. The Company makes specific allowances for receivables based on management assessment that majority receivables that are past due beyond 120 days are generally not recoverable. In determining the recoverability of a trade receivable the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Accordingly, the management believes that there is no allowance required.

The Company does not hold any collateral over the trade receivables. There is no past due trade receivables balances as at the end of the year.

9. OTHER FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

The Company has entered into an agreement with its joint venture to provide a loan facility of US\$20 million. As at March 31, 2014, the loan amounting to US\$18,008,675 comprises outstanding loan principal of US\$17,850,000 and accrued interest of US\$158,675. The loan is unsecured, interest bearing and is repayable on demand. The loan was drawn in various tranches during the financial period. Interest is computed for the actual number of days at a fixed rate of 2% per annum (basis 360 days).

Under the loan agreement, the Company has the option to convert the outstanding amount of loan and accrued interest into equity shares of the joint venture based on a fixed price per share. No part of the loan has been converted into shares as of March 31, 2014 but management intends to convert within the financial year ended March 31, 2015.

The loan to a joint venture is measured at fair value through profit or loss in accordance with FRS 39 Financial Instruments Recognition and Measurement as it is a hybrid instrument which gives the Company a right to convert the loan to equity shares.

Other financial assets at fair value through profit or loss are denominated in United States dollars, the functional currency of the Company.

Changes in the fair value of other financial assets at fair value through profit or loss, amounting to \$2,440,534 have been included in profit or loss for the year as part of "Other Income".

TATA POWER INTERNATIONAL PTE. LIMITED

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014**

10. INVESTMENT IN JOINT VENTURE

	<u>2014</u> US\$
Investment in joint venture - at cost	<u>17,574,478</u>

The Company has interest in 4,000 common shares representing 40% of the paid up equity shares of Adjaristsqali Netherlands B.V., a joint venture established in Netherlands. Although the Company holds less than 50% of the equity shares in Adjaristsqali Netherlands, the Company has joint control over the financial and operating policies of the entity by virtue of the provisions of the joint venture agreement entered into with the counterparty joint venturers.

During the financial period, the Company entered into a shareholder agreement with joint venturers to the joint venture, which allows one of the joint venturers ("Put Holder") to exercise a put option to sell its shares in the joint venture to the remaining two joint venturers, upon occurrence of triggering events as defined in the shareholder agreement. The joint venturer which causes the triggering event is obligated to purchase, while the other joint venturer has the right to purchase, from the Put Holder such number of shares computed based on proportion of the remaining two joint venturers' shareholdings in the joint venture. The purchase price will be based on the fair value of the shares when the Put Holder exercises the put option. Accordingly, the fair value of the put option is nil.

As of March 31, 2014, there is no such triggering event and the put option is not exercised.

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>2014</u> US\$
Quoted equity investment - at fair value	2,266,249
Unquoted equity investments - at cost	<u>13,185,925</u>
	15,452,174
Less: Impairment on available-for-sale financial assets	<u>(4,564,652)</u>
	<u>10,887,522</u>

During the financial period, the Company purchased its available-for-sale investments totalling US\$7,592,637 from its fellow subsidiary. The consideration remains unpaid and is disclosed as "Other payables" (Note 13). Additional investment of US\$7,859,537 was made during the year.

Quoted investment represents investment of share capital in Geodynamics Ltd, a company listed in Australia.

TATA POWER INTERNATIONAL PTE. LIMITED

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS (cont'd)

Unquoted investments amounting to US\$4,749,450 represents investment of share capital in Exergen Pty Ltd, a company incorporated in Australia, US\$636,475 represents investment in the share capital of Sunengy Pty Ltd, a company incorporated in Australia and US\$7,800,000 represents investment in the share capital of OTP Geothermal Pte Ltd, a company incorporated in Singapore.

The investment in quoted equity security offers the Company the opportunity for return through dividend income and fair value gains. It has no fixed maturity or coupon rate. The fair value of this security is based on the quoted closing market prices on the last market day of the financial year. During the year, an impairment loss of US\$336,093 on the investment in quoted equity shares was recorded in profit or loss.

The investments in unquoted equity investments represent investments in companies that are engaged in research and development activities and/or the commercial application of this knowledge. The recoverability of these investments is uncertain and dependent on the outcome of these activities, which cannot presently be determined.

In respect of the investment in Exergen Pty Ltd, the management of the Company has performed a proxy valuation using a recent rights issue exercise. Based on such information and certain other information available to the management, an impairment loss amounting to US\$4,228,559 was recognised in profit or loss, for the financial period ended March 31, 2014. This conclusion by the management involves significant judgements and estimates regarding the performance of Exergen Pty Ltd based on the future plans and budgets as well as the acceptability, success and the results of technologies which are currently in research phase.

In respect of the investment in OTP Geothermal Pte Ltd, management has considered the current progress, budgets and the future plans of OTP Geothermal Pte Ltd. Based on such information and certain other information which is available to the management, the management has concluded that this investment is not impaired. In making this conclusion the management has also considered that fact that OTP Geothermal is currently in research phase of the business cycle. This conclusion by the management involves significant judgements and estimates regarding the success of OTP Geothermal Pte Ltd based on the future plans and budgets as well as the outcome of research activities in a foreseeable future.

The Company's available-for-sale financial assets that are not denominated in the functional currency of the Company are as follows:

	US\$
Australian dollar	<u>1,930,156</u>

TATA POWER INTERNATIONAL PTE. LIMITED

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

12. TRADE PAYABLES

	<u>Note</u>	<u>2014</u> US\$
Holding company	5	282,557
Advances from third party customer		<u>757,500</u>
		<u>1,040,057</u>

The carrying amounts of trade payables approximate their fair values. No interest is charged on trade payables.

13. OTHER PAYABLES

	<u>Note</u>	<u>2014</u> US\$
Holding company	5	31,203
Fellow subsidiary	5	7,868,062
Loan from fellow subsidiary	5	6,228,345
Related party	6	19,635
Accrued expenses		<u>124,811</u>
		<u>14,272,056</u>

The Company's other payables are non-trade in nature, unsecured, interest-free and are repayable within the next twelve months. US\$7,592,637 is owed to fellow subsidiary for the purchase of the available-for-sale financial assets during the year and the holding company has provided guarantee on the unpaid balance.

During the reporting period, the Company entered into a loan agreement with a related company for a loan not exceeding US\$7,000,000 for the Company's investment purposes. As of March 31, 2014, US\$6,200,000 has been drawn down. The loan balance of US\$6,228,345 comprises accrued interest of US\$28,345. The loan bears interest at a floating rate of LIBOR plus 1.50% per annum and is unsecured and repayable on demand.

The carrying amounts of other payables approximate their fair values. Other payables not denominated in the functional currency of the Company are:

	<u>2014</u> US\$
Singapore dollar	<u>155,758</u>

TATA POWER INTERNATIONAL PTE. LIMITED

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

14. REDEEMABLE PREFERENCE SHARES

	<u>2014</u> US\$
Redeemable preference shares	19,080,000
Interest accrued	<u>13,376</u>
	<u>19,093,376</u>

On February 22, 2014 and March 31, 2014, the Company issued 1,750,000 and 17,330,000 redeemable preference shares ("RPS") respectively to its holding company at coupon rate of 7.54% and for a tenor of 7 years.

Prior to end of 7 years tenor, the Company has the option to redeem all or part of the outstanding RPS for an amount equal to the sum of the capital paid up for each RPS to be redeemed and any interest accrued at the time of the redemption, by giving the holder written notice. As management confirms that the Company will not redeem the RPS within the next financial year as it is not expected to have sufficient funds, accordingly, the RPS is classified as non-current liability.

In the event that there are any outstanding RPS at the end of the tenor, the Company shall automatically redeem any such outstanding RPS, by payment to the holder of such RPS, an amount equal to the sum of the capital paid for each RPS held by the holder and the interest accrued.

Subsequent to year-end, the Company issued another 9,250,000 RPS to its holding company.

TATA POWER INTERNATIONAL PTE. LIMITED

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

15. SHARE CAPITAL

	<u>2014</u>
	Number of ordinary shares
<u>Issued and fully paid</u>	
At date of incorporation	1
Issued during the financial period	<u>17,949,999</u>
At the end of year	<u>17,950,000</u>
	<u>2014</u>
	US\$
<u>Issued and fully paid:</u>	
At date of incorporation	1
Issued during the financial period	<u>17,949,999</u>
At the end of year	<u>17,950,000</u>

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends as and when declared by the Company.

16. CAPITAL RESERVE

Deemed capital contribution relates to net consultancy service income before date of incorporation on April 5, 2013, that was contributed by the holding company.

17. OTHER INCOME

	April 5, 2013 (date of incorporation) to March 31, 2014
	US\$
Interest income	158,865
Fair value adjustment on other financial asset at fair value through profit or loss (Note 9)	<u>2,440,534</u>
	<u>2,599,399</u>

TATA POWER INTERNATIONAL PTE. LIMITED

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014**

18. OPERATING EXPENSES

April 5, 2013 (date
of incorporation) to
March 31, 2014
US\$

Professional fees	47,563
Administrative expenses	108,540
Others	19,567
	<u>175,670</u>

19. LOSS BEFORE INCOME TAX

Loss before income tax is arrived after charging:

April 5, 2013 (date
of incorporation) to
March 31, 2014
US\$

Staff defined contribution plan	902
Impairment loss on available-for-sale financial assets	<u>4,564,652</u>

US\$

20. INCOME TAX EXPENSE

US\$

Current tax	<u>3,300</u>
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Domestic income tax is calculated at 17% of the estimated assessable loss for the financial period.

The total charge for the period can be reconciled to the accounting loss as follows:

US\$

Loss before income tax	(1,951,033)
Tax credit at the statutory rate	(331,676)
Effect of items that are tax exempt	(490,652)
Effect of non-deductible items	825,496
Others	132
	<u>3,300</u>

TATA POWER INTERNATIONAL PTE. LIMITED

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014**

21. COMPARATIVE FIGURES

The financial statements cover the financial year from the date of incorporation on April 5, 2013 to March 31, 2014. This being the first set of financial statements, there are no comparative figures.

22. COMMITMENT

The Company has entered into a contract with fellow subsidiary to acquire multiple investments at a total consideration of US\$30.7 million. As of March 31, 2014, the Company completed acquisition of available-for-sale financial assets of US\$7.6 million. The remaining commitment of US\$23.1 million is expected to be invested by March 31, 2015.

Through the available-for-sale financial asset that the Company has committed to acquire, the Company has a commitment of US\$18.71 million towards capital expenditure in relation to its interest in OTP Geothermal Pte Ltd that is expected to be incurred towards exploration projects.

In respect of investments in unquoted equity stated in Note 14 to the financial statements, the Company has committed an investment of up to A\$640,000 for acquiring up to 20% stake in the equity share capital in Sunengy Pty Ltd ("Sunengy"). The investments of Sunengy is payable in four tranches. The payment of third tranche of A\$64,000 was made during 2013 by fellow subsidiary prior to the sale of the investment to the Company.

TATA POWER INTERNATIONAL PTE. LIMITED
STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2014

	As at March, 2014	Exchange Rate	Amount ₹
	USD		
<u>ASSETS</u>			
Current assets			
Cash and cash equivalents	1,256,066	59.89	75,225,793
Trade receivables	332,500	59.89	19,913,425
Other financial asset	20,449,209	59.89	1,224,703,127
Total current assets	22,037,775	59.89	1,319,842,345
Non-current assets			
Investment in joint venture	17,574,478	59.89	1,052,535,487
Available for sale financial assets	10,887,522	59.89	652,053,693
Total non-current assets	28,462,000	59.89	1,704,589,180
TOTAL ASSETS	50,499,775	59.89	3,024,431,525
<u>LIABILITIES AND EQUITY</u>			
Current liabilities			
Trade payables	1,040,057	59.89	62,289,014
Other payables	14,272,056	59.89	854,753,434
Income tax payable	3,300	59.89	197,637
Total current liabilities	15,315,413	59.89	917,240,085
Non-current liabilities			
Redeemable preference shares	19,093,376	59.89	1,143,502,289
Capital and accumulated losses			
Share capital	17,950,000	59.99	1,076,770,750
Capital reserve	95,319	60.50	5,766,800
Accumulated losses	(1,954,333)	60.50	(118,237,147)
Exchange fluctuation reserve			(611,251)
Net equity	16,090,986	59.89	963,689,152
TOTAL LIABILITIES AND EQUITY	50,499,775	59.89	3,024,431,525

TATA POWER INTERNATIONAL PTE. LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
PERIOD FROM APRIL 5, 2013 (DATE OF INCORPORATION) TO MARCH 31, 2014

	Period ended March, 2014	Exchange Rate	Amount
	USD		₹
Service fees income from consultancy services rendered	1,026,603	60.50	62,109,482
Service fee expense	(732,433)	60.50	(44,312,197)
Staff and related costs	(30,540)	60.50	(1,847,670)
Other income	2,599,399	60.50	157,263,640
Operating expense	(175,670)	60.50	(10,628,035)
Impairment loss on available-for-sale financial assets	(4,564,652)	60.50	(276,161,446)
Finance costs	<u>(73,740)</u>	60.50	<u>(4,461,270)</u>
Loss before income tax	(1,951,033)	60.50	(118,037,497)
Income tax expense	<u>(3,300)</u>	60.50	<u>(199,650)</u>
Total loss for the year, representing total comprehensive loss for the year	<u>(1,954,333)</u>	60.50	<u>(118,237,147)</u>

TATA POWER INTERNATIONAL PTE. LIMITED
 STATEMENT OF CHANGES IN EQUITY
 PERIOD FROM APRIL 5, 2013 (DATE OF INCORPORATION) TO MARCH 31, 2014

	Share capital	Exchange Rate	Amount	Capital reserve	Exchange Rate	Amount	Accumulated loss	Exchange Rate	Amount	Total	Exchange Rate	Amount
	USD		₹	USD		₹	USD		₹	USD		₹
Balance as at April 5, 2013		1	59.99			60	-		-	1	59.99	60
Issue of share capital	17,949,999	59.99	1,076,770,690	-		-	-		-	17,949,999	59.99	1,076,770,690
Loss for the year, representing total comprehensive loss for the financial period	-		-	-		-	(1,954,333)	60.50	(118,237,147)	(1,954,333)	60.50	(118,237,147)
Deemed capital contribution from holding company	-		-	95,319	60.50	5,766,800	-		-	95,319	60.50	5,766,800
Balance at March 31, 2014	<u>17,950,000</u>	59.99	<u>1,076,770,750</u>	<u>95,319</u>	60.50	<u>5,766,800</u>	<u>(1,954,333)</u>	60.50	<u>(118,237,147)</u>	<u>16,090,986</u>	59.93	<u>964,300,403</u>

TATA POWER INTERNATIONAL PTE. LIMITED
STATEMENT CASH FLOWS
PERIOD FROM APRIL 5, 2013 (DATE OF INCORPORATION) TO MARCH 31, 2014

	Period ended March, 2014	Exchange Rate	Amount
	USD		₹
Operating activities			
Loss before income tax	(1,951,033)	60.50	(118,037,497)
<i>Adjustment for :</i>			
Interest expenses	72,924	60.50	4,411,902
Interest income	(158,865)	60.50	(9,611,333)
Fair value gain on other financial asset at fair value through profit or loss	(2,440,534)	60.50	(147,652,307)
Impairment loss on available-for-sale financial assets	4,564,652	60.50	276,161,446
Cash flows before changes in working capital	<u>87,144</u>	60.50	<u>5,272,212</u>
Trade receivables	(332,500)	60.50	(20,116,250)
Trade payables	1,040,057	60.50	62,923,449
Other payables	419,871	60.50	25,402,196
Cash generated from operations	<u>1,214,572</u>	60.50	<u>73,481,606</u>
Interest received	190	60.50	11,495
Net cash from operating activities	<u>1,214,762</u>	60.50	<u>73,493,101</u>
Investing activities			
Purchase of available for sale financial assets	(7,859,537)	60.50	(475,501,989)
Investment in joint venture	(17,574,478)	60.50	(1,063,255,919)
Other financial asset at fair value through profit or loss	(17,850,000)	60.50	(1,079,925,000)
Net cash used in investing activities	<u>(43,284,015)</u>	60.50	<u>(2,618,682,908)</u>
Financing activities			
Proceeds on issue of shares	17,950,000	60.50	1,085,975,000
Proceeds on issue of redeemable preference shar	19,080,000	60.50	1,154,340,000
Deemed capital contribution from holding company	95,319	60.50	5,766,800
Proceeds from borrowings	23,530,000	60.50	1,423,565,000
Repayment of borrowings	(17,330,000)	60.50	(1,048,465,000)
Net cash from financing activities	<u>43,325,319</u>	60.50	<u>2,621,181,800</u>
Net increase in cash and cash equivalents	1,256,066	60.50	75,991,993
Cash and cash equivalents at date of incorporation	-	-	-
Effect of exchange fluctuation on cash and cash equivalents			(766,200)
Cash and cash equivalents at the end of the financial period	<u>1,256,066</u>	59.89	<u>75,225,793</u>