

Bilt Paper B.V.

Annual Report

2015-16



PricewaterhouseCoopers
Accountants N.V.
For identification
purposes only

Bilt Paper B.V.

All amounts in US Dollar thousands unless otherwise stated

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Report of the Board of Directors



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Report of the Board of Directors

The Board of Directors herewith submit their report for the 15-months period ended 30 June 2016.

The Company

Bilt Paper B.V. (the "Company"), was incorporated on 29 April 2008 in Amsterdam, The Netherlands as a private Company with limited liability.

The consolidated financial statements include the financial position and results of the Company and its subsidiaries Ballarpur Paper Holdings B.V. (BPH), Bilt Graphic Paper Products Limited (BGPPL) and Sabah Forest Industries Sdn. Bhd. (SFI) (together, 'the Group').

Bilt Paper B.V. is a subsidiary of Ballarpur International Holdings B.V. Amsterdam ("BIH") which holds 62.21% (31 March 2015: 63.92%). Ballarpur Industries Limited (Bilt), a Company with limited liability in India, is the holding Company of the Group. Bilt is part of Avantha Group which is the ultimate parent. Bilt is incorporated and domiciled in India.

The principal activities of the subsidiaries included in the consolidated financial statements are as follows:

Company	Production Units	Principal Activity	Country of Incorporation	Equity interest on 30 June 2016
BPH		Holding of BGPPL and SFI	Netherlands	100.00%
BGPPL			India	99.99%
	Ballarpur	Pulp and paper	India	
	Bhigwan	Paper	India	
	Sewa	Pulp and paper	India	
	Ashti	Paper	India	
SFI	Sabah	Pulp, paper and forestry	Malaysia	98.08%

The non-controlling interest (0.01%) (31 March 2015: 0.01%) in BGPPL is owned by Bilt and the non-controlling interest (1.92%) (31 March 2015: 1.92%) in SFI is owned by the Government of Malaysia.

The registered office and correspondence address of the Company is Jachthavenweg 109h, 1081KM Amsterdam, The Netherlands

The Company's registration number with the Trade Register of the Chamber of Commerce in Amsterdam is 34301128.

Activities

The Group is engaged in manufacturing of writing and printing paper. These are in accordance with the Company's Articles of Incorporation.

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Directors

The directors who served during the 15-months period are as stated below:

- Gautam Thapar	Non-Executive Director	Existing Director
- Rajeev Ranjan Vederah	Non-Executive Director	Existing Director
- Bhuthalingam Hariharan	Non-Executive Director	Existing Director
- Pankaj Sood	Non-Executive Director	Appointed w.e.f. 02 September 2015
- Yogesh Agarwal	Executive Director	Existing Director
- Jane Fields Wicker-Miurin	Independent Director	Resigned w.e.f. 25 August 2016
- Pradeep Vasudeo Bhide	Independent Director	Existing Director
- Jogchum Beetsma	Independent Director	Resigned w.e.f. 31 July 2017

As referred to in article 2:276 of the Dutch Civil Code, efforts are made to achieve a balanced composition of the management board and Board of Directors is yet to decide on a manner for the Company to achieve it.

Results for the period

The Group's consolidated (loss) for the 15-months period ended 30 June 2016 is US\$ (322,515) and Equity of US\$ 236,358. In the opinion of the directors, the results of the Group for the period have been affected by the depreciation of rupee/ ringgit against the dollar, economic conditions across the globe resulting in pressure on selling prices and liquidity issues due to which operations at certain plants were shut during the period and for certain other units subsequent to balance sheet date. Further the operating profit has decreased due to recognition of impairment charge on uncoated paper segment in India and Malaysia.

DIVIDEND

No dividend has been paid or declared by the Company to the equity shareholders since the end of the previous financial period. The directors do not recommend any dividend payment to equity shareholders in respect of the current period.

During the 15-months period ended 30 June 2016, the Company has distributed coupon payments amounting to US\$9,750 each in August 2015 and February 2016 to perpetual capital securities holders which have been reflected as distribution in the statement of changes in equity.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the 15-months period ended 30 June 2016 other than those disclosed in the financial statements.

OTHER FINANCIAL INFORMATION

At the date of this report, the directors are not aware of any circumstances:

- (a) Which would render the values attributed to current assets in the financial statements of the Company misleading; or
- (b) Which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate; or
- (c) Not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Company misleading.

At the date of this report, there does not exist:

Any material contingent liability of the Company which has arisen since the balance sheet date. No contingent or other liability has become enforceable, or is likely to become enforceable within the period of twelve months after the balance sheet date which, in the opinion of the directors, will or may substantially affect the ability of

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the Company to meet its obligations as and when they fall due.

MANAGEMENT DISCUSSION AND ANALYSIS

Net results for the 15-months period ended 30 June 2016 and 9-months period ended 31 March 2015:

	15-months period ended 30 June 2016	9-months period ended 31 March 2015
Revenue (Net of excise duty)	716,401	500,941
Operating profit	(217,568)	28,005
Finance cost (Net)	(98,377)	(83,283)
(Loss) before income tax	(320,968)	(55,278)
(Loss) for the period	(322,515)	(60,550)

The consolidated operating profit of the Group has decreased mainly due to decline in operating margins in uncoated and coated paper at BGPPL and SFI. Further the operating profit has decreased due to recognition of impairment charge on uncoated paper segment in India and Malaysia.

The Board of Bilt Paper B.V. considers the business from a production unit perspective which also aligns with the products and the geography of the Group's domestic markets. Accordingly, management considers the performance of its businesses as follows:

- Coated paper manufactured in India – Bhigwan production unit
- Uncoated paper manufactured in India – Ballarpur, Sewa and Ashti production units
- Uncoated paper manufactured in Malaysia – SFI production unit

The reportable operating segments derive their revenue primarily from the manufacture and sale of paper and pulp. Certain segments include ancillary income as follows:

- The Ballarpur production unit sells surplus caustic soda, that it produces, to the market
- The SFI production unit operates an integrated timber complex which produces plywood, sawn timber and veneer wood products for external sale
- The SFI production unit also produces pulp which is exported to Bhigwan production unit
- Ballarpur unit and Bhigwan unit sell surplus power, that they produce, to the market

The results of these activities are included in the relevant segment as this is how the segments are presented to the Board. All the production units sell their products in both domestic and export markets.

The Board assesses the performance of the operating segments based on a measure of EBITDA. Interest income and expenditure and gains and losses on trading activities are not allocated to segments. Interest income and expenditure activities are driven by the central treasury function, which manages the cash and risk position of the Group.

The revenue from external parties reported to the Board is measured in a manner consistent with that in the income statement.

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The segment information provided to the Board for the reportable segments for the 15-months period ended 30 June 2016 and 9-months period ended 31 March 2015 is as follows:

Period ended 30 June 2016						
	Paper				Head office /Others**	Total
	India		Malaysia			
	Coated	Uncoated	Uncoated	Total		
Total Segment Revenue	323,112	365,792	74,334	763,238	15,246	778,484
Inter Segment Revenue	-	(6,419)	(17,841)	(24,260)	-	(24,260)
Revenue from External Customers	323,112	359,373	56,493	738,978	15,246	754,224
Net Revenue from External Customers*	305,245	339,416	56,493	701,154	15,246	716,400
EBITDA	67,582	21,054	(45,294)	43,342	(6,185)	37,157
Depreciation, Amortisation and Impairment	(10,460)	(129,660)	(114,388)	(254,508)	(217)	(254,725)
Operating Profit/(Loss)	57,122	(108,606)	(159,682)	(211,166)	(6,402)	(217,568)

Period ended 31 March 2015						
	Paper				Head office /Others**	Total
	India		Malaysia			
	Coated	Uncoated	Uncoated	Total		
Total Segment Revenue	211,496	236,999	105,270	553,765	14,043	567,808
Inter Segment Revenue	-	(5,111)	(35,450)	(40,561)	-	(40,561)
Revenue from External Customers	211,496	231,888	69,820	513,204	14,043	527,247
Net Revenue from External Customers*	199,187	217,920	69,820	486,927	14,014	500,941
EBITDA	53,814	21,625	9,398	84,837	(12,247)	72,590
Depreciation and Amortisation	(7,032)	(19,800)	(17,686)	(44,518)	(67)	(44,585)
Operating Profit/(Loss)	46,782	1,825	(8,288)	40,319	(12,314)	28,005

*Net revenue from external customers represents revenue net of excise duty which is applicable to the paper and pulp operations in India.

**Head office / others relate to administration costs incurred by BGPPL Head office, Dutch entities and trading activities.

Sales between segments are carried out on an arm's length basis.

EBITDA represents profit before tax, depreciation, amortisation, impairment charge and finance costs (net).

During the 15-months period ended 30 June 2016, Bhigwan produced 342,828 MT of paper as compared to 181,035 MT for 9 months period ended March 31 2015. On the production front, the mill successfully developed some new products viz. C1S 45gm for flexible packaging and pharmaceutical packaging, high bulk stiffness boards 210 and 250 gsm to counter imports, blue shade high bright C1SG 50 gsm to meet customer's requirements. These new products continue to significantly enhance Group's product basket.

During the 15-months period ended 30 June 2016, Ballarpur total production was 307,606 MT against 181,036 MT 9 months period ended March 31 2015. During the current year 256,833 ADMT (15-month) bleached pulp was produced. This mill was installed in 2013 with latest process technology for pulping and bleaching. With the ramping up of pulp production from the new pulp mill, both the units at Ballarpur and Ashti are now fully integrated in terms of back-end supply of hard wood pulp. The unit has successfully surpassed PAT-I cycle targets for energy reduction during the 15-months period ended June 2016.

During the 15-months period ended 30 June 2016, the Sewa Unit produced 56,930 MT of paper compared to 45,786 MT during 9 months period ended 31 March 2015. The mill undertook several initiatives for quality improvement and new product development. New grades of paper developed include Copy One 80 gsm Premium Copy Paper for Export market and SEWA wisdom print and SEWA fine print to cater to the specific needs of the market. The operations at the unit were impacted by shortage of working capital and mill was shut down in the month of April 2016. The management is evaluating options to resume production and expects to conclude /firm up the plan by end of 2017.

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During the 15-months period ended 30 June 2016, Unit Ashti produced 51,018 MT of paper against 34,650 MT during 9 months period ended 31 March 2015. On the product development front, Unit Ashti successfully developed ultra-smooth Copy paper in collaboration with Kodak for digital printing 100 gsm, Copier paper with brand name P3 copier green (Domestic varieties both in 70 & 75 gsm variants, and American (Letter & Legal), Copy Power Export 75 gsm paper. During current period, it implemented new process technologies to reduce refining energy, fiber consumption, chemical consumption & to improve paper quality.

During the 15-months period ended 30 June 2016, SFI produced 76,007 MT of paper against 83,198 MT during 9 months period ended 31 March 2015. Total bleached pulp production was 93,128 ADMT in current period against 118,260 ADMT during 9 months period ended 31 March 2015. In line with the strategy of vertical integration across Group's different entities, SFI exported 30 079 ADMT of sheeted pulp to Group's paper manufacturing units in India during current period. As part of the pulping process optimization initiatives to improve the quality and reduce costs and main focus was to maintain consistent pulp quality including the use of chemical additives in the pulping processes. Also as part of the resource conservation initiatives, SFI continues with the efforts to maintain consistent and higher ash levels in the paper by using new technologies for saving fibre consumption.

Strategic, operating and financing plans

Even after considerable efforts and investment, SFI was not able to generate sufficient returns. While from a pulp sourcing perspective, SFI was part of Group's overall integration plan, from a product market perspective it did not fit into Group's core business. In light of this, with market dynamics in terms of hard wood pulp undergoing changes and prices reducing, the need for complete integration was reanalysed. Given the fact that without SFI the Group has internal sources of supply for majority of its requirements, the Group strategically decided to demarcate SFI as a non core asset. Having done so, the Company signed a share-sale agreement (SSA) with PandawaSakti (Sabah) of Malaysia for sale of its entire equity stake of 98.08% in SFI, subject to certain conditions.

Unfortunately, after several iterations, the buyer was not successful in performing its commitments by 30 June 2016, which was the long stop date. Consequently, the deal had fallen through and BPH invoked the performance guarantee of US\$50 million furnished by the buyer. The Group continues to look for other prospective buyers.

This resulted in delays in payment of principal and interest on borrowings and inability to roll over credit facilities by lenders which resulted in breach of debt covenants and recall of loans by the lenders.

Consequent to the above the operations at SFI and Sewa were shut during the period and operations at Ballarpur, Bhigwan and Ashti units of BGPPL were also suspended in July 2016. Meanwhile, the Group received a non binding offer from JK Paper for purchase of two of BGPPL plants viz. Ballarpur and Ashti which also did not materialise due to disagreement on the terms of offer.

On December 28, 2016, the Joint Lenders Forum (JLF) of BGPPL, a subsidiary, invoked a debt restructuring exercise resulting into discussions on bilateral and all-party basis. This meeting was attended by all lenders and the senior management personnel of the Company.

As part of this process, the lenders agreed not to take any legal actions against the Company and offer moratorium on debt servicing until the conclusion of restructuring exercise by JLF. Also, following the mandatory guidelines of the Reserve Bank of India (RBI), a Trust Retention Account (TRA) Agreement was entered on March 20, 2017 among the Company as a borrower, ECL Finance Limited as a priority lender who offered additional loans referred in (1) above, Axis Bank as TRA Agent, and ICICI Bank as a cash monitoring agency to route through all receipts and proceeds from that date.

As per the arrangement, the Company agreed to service interest and principal payments as agreed to the priority lender, ECL, for the additional financing done in March 2017 referred in (1) above. The other lenders agreed for a moratorium for 9 months period till December 2017. Thereafter, the interest and principal payments will follow the terms agreed in the debt restructuring plan that will be approved by JLF.

Additionally, ICICI Bank (outstanding amount of US\$ 69,358), Axis Bank (outstanding amount of US\$ 168,974) and IDFC (outstanding amount of US\$ 13,021) assigned their loans to Edelweiss Asset Reconstruction Company Private Limited (EARC), and intimated the Company on April 10, 2017, April 6, 2017 and March 22,



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JLF met again on May 31, 2017 proposing a debt restructuring plan for consideration, which was placed for approval at the next meeting in July 2017.

Subsequently, on July 28, 2017, JLF provided an in-principle approval to the debt portfolio realignment for BGPPL.

The Company expects to complete finalising the formal agreements with each of the lenders by October 2017 and implementation thereof by November 2017.

For the fifteen months period ended 30 June 2016 the Group paid due interest and repaid 100 % of principal payments and after respective discussions with the lenders after the balance sheet date, the Group has deferred the principal and interest installments and the amounts generated are being reinvested in operations.

Management has prepared monthly cash flow projections for periods throughout 2017-18. Judgments with regard to future paper prices, volumes, willingness of lenders not to require early repayments and the timing of settlements with various counterparties were required for the preparation of the cash flow projections. Positive overall cash flows (indicating that there is no liquidity gap in any month) are crucially dependent on the willingness of the Group's lenders not to demand repayment, and to continue their support to the Group by postponing the payment of due interest or a substantial portion thereof and restructuring a significant portion of payments due in 2017-18 to future periods. Consequently, no significant repayments of debts are included in the cash flow projections, except those due to priority lenders.

Management remains in discussions with its lenders but, however, acknowledges that, prior to the successful restructuring of debt obligations, there is a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Despite these material uncertainties the Group is confident of recovering from the situation and resume full scale production at all manufacturing units by end of 2017. The Group continues to evaluate various options including sale of non-core assets, restructuring of loans etc.

INTERNAL CONTROL OF PROCESSES, PROCEDURES, RISK MANAGEMENT AND QUALITY CONTROL

The Group has a wide-ranging system of internal controls to safeguard and protect all assets against loss from unauthorized use or disposition and to ensure accurate recording and reporting of all transactions. This framework is supported by a robust process of internal audits, review by management and the Board of Directors.

Annual Internal Audit Plans are prepared at the beginning of the year, specifying areas to be covered and timing of the execution of the plan. This is reviewed and approved by the holding company's audit committee. Quarterly Audit Reports on observations and progress on the annual audit plan are submitted to the Management and the Board.

The internal controls are designed to ensure that financial and other records are reliable for preparing financial information and ensuring adequacy of backup and relevant approvals based on the formal Delegation of Authority matrix which is approved by the Board. For all critical processes there exist documented policies, procedures and guidelines.

The Group has adopted preventive as well as Risk and Controls Matrix based internal audits to assess processes, validate effectiveness of controls and implement requisite corrective actions, which are reported and reviewed by Management, the audit committee of the holding company and the Board of Directors.

The Board is ultimately responsible for the Group's system of internal controls and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate risk of failure to meet business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss. The Group's risk management and internal control system is designed to determine risks in relation to the achievement of business objectives and appropriate risk responses.

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RISK MANAGEMENT

The risk management is an integral part of our approach and includes, management reviews and reviews of internal controls over financial reporting and provide a reasonable level of assurance that the financial reporting does not contain any material inaccuracies. The financial statements fairly represent the financial condition and result of operations of the Group and provide the required disclosures. The management has a risk management and control system, which is designed to ensure that significant risks are identified and are monitored and to ensure compliance with relevant laws and regulations.

The processes which the Board has applied in reviewing the effectiveness of the Group's system of internal controls are summarized as follows:

Risk assessment and evaluation are an integral part of the annual strategic planning cycle. Every unit is required to document the management and mitigating actions in place and proposed; the principal risks identified during the annual strategic planning cycle and the effectiveness of the management and mitigating actions in place are reviewed. Regularly, objectives which are not addressed within the business unit, appropriate approaches are developed to managing and mitigating these risks. Annual financial plans, significant capital investments or contractual commitments and major acquisitions are all subject to review and approval by the Board; there are Group Accounting Policies which set out the minimum standards and procedures to be applied in relation to risk areas which are regarded as significant. A process of self-assessment of compliance and reporting thereon has been established, providing for a documented trail of accountability. The necessary actions are taken to remedy any failings or weaknesses identified by its review of the internal control system. Monthly financial information which includes key performance and risk indicators and regular reports on significant legal issues and insurance matters are received from the related departments.

Apart from the regular business risks inherent in any business, there are some that are specific to the paper industry. These include;

1. **Digitization:** With increased digitization, paper is getting substituted. While such a trend is not expected to be seen in BGPPL's primary markets of India and South East Asia in the near future. The group has been implementing strategic initiatives to improve profitability by enhancing productivity through cost saving measures as well as focussing on high margin products.
2. **Raw Material:** Paper production at BGPPL/ SFI is wood based. With forest and climate related restrictions, there is always the risk of scarcity of raw materials as well as volatility in their prices. The group has continuously hedged against this risk with its initiatives in forestry and development of alternate sources.
3. **Competition and Pricing:** There is an increasing risk of having to face market pressures in an industry already characterized by nil customs duty from all ASEAN countries. The group has been proactively pre-empting this risk and its businesses strategy is geared to overcome this challenge.
4. **Capital Intensive:** Due to the capital intensive nature of business investment the Company is constantly focused on driving down associated risks and has taken significant steps this year to reduce the impact of capital adequacy issues.
5. Other perceivable risks to the business are financial risks, including foreign currency risk, market risk, credit risk, liquidity and interest rates risk, cash flow risk and tax risk. The Group has formulated a financial risk management framework whose principal objective is to minimize its exposure to risks and/or costs associated with the financing, investing and operating activities.

(i) Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States Dollar and Euro. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. During the current 15-months period there has been significant fluctuation in foreign currencies which has

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adversely affected the Group. To minimize the risk, the group proposes to engage in forward buying and hedging when necessary.

(ii) Credit risk

To minimize the risk, the Group has in place a policy whereby it ensures a large customer base in various industries and geographical locations so as to limit high concentration in a customer or customers from a particular market. Also, wherever required customers granted credits are required to have collateral. We are of the opinion that the risk of incurring material losses related to this credit risk is remote.

(iii) Liquidity risk

Significant amount of financing is required to fund the business and servicing of the existing debt obligations. The group's ability to generate sufficient cash is dependent on various factors, some of them are beyond the control of the group. Though the group practises liquidity risk management to minimize the mismatch of financial assets and liabilities, to maintain sufficient credit facilities for contingent funding requirements of working capital. The Group monitors rolling forecasts of its liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

The Group is required to maintain ratios (including total debt to EBITDA / net worth, EBITDA to gross interest, debt service coverage ratio and secured coverage ratio) as mentioned in the loan agreements at specified levels. In the event of failure to meet any of these ratios these loans become callable at the option of lenders. Refer note 3.1(d) and note 21.1 of the financial statements for non- compliance with certain covenants during the 15-months period.

(iv) Interest Rate Movement Risk

The Group's significant borrowings are at variable rates except for short term borrowings. These borrowings are linked to LIBOR and prime lending rates of banks in India. The Group has taken interest rate swaps for certain of its LIBOR linked borrowings. To mitigate the exposure to interest rate fluctuations on borrowings the Group is utilizing interest rate swaps and interest rate options.

(v) Cash flow risk

The Company reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows associated with its monetary financial instruments.

(vi) Other risk

The Company is also exposed to certain biological assets related risks and tax and legal risks which have been explained in the financial statements.

Environmental and personnel related information

We recognise our responsibility to help preserve the future of our planet while continuing to create sustainable value for the business. We will do this by minimising environmental impacts and being cost effective. We are determined to reduce the carbon intensity of our operations and use energy more efficiently as a key part of our commitment to sustainable growth and to help combat climate change. We have in place an integrated environment policy and standards. Our policy and standards deal with environmental issues related to the manufacturing of our products, energy, water, protecting bio-diversity and the eco-systems from which we source raw materials, the management of our supply chain and the distribution, sale and consumption of our products. We comply with all the mitigation measures to preserve the environment when carrying out our operations. Our effluent and gas quantity discharges comply with the standards set under the Environmental Quality Regulations.

Protecting the health and safety of employees is fundamental to Our Business Principles programme to strengthen performance. Human resource management at the Group is built upon core values of honesty,

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integrity, flexibility and respect for individual and team performance. Over the years, these values have been imbibed at all levels to produce superior results. Phenomenal growth of the economies has led to a shortage of talent across industries. The challenge of acquiring and retaining talent in the Group is being addressed in multiple ways such as providing opportunities to promising young managers, lateral hiring, focused training, aggressive hiring of graduate engineers, targeted financial rewards and campus relations. The Group has steered industrial relations to focus on productivity and improved work practices.

Post Balance Sheet events

1. The Group entered into the following term loan borrowing agreements:

- a) In March 2017, a loan of US\$ 23,119 from EC Holdings PTE Limited (Singapore) against the working capital requirements for SFI operations, carrying an interest rate of 13% p.a. The loan is secured against the shares of SFI and BPH.
 - b) In March 2017, a loan of US\$ 23,119 from ECL Finance Limited (India), against the working capital requirements for BGPPL operations, carrying an interest rate of 16.5% p.a. The loan is secured against the shares of SFI and BPH.
2. On December 28, 2016, the Joint Lenders Forum (JLF) of BGPPL, a subsidiary, invoked a debt restructuring exercise resulting into discussions on bilateral and all-party basis. This meeting was attended by all lenders and the senior management personnel of the Company.

As part of this process, the lenders agreed not to take any legal actions against the Company and offer moratorium on debt servicing until the conclusion of restructuring exercise by JLF. Also, following the mandatory guidelines of the Reserve Bank of India (RBI), a Trust Retention Account (TRA) Agreement was entered on March 20, 2017 among the Company as a borrower, ECL Finance Limited as a priority lender who offered additional loans referred in (1) above, Axis Bank as TRA Agent, and ICICI Bank as a cash monitoring agency to route through all receipts and proceeds from that date.

As per the arrangement, the Company agreed to service interest and principal payments as agreed to the priority lender, ECL, for the additional financing done in March 2017 referred in (1) above. The other lenders agreed for a moratorium for 9 months period till December 2017. Thereafter, the interest and principal payments will follow the terms agreed in the debt restructuring plan that will be approved by JLF.

Additionally, ICICI Bank (outstanding amount of US\$ 69,358), Axis Bank (outstanding amount of US\$ 168,974) and IDFC (outstanding amount of US\$ 13,021) assigned their loans to Edelweiss Asset Reconstruction Company Private Limited (EARC), and intimated the Company on April 10, 2017, April 6, 2017 and March 22, 2017 respectively.

JLF met again on May 31, 2017 proposing a debt restructuring plan for consideration, which was placed for approval at the next meeting in July 2017.

Subsequently, on July 28, 2017, JLF provided an in-principle approval to the debt portfolio realignment for BGPPL.

The Company expects to complete finalising the formal agreements with each of the lenders by October 2017 and implementation thereof by November 2017. The holding company, Ballarpur Industries Limited, has concluded recently a restructuring plan with its own lenders, and basis that BPBV management is optimistic of completing BGPPL's restructuring plan as well.

Based on approved minutes of the lenders' meeting dated 28 July 2017, the Scheme of restructuring envisages classification of the total outstanding borrowings including cumulative interest as of 30 June 2016 of USD\$ 843,188 as follows:

- a) Priority lenders: Those who provided the 'bridge' loans to restart the operations will get repaid as per original terms agreed ranging from one to four years and get paid for interest as per the original terms agreed with them. These lenders also agree to pay for one-time settlement to certain unsecured lenders referred to in (c) below.

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- b) Secured lenders other than priority lenders: These lenders, constituting approximately 50% of total borrowings outstanding, have been requested to convert their outstanding amount including cumulative interest, into three components viz. equity shares, rupee term loans with repayment period upto 10 years and interest rate of 9% per annum, and non-convertible debentures with repayment period of upto 17 years and interest rate of 9% per annum. The Scheme is also likely to consider moratorium period for not paying the interest upto March 2018, which will be paid over the next 10 years thereafter along with interest of 9% per annum.
- c) Unsecured lenders opting for one time settlement: These lenders, constituting approximately 25% of total borrowings outstanding, have been requested to settle their dues at 30% of the outstanding balance as one time payment. The Scheme is likely to consider this repayment within three months after its implementation, to be financed mainly by the priority lenders with certain contribution from the promoters.
- d) Other unsecured lenders: These lenders, constituting approximately 25% of total borrowings outstanding, have been requested to convert their outstanding balances including cumulative interest, into four components viz. equity shares, rupee term loans with repayment period upto 10 years and interest rate of 9% per annum, non-convertible debentures with repayment period of upto 17 years and interest rate of 9% per annum, and compulsorily redeemable preference shares with repayment terms extending up to 18 years with coupon rate of 0.01%. The Scheme is also likely to consider moratorium period for not paying the interest upto March 2018, which will be paid over the next 10 years thereafter along with interest of 9% per annum.

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Date: 14 September 2017

Board of Directors

Gautam Thapar

Rajeev Ranjan Vederah

Bhuthalingam Hariharan

Yogesh Agarwal

Pankaj Sood

Pradeep Vasudeo Bhide



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Consolidated income statement

	Note	15-months period ended 30 June 2016	9-months period ended 31 March 2015
Revenue	5	754,224	527,247
Other operating income	24	13,131	9,690
		767,355	536,937
(Loss)/ gain on change in fair valuation of biological assets	8a	(23,493)	9,340
Raw materials and consumables used	25	(547,262)	(356,465)
Excise duty expenses		(37,823)	(26,306)
Employee benefit expense	28	(59,095)	(43,238)
Depreciation and Amortisation	6a & 6b	(68,298)	(44,585)
Impairment charge - Property, plant and equipment	6a & 7	(186,427)	-
Foreign exchange gains / (losses) – net	32	1	267
Other operating expenses	26	(62,526)	(47,945)
Operating profit/ (loss)		(217,568)	28,005
Finance income	30	49,438	9,504
Finance costs	30	(147,815)	(92,787)
Finance costs, net		(98,377)	(83,283)
Impairment charge-Available for sale financial assets	11	(5,023)	-
(Loss) before income tax		(320,968)	(55,278)
Income tax (expense)	31	(1,547)	(5,272)
(Loss) for the period		(322,515)	(60,550)
(Loss) attributable to:			
Owners of the parent		(318,763)	(59,778)
Non-controlling interest		(3,752)	(772)
Earnings per share (Basic and diluted) attributable to the equity holders of the Company (expressed in USD per share)	33		
Earning per share basic and diluted			
From (loss) for the period		(0.48)	(0.12)

The notes on pages 19 to 86 are an integral part of these consolidated financial statements.

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All amounts in US Dollar thousands unless otherwise stated
Consolidated statement of comprehensive income

		15-months period ended 30 June 2016	9-months period ended 31 March 2015
	Note		
(Loss) for the period		(322,515)	(60,550)
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurement of post employment benefit obligations	23	(357)	(634)
		<u>(357)</u>	<u>(634)</u>
Items that may be subsequently reclassified to profit or loss			
Recycling of fair value /fair value on available-for-sale financial assets	31	(969)	(834)
Currency translation differences	31	(43,107)	(60,709)
Release of cash flow hedge reserve	12	-	4,964
		<u>(44,076)</u>	<u>(56,579)</u>
		<u>(44,433)</u>	<u>(57,213)</u>
Other comprehensive (loss) for the period, net of tax			
Total comprehensive (loss) for the period		<u>(366,948)</u>	<u>(117,763)</u>
Attributable to:			
– Owners of the parent		(362,748)	(116,091)
– Non-controlling interest		(4,200)	(1,672)
Total comprehensive loss for the period		<u>(366,948)</u>	<u>(117,763)</u>

Items in the statements above are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in note 31.

The notes on pages 19 to 86 are an integral part of these consolidated financial statements.

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All amounts in US Dollar thousands unless otherwise stated

Consolidated statement of financial position

	Note	As at	
		30 June 2016	31 March 2015
ASSETS			
Non-current assets			
Property, plant and equipment	6a	689,171	1,002,968
Intangible assets	6b	163	285
Capital work-in-progress	7	4,498	8,005
Biological assets	8a	87,345	118,302
Available for sale financial assets	11	-	6,716
Non current income tax assets		595	12,855
Land use rights	8b	10,987	12,072
Deferred income tax asset	22	32,229	24,085
Trade and other receivables	9 & 13	27,022	20,849
		852,010	1,206,137
Current assets			
Inventories	14	91,824	182,712
Trade and other receivables	9 & 13	436,390	192,867
Derivative financial instruments	9 & 12	-	19
Restricted deposits	9 & 15	1,455	597
Cash and cash equivalents (excluding bank overdraft)	9 & 16	110,464	66,935
		640,133	443,130
Total assets		1,492,143	1,649,267
EQUITY AND LIABILITIES			
Equity attributable to owners of the company			
Ordinary shares	17 (a)	8,833	8,833
Share premium	17 (a)	515,305	515,305
Perpetual capital securities	17(b)	191,114	191,114
Translation reserve		(176,072)	(135,403)
Other reserves	19	18,713	29,736
Accumulated deficit	18	(322,344)	8,213
		235,549	617,798
Non-controlling interest		806	5,005
Total equity		236,355	622,803
LIABILITIES			
Non-current liabilities			
Borrowings	9 & 21	123,208	290,225
Deferred income tax liabilities	22	-	4,957
Derivative financial instruments	9 & 12	1,461	1,718
Retirement benefit obligation	23	10,172	10,129
		134,841	307,029
Current liabilities			
Trade and other payables	9 & 20	270,114	232,549
Current income tax liabilities		1,685	1,197
Borrowings	9 & 21	849,148	485,689
		1,120,947	719,435
Total liabilities		1,255,788	1,026,464
Total equity and liabilities		1,492,143	1,649,267

The notes on pages 19 to 86 are an integral part of these consolidated financial statements.

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All amounts in US Dollars thousands unless otherwise stated
Consolidated statement of changes in equity

	Note	Share capital	Share premium	Perpetual capital securities	Translation reserve	Other reserves	Accumulated deficit	Total	Non-controlling interest	Total equity
Balance at 30 June 2014		32	428,324	191,114	(75,514)	30,368	82,717	657,041	7,243	664,284
Comprehensive income										
Loss for the period		-	-	-	-	-	(59,778)	(59,778)	(772)	(60,550)
Other comprehensive income										
Currency translation differences	31	-	-	-	(59,809)	-	-	(59,809)	(900)	(60,709)
Loss on fair valuation of available for sale financial asset, net of tax	31	-	-	-	-	(834)	-	(834)	-	(834)
Remeasurement of post employment benefit obligations		-	-	-	-	(634)	-	(634)	-	(634)
Release of cash flow hedge reserve	12	-	-	-	-	4,964	-	4,964	-	4,964
Total other comprehensive income		-	-	-	(59,809)	3,496	-	(56,313)	(900)	(57,213)
Total comprehensive income		-	-	-	(59,809)	3,496	(59,778)	(116,091)	(1,672)	(117,763)
Transfer from statutory reserve	19	-	-	-	-	(4,128)	4,128	-	-	-
Transaction with owners										
Issue of Bonus Share	17 (a)	7,540	(7,540)	-	-	-	-	-	-	-
Issue of New Share (IFC)	17 (a)	1,261	94,521	-	-	-	-	95,782	-	95,782
Distribution on perpetual capital securities	17 (b)	-	-	-	-	-	(19,500)	(19,500)	-	(19,500)
Changes in share of other equity components due to change in stake of Non-controlling interest		-	-	-	(80)	-	646	566	(566)	-
Total transactions with owners		8,801	86,981	-	(80)	-	(18,854)	76,848	(566)	76,282
Balance at 31 March 2015		8,833	515,305	191,114	(135,403)	29,736	8,213	617,798	5,005	622,803
Comprehensive income										
Loss for the period		-	-	-	-	-	(318,763)	(318,763)	(3,752)	(322,515)
Other comprehensive income										
Currency translation differences	31	-	-	-	(40,669)	(1,991)	-	(42,660)	(447)	(43,107)
Recycling of fair valuation of available for sale financial asset	31	-	-	-	-	(969)	-	(969)	-	(969)
Remeasurement of post employment benefit obligations	23	-	-	-	-	(357)	-	(357)	-	(357)
Total other comprehensive income		-	-	-	(40,669)	(3,317)	-	(43,986)	(447)	(44,433)
Total comprehensive income		-	-	-	(40,669)	(3,317)	(318,763)	(362,749)	(4,199)	(366,948)
Transfer from statutory reserve	19	-	-	-	-	(7,706)	7,706	-	-	-
Transaction with owners										
Distribution on perpetual capital securities	17 (b)	-	-	-	-	-	(19,500)	(19,500)	-	(19,500)
Total transactions with owners		-	-	-	-	-	(19,500)	(19,500)	-	(19,500)
Balance at 30 June 2016		8,833	515,305	191,114	(176,072)	18,713	(322,344)	235,549	806	236,355

The notes on pages 19 to 86 are an integral part of these consolidated financial statements.

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All amounts in US Dollars thousands unless otherwise stated
Consolidated statement of cash flows

	Note	15-months period ended 30 June 2016	9-months period ended 31 March 2015
Cash flows from operating activities			
(Loss) for the period before income tax		(320,968)	(55,278)
Adjustments for:			
Depreciation and amortisation	6	68,298	44,585
Impairment charge-Property, plant and equipment	6 & 7	186,427	-
Impairment charge-Available for sale financial assets	11	5,023	-
Bad debts provision and write off	13	339	311
Release of hedge reserve	12	-	4,964
Inventory provision and write off/ back	14	1,545	113
(Profit) on sale of property, plant and equipment	24	(26)	(44)
Finance costs net recognized in income statement	30	98,377	83,283
Defined benefit obligation expense	28	1,982	1,728
(Gain) on change in fair value of biological assets	8(a)	23,493	(9,340)
Income from Government Grant	24	(3,010)	(2,603)
Changes in working capital			
Decrease/ (Increase) in inventories		85,146	(1,078)
Decrease in trade and other receivables		94,573	4,193
Increase/ (Decrease) in trade and other payables		37,451	(59,734)
Derivative financial instruments			
Cash from operations		278,650	11,100
Income taxes paid		(4,476)	(4,332)
Net cash generated from operating activities		274,174	6,768
Cash flows from investing activities			
Addition to biological assets	8(a)	(8,471)	(9,573)
Proceeds from disposal of property, plant and equipment		1,428	476
Purchase of property, plant and equipment		(978)	(239)
Additions to capital work-in-progress		(6,177)	(9,981)
Interest received		17,307	1,926
Decrease in restricted deposits		(1,463)	1,810
Net cash generated from/ (used in) investing activities		1,646	(15,581)
Cash flows from financing activities			
Finance cost paid		(115,770)	(68,431)
Proceeds from borrowings, net of transaction costs	21.1	272,444	39,278
Repayment of borrowings	21.1	(146,475)	(110,182)
Advance given to related party		(313,109)	(37,194)
Distribution on Perpetual Capital Securities	17(b)	(19,500)	(19,500)
Loan received from related party		20,000	-
Proceeds from issuance of Share Capital		-	95,782
Net movement in working capital loans, cash credit and packing credit	21	76,809	141,060
Finance lease payments		-	(259)
Net cash generated from/ (used in) financing activities		(225,601)	40,554
Effect of change in exchange rate		(533)	(699)
Net increase in cash and cash equivalents net of bank overdrafts		49,686	31,042
Cash and cash equivalents net of bank overdrafts at beginning of the year	16	66,935	37,329
Exchange loss on cash and cash equivalents net of bank overdrafts		(6,157)	(1,436)
Cash and cash equivalents net of bank overdrafts at end of the period	16	110,464	66,935

The notes on pages 19 to 86 are an integral part of these consolidated financial statements.

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All amounts in US Dollar thousands unless otherwise stated

Notes to the consolidated financial statements

1. General information and development of the Bilt Paper Group

Bilt Paper B.V. ("Bilt Paper" or the "Company"), a company incorporated and domiciled in the Netherlands, is currently a majority owned subsidiary of Ballarpur International Holdings B.V., Jachthavenweg 109h, 1081KM Amsterdam, ("BIH"), which is wholly owned by Ballarpur Industries Limited (Bilt, together with its subsidiaries "Bilt Group") domiciled in India. Bilt is part of Avantha Group which is the ultimate parent.

The Group's operations comprise production of pulp and paper spanning across production units in India and in Malaysia. The unit in Malaysia owns two timber licenses granted under a 99 years lease (ending in year 2094) by the State Government of Sabah, Malaysia for extraction of timber from the natural forest and for industrial tree plantation (ITP) in Sabah, Malaysia.

These consolidated financial statements include the financial position and results of the Company and its subsidiaries Ballarpur Paper Holdings B.V. (BPH), Bilt Graphic Paper Products Limited (BGPPL) and Sabah Forest Industries (SFI) (together "the Group").

The principal activities of the subsidiaries included in the consolidated financial statements are as follows:

Company	Production Units	Principal Activity	Country of Incorporation	Equity interest on 30 June 2016
BPH	-	Holding of BGPPL and SFI	Netherlands	100.00%
BGPPL	Ballarpur	Pulp and paper	India	99.99%
	Bhigwan	Paper	India	
	Sewa	Pulp and paper	India	
	Ashti	Paper	India	
SFI	Sabah	Pulp, paper and forestry	Malaysia	98.08%

The non-controlling interest (0.01%) (2015: 0.01%) in BGPPL is owned by Bilt and the non-controlling interest (1.92%) (2015: 1.92%) in SFI is owned by the Government of Malaysia.

The registered office address of the Company is Jachthavenweg 109h, 1081KM Amsterdam, The Netherlands.

The consolidated financial statements of the Group for the 15-months period ended 30 June 2016 were authorised for issue in accordance with the resolution of the Board of Directors on 14 September 2017.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

2.1 Basis of preparation

a) The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations as adopted by the European Union (together "IFRS"). These have been prepared under the historical cost convention, except for available for sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and biological assets, which have been measured at fair value.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the

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Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

The financial year end of the Company has been changed from 31 March every year to 30 June every year due to ongoing financial restructuring. Hence the amount for the current period Income Statement and the cash flow statements along with related notes and disclosures are for 15-months period 01 April 2015 to 30 June 2016 and are not comparable with those of the previous period ended 31 March 2015.

b) Going Concern

The Group incurred net loss of US\$322,515 and US\$60,550 for the fifteen months period ended 30 June 2016 and nine months period ended 31 March 2015, respectively. The accumulated (deficit) / surplus was US\$(322,341) and US\$8,213 as of 30 June 2016 and 31 March 2015, respectively. Also, the Group had net liability position as at 30 June 2016 and 31 March 2015.

With the proposed sale transaction of SFI, the Malaysian subsidiary, falling through in June 2016 and inability to rollover certain borrowing facilities with the lenders, the operations of the Group were adversely affected and the manufacturing operations were shut down. For SFI, operations were shut down in April 2016 and restarted in July 2017. For Sewa, operations were shut down in December 2015 and the status remains same as at date of this report. Operations for Ballarpur, Bhigwan and Ashti were shut down subsequent to 30 June 2016, and restarted around mid-2017. The breach of financial covenants and recall of certain loans by lenders subsequent to balance sheet date resulted in classification of the borrowings as current.

Subsequent to the period-end, the Group was able to raise US\$ 62,000 to recommence the operations at its manufacturing units and successfully restarted the operations at Ballarpur, Bhigwan, Ashti and SFI. The operations at Sewa unit have not yet been restarted. Despite this cash inflow and effective cost and expense management, the Company's current financial position may not be sufficient for the twelve months period after the date of this report. Accordingly, the management concludes there exists a material uncertainty about the Group's ability to continue as a going concern.

In December 2016, debt restructuring was invoked by the lenders of BGPPL, which resulted in discussions on bilateral and all-party basis. This was followed up by lenders meeting in May 2017 and then in July 2017 [refer note 38(2) for details], whereby the lenders have given in-principle approval for debt portfolio realignment for BGPPL.

Based on approved minutes of the lenders' meeting dated 28 July 2017, the Scheme of restructuring envisages classification of the total outstanding borrowings including cumulative interest as of 30 June 2016 of USD\$ 843,188 as follows:

- a) Priority lenders: Those who provided the 'bridge' loans to restart the operations will get repaid as per original terms agreed ranging from one to four years and get paid for interest as per the original terms agreed with them. These lenders also agree to pay for one-time settlement to certain unsecured lenders referred to in (c) below.
- b) Secured lenders other than priority lenders: These lenders, constituting approximately 50% of total borrowings outstanding, have been requested to convert their outstanding amount including cumulative interest, into three components viz. equity shares, rupee term loans with repayment period upto 10 years and interest rate of 9% per annum, and non-convertible debentures with repayment period of upto 17 years and interest rate of 9% per annum. The Scheme is also likely to consider moratorium period for not paying the interest upto March 2018, which will be paid over the next 10 years thereafter along with interest of 9% per annum.
- c) Unsecured lenders opting for one time settlement: These lenders, constituting approximately 25% of total borrowings outstanding, have been requested to settle their dues at 30% of the outstanding balance as onetime payment. The Scheme is likely to consider this repayment within three months after its implementation, to be financed mainly by the priority lender with certain contribution from the promoters.
- d) Other unsecured lenders: These lenders, constituting approximately 25% of total borrowings outstanding, have been requested to convert their outstanding balances including cumulative interest, into four components viz. equity shares, rupee term loans with repayment period upto 10 years and interest rate of 9% per annum, non-convertible debentures with repayment period of upto 17 years and interest rate of 9% per annum.

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annum, and compulsorily redeemable preference shares with repayment terms extending up to 18 years with coupon rate of 0.01%. The Scheme is also likely to consider moratorium period for not paying the interest upto March 2018, which will be paid over the next 10 years thereafter along with interest of 9% per annum.

While the lenders have agreed in-principle to the restructuring plan, formal agreement with them is yet to be achieved. The management expects completion of this exercise by October 2017 and implementation thereof by November 2017. The holding company (ultimate parent), Ballarpur Industries Limited, has recently concluded its restructuring plan with its own lenders, and BPBV management is optimistic of completing BGPPL's restructuring plan as well. Accordingly, it is considered appropriate to prepare these financial statements on a going concern basis. The financial statements do not include any adjustments that might result from this uncertainty.

The Group's ability to continue as a going concern is highly contingent on completion and implementation of the above restructuring, including renegotiating the terms of existing borrowings, securing additional equity and / or borrowings and continuing to manage costs to achieve breakeven position. Management understands that should the restructuring plan be not finalised, the Group may not be able to continue to realise its assets and discharge its liabilities in the normal course of business.

The financial statements do not include any adjustments that might result from this uncertainty.

2.2 Changes in accounting policy and disclosure on adoption of new standards

a. The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 01 April 2015.

Amendment to IAS 19, 'Defined Benefit Obligations' for contributions from employees or third parties that are linked to service. If the amount of the contributions is independent of the number of years of service, contributions may be recognised as a reduction in the service cost in the period in which the related services is rendered. However, if the amount of the contributions depends on the number of years of service, those contributions must be attributed to periods of service using the same attribution method as used for the gross benefit in accordance with paragraph 70 of IAS 19. There is no material impact of amendment.

Other standards, amendments and interpretations which are effective for the financial year beginning on 01 April 2015 are not material to the group.

b. New and amended standards, and interpretations issued but not effective for the financial year beginning 01 April 2015 and not early adopted

IFRS 9, Financial Instruments: In July 2014, the International Accounting Standards Board issued the final version of IFRS 9 – Financial Instruments. The standard reduces the complexity of the current rules on financial instruments as mandated in IAS 39. IFRS 9 has fewer classification and measurement categories as compared to IAS 39 and has eliminated the categories of held to maturity, available for sale and loans and receivables. Further it eliminates the rule based requirement of segregating embedded derivatives and tainting rules pertaining to held to maturity investments. For an investment in an equity instrument which is not held for trading, IFRS 9 permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognised in other comprehensive income would ever be reclassified to profit or loss. It requires the entity, which chooses to measure a liability at fair value, to present the portion of the fair value change attributable to the entity's own credit risk in the other comprehensive income. IFRS 9 replaces the 'incurred loss model' in IAS 39 with an 'expected credit loss' model. The measurement uses a dual measurement approach, under which the loss allowance is measured as either 12 month expected credit losses or lifetime expected credit losses. The standard also introduces new presentation and disclosure requirements. The effective date for adoption of IFRS 9 is annual periods beginning on or after 1 January 2018, though early adoption is permitted. The Group is in process to assess IFRS9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on 01 January 2018.

IFRS 15, 'Revenue from Contracts' with Customers outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The standard replaces most current revenue recognition guidance, including industry-specific guidance. The core principle of the new standard is for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new

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standard also will result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively including service revenues and contract modifications and improve guidance for multiple-element arrangements. The new standard will come into effect for the annual reporting periods beginning on or after 1 January 2018 with early application permitted. The Group is in process to assess IFRS15 full impact.

IFRS 16, 'Leases' specifies recognition, measurement and disclosure criteria for leases. The standard provides a single lessee accounting model, requiring lessees to recognise right of use assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The new standard will come into effect for the annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted if IFRS 15 – Revenue from Contracts with Customers has also been applied. The Group is in process to assess the impact of IFRS 16.

Certain amendments relating IFRS 11, IFRS 14 are not disclosed as these amendments are not applicable to the Group.

2.3 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has the right to, variable returns from its involvement with the entity and has the ability to affect those returns through its control over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations except for business combinations between entities under common control. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition- by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with the equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

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When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in comprehensive income are reclassified to profit or loss.

2.4 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Bilt Paper B.V. that makes strategic decisions. The accounting policies followed by the segments are same as those followed by the Group.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency of the Malaysian operations at SFI is Malaysian Ringgit, and the functional currency of the Indian operations and the Dutch holding entities is Indian Rupees (INR).

The consolidated financial statements are presented in United States Dollars ("US\$") as the Group believes this is a currency familiar to international investors and the Company attracts financing primarily in US\$.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the exchange rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the exchange rates prevailing at the date when the fair value was determined. All foreign exchange gains or losses are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges.

(c) Translation into presentation currency

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- components of equity are translated at historical rates;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised as a separate component of other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

The translation rates applied to translate from the functional currencies Indian Rupee and Malaysian Ringgit into the presentation currency US\$ are as follows:

Currency	Code	As at 30	Average 15-months	As at 31	Average 9-months
		June 2016	period ended 30 June 2016	March 2015	period ended 31 March 2015
Indian Rupee	INR	67.61	65.83	62.68	61.63
Malaysian Ringgit	MYR	4.01	4.05	3.71	3.39

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2.6 a) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Advances paid towards acquisition of property, plant and equipment outstanding at each balance sheet date and the cost of asset not put to use before such date are disclosed under capital work in progress.

Freehold land is not depreciated. Depreciation is charged on a straight line basis so as to write off the cost of the assets to their residual values using the straight-line method over their estimated useful lives as follows:

	30 June 2016	31 March 2015
	Years	Years
Buildings		
Factory buildings	8 to 45	8 to 45
Residential buildings	55 to 60	55 to 60
Plant and machinery		
Paper, pulp and utility plants, machinery and equipment acquired and installed in recent years (2009 onwards)	20 to 35	20 to 35
Other paper, pulp and utility plants, machinery and equipment	15 to 30	15 to 30
Power plants	15 to 30	15 to 30
Office and other equipment	4 to 15	4 to 15
Motor vehicles	4 to 10	4 to 10
Jetty and access roads	10	10

The estimated useful lives, residual values and depreciation method are reviewed at each period / year end, with the effect of any changes in estimate being accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Assets taken on finance lease are amortised over shorter of the estimated useful lives and lease term.

b) Intangible assets

Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

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Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed seven years.

2.7 Biological assets

Biological asset is defined as the timber forest controlled by the Group which is involved in agricultural activity of transformation of the biological assets. The biological assets are valued and reported at fair value after deduction of estimated selling costs. The fair value of the Group's biological assets is calculated as the present value of anticipated future cash flow from the assets discounted at pre-tax weighted average cost of capital of the business unit. The calculation is based on existing, sustainable forest surveys and assessments regarding growth, timber prices, felling costs including costs for statutory replanting. The changes in fair value are recorded in a separate line item in consolidated income statement.

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment and additionally whenever there is a triggering event for impairment. Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value less cost of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units) largely independent of cash flows of other cash-generating units. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial assets

The Group classifies its financial assets in the following categories: loans and receivables, available-for-sale and at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Available-for-sale financial assets are subsequently carried at fair value. Change in the fair value of securities classified as available for sale are recognised in other comprehensive income.

(c) At fair value through profit or loss



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Derivative financial instruments are classified in this category and are subsequently carried at fair value with changes recorded in the income statement, unless they are designated as hedges. Assets in this category are categorised as current assets if they are expected to be realised within 12 months of the balance sheet date. Financial assets at fair value through profit or loss are subsequently carried at fair value.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

(d) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.10 Derivative financial instruments and hedging activities

(a) Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at the end of each period. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

(b) Hedging activities

The Group had designated certain borrowings in cash flow hedging relationship. The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of the hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is 12 months or less.

i. Cash flow hedge

The effective portion of foreign exchange results relating to proportion of the borrowings that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in other comprehensive income are recycled in the income statement in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the income statement.

ii. Derivatives at fair value through profit or loss and accounted for at fair value through profit or loss

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any these derivative instruments are recognised immediately in the income statement.

2.11 Impairment of financial assets

(a) Assets carried at amortised cost

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The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

The Group first assesses whether objective evidence of impairment exists.

For loans and receivables category, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred in (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from other comprehensive income and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

Impairment testing of trade receivables is described in note 2.13.

2.12 Inventories

Inventories are stated at lower of cost and net realizable value. Cost is determined on the weighted average method. The cost of work in progress and finished goods comprises the cost of raw materials, labour and proportion of conversion costs.

Net realisable value represents the estimated selling price for inventories less all estimated costs to completion and costs necessary to make the sale.

The cost for the purpose of transfer from biological assets is fair value of harvested produce less estimated selling costs.

2.13 Trade receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective

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interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. Subsequent recoveries of amounts previously written off are credited in the consolidated income statement.

2.14 Cash and cash equivalents

In the consolidated statement of cash flow, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and is net of bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2.15 Share capital, share premium and perpetual securities

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Par value of the equity share is recorded as share capital and the amount received in excess of the par value is classified as share premium.

Instruments which have no contractual obligations towards principal redemption and interest distributions and meets the definition of equity instrument are also classified as Equity.

2.16 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

If the company revises its estimates of payments or receipts, the carrying amount of the financial liability is adjusted to reflect actual and revised estimated cash flows. The entity recalculates the carrying amount by computing the present value of estimated future cash flows at the financial instrument's original effective interest rate and the adjustment is recognised in profit or loss as income or expense.

A financial liability is extinguished from the balance sheet when the obligation is discharged, cancelled or expired. This condition is met when the debtor either:

- discharges the liability by paying the creditor normally with cash, other financial assets, goods or services, or
- is legally released from primary responsibility for the liability either by the process of law or by the creditor

Where an existing financial liability is replaced by another liability from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

Where borrowings from the shareholders or entities under common control are extinguished for consideration other than fair value, the difference between the consideration and the fair value of the borrowings is accounted for as equity distribution/contribution and the difference between the carrying value and the fair value of the borrowings is accounted for in the consolidated income statement.

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Borrowing costs are expensed as incurred, except for interest directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use i.e. a qualifying asset, in which case they are capitalised as part of the cost of that asset. Capitalisation of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and the activities to prepare the asset for its intended use are in progress. Borrowing costs are capitalised up to the date when the asset is completed and ready for its intended use.

To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization is determined at the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization is determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during a period do not exceed the amount of borrowing cost incurred during that period. Other borrowing costs are recognised as expenses when incurred.

2.18 Taxation

Income tax expense represents the sum of current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity or other comprehensive income. In this case the tax is also recognised directly in equity or in other comprehensive income.

The current tax is based on taxable profit for the fifteen months period. Taxable profit differs from profit as reported in the income statement 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 current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which those deductible temporary differences, unused tax losses and unused tax credits 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 an asset or liability in a transaction that at the time of the transaction affects neither the taxable profit or loss nor the accounting profit or loss.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an

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intention to settle the balances on a net basis.

2.19 Employee benefits

(a) *Gratuity plan*

The gratuity plan is a defined benefit plan that, at retirement or termination of employment, provides eligible employees with a lump sum payment, which is a function of the last drawn salary and completed years of service. The liability recognised in the balance sheet in respect of gratuity plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, if any, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using an appropriate government bond rate and that have terms to maturity approximating to the terms of the related gratuity liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past service cost are recognised immediately in the income.

(b) *Compensated absences*

The Group operates both accumulating and non-accumulating absences plan. The Group measures the expected cost of accumulating compensated absences as the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the balance sheet date. Expense on non-accumulating compensated absences is recognised in the period in which the absences occur. The Group records a liability for accumulating balance based on actuarial valuation determined using projected unit credit method.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged to income statements in the period in which they arise.

(c) *Short-term employee benefits*

The Group recognises a liability and an expense for bonuses. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

(d) *Post-employment benefits - Defined contribution plans*

The Group's contributions to defined contribution plans are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit or loss.

2.20 Revenue recognition and Other Operating Income

(a) *Revenue Recognition*

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Revenue from sale of goods is recognised when the risks and rewards of ownership have passed to the customers and is inclusive of excise duty. Usually, this means that sales are recorded upon delivery of goods to customers in accordance with agreed terms of delivery. Revenue is recognised net of discounts, returns and value added taxes.

(b) Other Operating Income

Dividend income is recognised when the right to receive payment is established.

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

Export incentives are recognised at the time of export when the Group will have certainty to comply with all attached conditions.

Rental income is accrued on a time proportion basis by reference to the agreements entered into.

2.21 Government grants / Assistance

Grants from the government are recognised at their estimated value where there is reasonable assurance that the grant will be received and the Group will comply with all necessary conditions. Government grants are classified as grants relating to assets and revenue grants based on the nature of the grants. Grants relating to assets are initially measured based on estimated grant receivable under the scheme. The grants are recognised in the income statement on a systematic basis over the useful life of the asset. Amount of benefits receivable in excess of grant income accrued based on usage of the assets is accounted as deferred income. Change in estimates are recognised prospectively over the remaining life of the assets. Government revenue grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Sales tax incentives

The Group receives the benefit of certain sales tax incentives under the Packaged Scheme Incentive of the Maharashtra Government (the "Sales Tax Incentive Scheme"). The benefits under the Sales Tax Incentive Scheme are recognized when it is reasonable to expect that the benefit will be received and that all related conditions will be met. The main benefits relevant to the Group are the Sales Tax Deferment Scheme, the Sales Tax Exemption Scheme and the Sales Tax Refund Scheme.

(a) Sales Tax Deferment Scheme

Under the Scheme, the Sales Tax amounts collected from sales to customers are deferred and repaid to the Government Authorities, without interest, after a specified period. The benefit of sales tax deferral with no associated interest outflow is recognized as deferred income in accordance with the imputation under IAS 20 Accounting for Governments Grants and Disclosure of Government Assistance. This deferred sales tax liability is measured in accordance with IAS 39 Financial Instruments: Recognition and Measurement. The benefit of the interest free loan is measured as the difference between initial carrying value of the loan at fair value in accordance with IAS 39 and the sales tax collected. The deferred sales tax liability to the State is measured at amortized cost using the effective interest rate method and therefore a finance charge is recorded as the discount on this liability unwinds. In certain cases, the Group settles the net present value of deferred sales tax liability and recognizes the benefit as grant income over the period.

(b) Sales Tax Exemption Scheme

The benefit of the sales tax exemption applies to qualifying sales to customers within the State of Maharashtra of paper produced from one of the paper machine in Bhigwan. As per the scheme, the Group is exempt from levying and payment of sales tax on sales of paper to customers that would otherwise be payable and hence no adjustment is made to revenue.

(c) Sales Tax Refund Scheme

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The benefit of sales tax refund scheme applies to qualifying sales made from the State of Maharashtra in respect of assets of the company in Ballarpur and Bhigwan. Under the scheme, sales tax is levied and collected from the customer and claim for refund is filed with the sales tax authorities. These benefits are accounted for as capital grants over the useful life of the related assets.

2.22 Prepaid land lease payments

Prepaid land lease payments in the balance sheet represent up-front payment made for leases for land use rights paid and payable to the counterparties. Land use rights are carried at cost and are charged to the consolidated income statement on a straight-line basis over the respective periods of the leases which range from 30 years to 99 years.

2.23 Leases

Leases of property, plant and equipment, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the remaining balance of the liability for each period. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating lease (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease.

2.24 Compound financial instruments

The liability component of a compound financial instrument is recognised initially at fair value of a similar liability that does not have an equity component. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and the equity components, if material, in proportion to their initial carrying amounts.

Subsequent to the initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

2.25 Dividend/Distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the Company's shareholders. Distribution on perpetual capital securities is recognized as a liability in the consolidated financial statements in the period in which the coupon payments are declared by the Company.

2.26 Business combination -under common control (Group restructuring)

Transactions under common control that do not meet the definition of a business combination within the scope of IFRS 3 are accounted for as Group Restructuring. The acquired business results and balance sheets are incorporated as if they had always been combined, prospectively from the date on which the business combination occurred. The predecessor accounting method is used, i.e. the assets and liabilities are included based on the carrying amount of the previous financial statements. The assets and liabilities of the acquired units have been fair valued on the date of transfer in accordance with IFRS 1. Any difference between the fair value of the consideration paid and the amounts at which the assets and liabilities are recorded is recognised directly in equity.

2.27 Provisions



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Provisions for environmental restoration, restructuring costs and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.28 Discontinued operations and non-current assets held for sale

Non-current assets (disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale.

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale, and (a) represents a separate major line of business or geographical area of operations; and (b) is a part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or (c) is a subsidiary acquired exclusively with a view to resale.

Non-current assets held for sale are carried at the lower of carrying amount or fair value less costs to sell. Any gain or loss from disposal of a business, together with the results of these operations until the date of disposal, is reported separately as discontinued operations. Tax effects are not considered for the purpose of allocation to continued and discontinued operations when these are not separately identifiable to individual units.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), commodity risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the treasury department under policies approved by the board of directors. The treasury team identifies, evaluates and hedges financial risks in close co-operation with the group's operating units. The board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

I. Market Risk

(a) Foreign exchange risk

The Group has borrowings, deposits and balances with banks, derivative financial instruments, financial trade and other receivables and payables which are denominated in currencies other than the functional currency of the respective Group entity. A significant portion of these balances is denominated in US\$. The payments and period end translation of these instruments is affected by exchange rate movements.

Certain transactions of the Group act as a natural hedge as a portion of both assets and liabilities are denominated in foreign currencies. For the remaining exposure to foreign exchange risk, the Group adopts a policy of selective hedging based on risk perception of the management. Further, the Group has managed its risks of highly probable forecast sales with foreign currency borrowings. Refer to note 12 for forward exchange contracts outstanding and hedging activities at each balance sheet date and the gain/loss recognised on this contract.

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The tables below summarise the impact of changes in the exchange rate of INR to US\$, INR to Euro, MYR to US\$ and MYR to Euro. The impact is expressed in terms of the resulting change in the Group's profit / (loss) before tax for the period and as a result of movement of period-end balances. The impact on equity is also the same. The sensitivities are based on the assumption that the exchange rate changes by 8%/4% in respect to INR to US\$, 10%/17% in respect to INR to EUR, 8%/16% in respect to MYR to US\$ and 10%/8% in respect to MYR to EUR for the period ended 30 June 2016 and period ended 31 March 2015 with all other variables held constant.

INR to US\$	Effect on profit / (loss) before tax/Equity	
	15-months period ended 30 June 2016	9-months period ended 31 March 2015
Gain/(loss) associated with change from year end		
INR strengthens by 8%/4% against US\$	15,129	9,787
INR weakens by 8%/4% against US\$	(15,129)	(9,787)

INR to Euro	Effect on profit / (loss) before tax/Equity	
	15-months period ended 30 June 2016	9-months period ended 31 March 2015
Gain/(loss) associated with change from year end		
INR weakens/ strengthens by 10%/17% against Euro	602	(778)
INR strengthens/ weakens by 10%/17% against Euro	(602)	778

MYR to US\$	Effect on profit / (loss) before tax/Equity	
	15-months period ended 30 June 2016	9-months period ended 31 March 2015
Gain/(loss) associated with change from year end		
MYR strengthens by 8%/16% against US\$	14,197	20,141
MYR weakens by 8%/16% against US\$	(14,197)	(20,141)

MYR to Euro	Effect on profit / (loss) before tax/Equity	
	15-months period ended 30 June 2016	9-months period ended 31 March 2015
Gain/(loss) associated with change from year end		
MYR weakens/ strengthens by 10%/8% against Euro	33	(77)
MYR strengthens/ weakens by 10%/8% against Euro	(33)	77

(b) Interest rate risk

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The Group's borrowings are at variable rates except for non-convertible debentures issued at fixed rate (refer note 21). These borrowings are linked to LIBOR. The Group also has certain outstanding interest rate swaps (refer note 12 for interest rate swap contracts outstanding as at each balance sheet date and the gain/loss recognised on these contracts).

The table below summarises the impact of changes in interest rates. The impact is expressed in terms of the resulting change in the Group's profit / (loss) before tax for the nine month period. The sensitivities are based on the assumption that the interest rate changes by 50 basis points for the 15-months period ended 30 June 2016 and 9-months period ended 31 March 2015 with all other variables hold constant.

Interest rates	Effect on profit / (loss) before tax/Equity	
	15-months period ended 30 June 2016	9-months period ended 31 March 2015
Gain/(loss) associated with change from year end		
Interest rates higher by 50/ 50 basis points	(2,173)	(1,244)
Interest rates lower by 50/ 50 basis points	2,173	1,244

(c) Credit risk

The Group considers factors such as track record, size of the institution, market reputation and service standards to select the banks with which balances are maintained. Generally, the balances are maintained with the institutions with which the Company has also availed borrowings. The Group does not maintain significant cash and deposit balances other than those required for its day to day operations.

The Group extends credit to customers in normal course of business. The Group considers factors such as credit track record in the market and past dealings with the Group for extension of credit to customers. The Group monitors the payment track record of the customers. The Group has also taken security deposits from its distributors, which mitigate the credit risk to an extent.

The Group maintains balances and deposits with financial institutions after consideration of their market reputation. The deposits and balances of the Group have been maintained with financial institutions which have credit ratings of:

- AAA (AAA ratings are judged to be of highest quality and are subject to minimal credit risk), AA and AA+ (AA ratings are judged to be of high quality and are subject to very low credit risk) and A (A ratings are considered upper-medium grade and are subject to low credit risk).
- P1 (P1 ratings are judged to be of highest quality and are subject to minimal credit risk), P2 (P2 ratings are judged to be of high quality and are subject to low credit risk) and P3 (P3 ratings are considered of adequate quality and are subject to medium credit risk).

Maximum exposure to credit risk and credit quality is disclosed in note 9 and note 10.

(d) Liquidity risk

The Group relies on a mix of borrowings, capital infusion and excess operating cash flows to meet its needs for funds. The current committed lines of credit are sufficient to meet its short to medium term expansion needs. The Group monitors rolling forecasts of its liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The maturity profile based on undiscounted cash flows is as under:

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At 30 June 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Borrowings	580,833	141,333	280,552	131,046
Derivative financial instruments	549	549	606	-
Trade and other payables (excluding deferred revenue)	250,602	-	-	-
Total	831,984	141,882	281,158	131,046

At 31 March 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Borrowings	480,774	125,166	215,379	52,391
Derivative financial instruments	1,332	1,332	2,848	-
Trade and other payables (excluding deferred revenue)	218,227	-	-	-
Total	700,333	126,498	218,227	52,391

The Group is required to maintain ratios (including total debt to EBITDA / net worth, EBITDA to gross interest, debt service coverage ratio and secured coverage ratio) as mentioned in the loan agreements at specified levels. In the event of failure to meet any of these ratios these loans become callable at the option of lenders.

The loan with Rabobank, IDFC, Axis Bank, GE Money, SBI, DBS, Aditya Birla Finance Limited, Yes Bank, Standard Chartered and ICICI bank (refer note 21.1) which has been classified as current portion of long term borrowings due to non-compliance of certain financial covenants have been treated in the maturity analysis in accordance with the original terms of the agreements.

Considering the financial position of the group as at 30 June 2016 and Debt restructuring (DR) invoked by the lenders the management has initiated discussions with lenders both on a bi-lateral and an all-party basis for re-negotiating the terms of its existing borrowings by way of partial conversion to equity, and conversion to long term.

II. Competition and Price risk

The Group faces competition from local and foreign competitors. Nevertheless, it believes that it has competitive advantage in terms of high quality products and by continually upgrading its expertise and range of products to meet the needs of its customers. We have in place policies to manage exposure to fluctuations in the prices of the key raw materials and commodities used in operations. We enter into fixed price contracts to establish determinable prices for key raw materials and consumables.

3.2 Capital risk management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for stakeholders. The Group also proposes to maintain an optimal capital structure to reduce the cost of capital, it also manages the Group's debt profile to optimize cost of debt time to time. In order to maintain or adjust the capital structure, the Group may adjust any dividend payments, return capital to shareholders or issue new shares. Perpetual capital securities are considered as equity. To maintain or adjust Group's debt exposure, refinance of debts or terms are discussed and revised as necessary. Refer note 21 for borrowings.

The following table shows the components of equity managed by the Group:

	30 June 2016	31 March 2015
Equity as per Stockholders equity	235,549	617,798
	235,549	617,798

3.3 Fair value estimation

The table below analyse financial instruments carried at fair value, by valuation method. The different levels have



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Accountants N.V.
For identification
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been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following tables present the Group's assets and liabilities that are measured at fair value as at 30 June 2016 and 31 March 2015.

Group's assets and liabilities that are measured at fair value at 30 June 2016 and 31 March 2015.

See note 8 (a) for disclosures of the biological assets measured at fair value.

	30 June 2016			Total
	Level 1	Level 2	Level 3	
Assets				
Financial assets at fair value through profit or loss				
– Derivatives	-	-	-	-
Available-for-sale financial assets				
– Investments	-	-	-	-
Total assets	-	-	-	-
Liabilities				
Financial assets at fair value through profit or loss				
– Derivatives	-	1,461	-	1,461
	-	1,461	-	1,461

	31 March 2015			Total
	Level 1	Level 2	Level 3	
Assets				
Financial assets at fair value through profit or loss				
– Derivatives	-	19	-	19
Available-for-sale financial assets				
– Investments	-	6,716	-	6,716
Total assets	-	6,735	-	6,735
Liabilities				
Financial assets at fair value through profit or loss				
– Derivatives	-	1,718	-	1,718
	-	1,718	-	1,718

The fair value of financial instruments traded in active markets are based on quoted market prices at the balance sheet date and included in level 1. The Group does not have any financial instruments to be included in level 1 in the financial statements.

The fair value of the financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value these financial instruments include:

- The fair value of the available-for sale investment at 30 June 2016 and 31 March 2015 is based on observable inputs from the comparable transaction of sale of KWPC subsidiary of Avantha Power and

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Infrastructure Limited ("APIL"). The fair values are within level 2 of the fair value hierarchy.

- The fair value of interest rate swaps has been calculated as the present value of the estimated future cash flows based on observable yield curves.
- Other techniques, such as discounted cash flows analysis, are used to determine fair value of the biological assets.

The following table presents the changes in level 2 and level 3 instruments as at 30 June 2016 and 31 March 2015:

	Available for sale financial assets
At 30 June 2014	8,080
Transfer to level 2	(8,080)
At 31 March 2015	-
At 30 June 2014	8,080
Transfer from level 3	(1,043)
Gains and losses recognised in other comprehensive income	(321)
Exchange differences	6,716
At 31 March 2015	(1,374)
Recycling of fair valuation of available for sale financial asset	(5,023)
Impairment Charge	(319)
Exchange differences	-
At 30 June 2016	-

The Company has estimated the value of second subsidiary Jhabua Power Limited (JPL) based on the sale value of KWPCCL and other comparable transactions in the market. Since power plants in both subsidiaries have similar capacity and other critical inputs, geographical location have also been considered in this valuation.

Changes in level 2 and 3 fair values are analysed at the end of each reporting period during the yearly valuation discussion between the internal treasury team, Group Director finance.

4. Critical accounting estimates, assumptions and judgements

The preparation of consolidated financial statements requires management to make estimates, assumptions and judgments relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and for reporting amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Significant estimates and assumptions are used when accounting for the following items:

(a) Property, plant and equipment

The external adviser is used to assist in determining their remaining useful lives. Management believes that the assigned values and useful lives, as well as the underlying assumptions, are reasonable, though different assumptions and assigned lives could have a significant impact on the reported amounts. (Refer note 6)

(b) Biological assets

The fair value of the biological assets is the present value of the expected future cash flows taking into account the estimated market prices in available markets, estimated projected growth over the rotation period for the existing biological assets and estimated cost of extraction including transportation costs. The discount rate used is the applicable pre-tax weighted average cost of capital of the business unit. Determining the appropriate discount rate, cost and expected revenue requires significant assumptions and changes in these assumptions could change the outcome of the plantation valuation.

Changes in the assumptions or estimates used in these calculations may affect the results, in particular, valuation of biological assets and as a result, the amount recorded in profit or loss arising from fair value changes and growth.

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A key assumption and estimation is the projected growth estimation and projected harvesting plan over a period of 5 to 9 years per rotation. The Group involves experts on a periodic basis to determine inputs to the plantation growth model since these are complex and involve estimations and judgements. The expert establishes a long-term sample plot network which is representative of the species and sites on which trees are grown and the measured data from these permanent sample plots are used as input into the growth estimation. Availability of resources and sub-contractors may affect execution of harvesting plan. Refer note 8a for sensitivity of assumptions used in the biological assets.

(c) Fair value of derivatives and available-for-sale financial asset

Derivative financial assets and liabilities are measured at their fair value. The fair value of interest rate swaps has been determined based on, among other estimates, applicable or effective dates and day conventions, fixed rate coupon, floating index, notional amount and reset frequency. Changes in any estimates could lead to recognition of significant fair value changes in income statement.

The Group has used valuation technique based on comparable transactions for available-for-sale financial asset that is not traded in the active market. Refer notes 11 and 12.

(d) Government grants

Grants relating to assets are initially measured based on estimated grant receivable under the scheme, however not accounted for but as a basis for annual income recognition. Grants receivables are based on sales estimates within State of Maharashtra which involves gathering and evaluating sales estimates for future periods as well as analysing actual outcomes on a regular basis and compliance with stipulated conditions. Changes in estimates or non-compliance of stipulated conditions could lead to significant changes in grant income and are accounted for prospectively over the balance life of the asset. Refer note 38

(e) Impairment of tangible assets

Assets are tested for impairment on an annual basis as per IAS 36. Under IAS 36, we are required to assess the conditions that could cause an asset to become impaired and to perform a impairment test. The recoverable amounts of the India operations and SFI were determined based on calculations of value in use, which require the use of estimates (refer note 6). The value in use calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Management believes that the assumptions used in assessment of recoverable amount based on value are reasonable, though different assumptions could have significant impact on the assessment. (refer note 6)

The significant judgement is in relation to the following items:

(a) Income taxes

Management judgment is required for the calculation of provision for income taxes and deferred tax assets and liabilities. The Group reviews at each balance sheet date the carrying amount of deferred tax assets. The Group considers whether it is probable that the subsidiary will have sufficient taxable profits against which the unused tax losses or unused tax credits can be utilised. The factors used in estimates may differ from actual outcome which could lead to significant adjustment to the amounts reported in the consolidated financial statements. (refer note no.22 and 31)

(b) Contingencies

Management judgement is required for estimating the possible outflow of resources, if any, in respect of contingencies/claim/litigations against the Group as it is not possible to predict the outcome of pending matters with accuracy.

(c) Impairment of tangible assets

Assets are tested for impairment on an annual basis as per IAS 36. Under IAS 36, we are required to assess the conditions that could cause an asset to become impaired and to perform a recoverability test. The value in use is calculated by using cash flow projections based on financial budgets approved by management covering a five-year

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period based on assumptions like, maturity of the underlying market, market share and volume development to determine the revenue mix and growth rate or recoverable amount, wherever available. Management believes that the assumptions used in assessment of recoverable amount based on value are reasonable, though different assumptions could have significant impact on the assessment. (refer note 6)

5. Segment information

Management has determined the operating segments based on the reports reviewed by the Board of Bilt Paper B.V. that are used to make strategic decisions.

The Board of Bilt Paper B.V. considers the business from a production unit perspective which also aligns with the products and the geography of the Group's domestic markets. Accordingly, management considers the performance of its businesses as follows:

- Coated paper manufactured in India – Bhigwan production unit
- Uncoated paper manufactured in India – Ballarpur, Sewa and Ashti production units
- Uncoated paper and pulp manufactured in Malaysia – SFI production unit

The reportable operating segments derive their revenue primarily from the manufacture and sale of paper and pulp. Certain segments include ancillary income as follows:

- The Ballarpur production unit sells surplus caustic soda, that it produces, to the market
- Ballarpur unit and Bhigwan unit sells surplus power, that it produces, to the market
- The SFI production unit operates an integrated timber complex which produces plywood, sawn timber and veneer wood products for external sale
- The SFI production unit also produces pulp which is exported to Bhigwan production unit

The results of these activities are included in the relevant segment as this is how the segments are presented to the Board. All the production units sell their products in both domestic and export markets.

The Board assesses the performance of the operating segments based on a measure of EBITDA. Interest income and expenditure and derivative gains and losses are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash and risk positions of the Group.

The revenue from external parties reported to the Board is measured in a manner consistent with that measured in the income statement.

The segment information provided to the Board for the reportable segments for the 15-months period ended 30 June 2016 and 9-months period ended 31 March 2015 is as follows:

Period ended 30 June 2016						
	Paper				Head office /Others**	Total
	India		Malaysia			
	Coated	Uncoated	Uncoated	Total		
Total Segment Revenue	323,112	365,792	74,334	763,238	15,246	778,484
Inter Segment Revenue	-	(6,419)	(17,841)	(24,260)	-	(24,260)
Revenue from External Customers	323,112	359,373	56,493	738,978	15,246	754,224
Net Revenue from External Customers*	305,245	339,416	56,493	701,154	15,246	716,400
EBITDA	67,582	21,054	(45,294)	43,342	(6,185)	37,157
Depreciation, Amortisation and Impairment	(10,460)	(129,660)	(114,388)	(254,508)	(217)	(254,725)
Operating Profit/(Loss)	57,122	(108,606)	(159,682)	(211,166)	(6,402)	(217,568)

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Period ended 31 March 2015

	Paper				Head office /Others**	Total
	India		Malaysia			
	Coated	Uncoated	Uncoated	Total		
Total Segment Revenue	211,496	236,999	105,270	553,765	14,043	567,808
Inter Segment Revenue	-	(5,111)	(35,450)	(40,561)	-	(40,561)
Revenue from External Customers	211,496	231,888	69,820	513,204	14,043	527,247
Net Revenue from External Customers*	199,187	217,920	69,820	486,927	14,014	500,941
EBITDA	53,814	21,625	9,398	84,837	(12,247)	72,590
Depreciation and Amortisation	(7,032)	(19,800)	(17,686)	(44,518)	(67)	(44,585)
Operating Profit/(Loss)	46,782	1,825	(8,288)	40,319	(12,314)	28,005

*Net revenue from external customers represents revenue net of excise duty which is applicable to the paper and pulp operations in India.

**Head office / others refers to BGPPL Head office, Bilt paper B.V., BPH and other trading activities.

Sales between segments are carried out on an arm's length basis.

A reconciliation of EBITDA to profit before tax is provided as follows:

	15-months period ended 30 June 2016	9-months period ended 31 March 2015
EBITDA for reportable segments	43,342	84,837
Head office / Others	(6,185)	(12,247)
Total Segments	37,157	72,590
Depreciation, Amortisation and Impairment charge	(254,725)	(44,585)
Finance cost Net	(98,377)	(83,283)
Impairment charge-Available for sale financial assets	(5,023)	-
Profit before Tax	(320,968)	(55,278)

No amounts are provided to the Board with respect to segmental assets and liabilities and accordingly no such financial measures are presented here.

Breakdown of the revenue from external customers is as follows:

	15-months period ended 30 June 2016	9-months period ended 31 March 2015
Paper	748,886	522,359
Timber and related products	2,906	3,168
Power	2,432	1,720
	754,224	527,247

The entity is domiciled in the Netherlands but its subsidiaries have operations in India and Malaysia. The Group has no revenue from external customers in the Netherlands. Its revenue from external customers in India and Malaysia is shown below.

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	15-months period ended 30 June 2016	9-months period ended 31 March 2015
India- Domestic	646,307	428,753
India- Export	51,424	28,674
Malaysia- Domestic	44,151	54,960
Malaysia- Export	12,342	14,860
	754,224	527,247

The breakdown of the major components of the total revenue from external customers from other countries is disclosed above. The revenues are distinguished based on their trading currency. In case of India, export is primarily to the United States of America, Spain, France, Germany, Ireland, Saudi Arabia, Singapore, Australia and other African countries. In case of Malaysia, export is primarily to Philippines, Sri Lanka, Singapore, Indonesia and Thailand.

The total of non-current assets (excluding deferred tax assets, non-current income tax assets and financial Instruments) located in India and Malaysia is disclosed below:

	30 June 2016	31 March 2015
India	546,944	720,165
Malaysia	272,242	442,316
	819,186	1,162,481

In case of Netherlands, there were no such non-current assets.

Revenues for the 15-months period ended 30 June 2016 and year ended 9-months period ended 31 March 2015 amounting to US\$74,035 and US\$42,953 respectively were derived from a single external customer.

6a. Property, plant and equipment

	Land and buildings	Plant and machinery	Motor vehicles	Jetty and access roads	Total
Period ended 30 June 2016					
Opening net book amount	119,682	878,882	593	3,811	1,002,968
Additions	753	4,557	245	227	5,782
Exchange differences	(8,554)	(58,631)	(30)	(280)	(67,495)
Disposals	-	(1,342)	(60)	-	(1,402)
Impairment charge	(3,644)	(178,827)	(13)	-	(182,484)
Depreciation charge	(6,318)	(60,695)	(660)	(525)	(68,198)
Closing net book amount	101,919	583,944	75	3,233	689,171
As of 30 June 2016					
Cost	133,742	1,035,490	2,656	15,055	1,186,943
Accumulated depreciation	(31,823)	(451,546)	(2,581)	(11,822)	(497,772)
Net book amount	101,919	583,944	75	3,233	689,171

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	Land and buildings	Plant and machinery	Motor vehicles	Jetty and access roads	Total
Period ended 31 March 2015					
Opening net book amount	129,935	980,603	769	6,501	1,117,808
Additions	393	6,691	82	151	7,317
Exchange differences	(7,040)	(69,724)	(5)	(443)	(77,212)
Disposals	-	(432)	-	-	(432)
Depreciation charge	(3,606)	(38,256)	(253)	(2,398)	(44,513)
Closing net book amount	119,682	878,882	593	3,811	1,002,968
As of 31 March 2015					
Cost	143,482	1,110,208	2,675	16,003	1,272,368
Accumulated depreciation	(23,800)	(231,326)	(2,082)	(12,192)	(269,400)
Net book amount	119,682	878,882	593	3,811	1,002,968

Land and buildings include freehold land, buildings, employee housing and infrastructure. Refer note 21 for assets charged as security.

Considering the physical condition of the assets and benchmarking analysis performed during the 9-months period ended 31 March 2015, the Group has revised the useful life. The carrying value of the assets has been depreciated over the revised remaining useful life of its assets with effect from 01 July 2014. In line with its accounting policy, the group has reviewed the useful life during the current period and concluded that no change is required to the previously assessed estimates.

Testing of Impairment of Tangible assets

At each reporting date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that the carrying amount of those assets may not be recoverable through continuing use. If any such indication exists, the recoverable amount of the asset (or cash generating unit) is reviewed in order to determine the amount of the impairment, if any. The recoverable amount is the higher of its net selling price (fair value reduced by selling costs) and its value in use. In estimating its value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit). For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. The cash generating unit is the smallest identifiable group of assets corresponding to operating units that generate cash inflows. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, an impairment loss is recognised. An impairment loss is recognised as an expense immediately as part of operating income in the consolidated income statement.

In the case of permanently idled assets, the impairment is measured at the individual asset level. Otherwise, the Company's assets are measured for impairment at the cash-generating unit level. In certain instances, the cash generating unit is an integrated manufacturing facility which may also be an operating subsidiary. Further, a manufacturing facility may be operated in concert with another facility with neither facility generating cash flows that are largely independent from the cash flows of the other. In this instance, the two facilities are combined for purposes of testing for impairment. As of June 30, 2016, the Company determined it has 5 cash-generating units.

An impairment loss, related to tangible assets recognised in prior years is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. However, the increased carrying amount of an asset due to a reversal of an impairment loss will not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately as part of operating income in the consolidated income statement.

Group is facing working capital crunch owing to higher financing commitments which is creating pressure on cash

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inflow retention in the Group.

Further, Group has continued to incur loss in current 15 months period basis which Impairment analysis has triggered. The Company has incurred operating losses amounting to US\$48.4 million and US\$27.8 million for the period ended June 30, 2016 and March 31, 2015 at SFI, Malaysia and operating profit amounting to US\$36.2 million and US\$29.7 million for the period ended June 30, 2016 and March 31, 2015 at BGPPL. Considering the past history of losses and liquidity situation at SFI and BGPPL along with other factors as explained above triggering impairment testing, the management has performed the impairment assessment test for SFI and BGPPL CGUs. In total comprising of five cash generating units which are SFI (Malaysia), uncoated Ballarpur, uncoated Ashti, coated Bhigwan and uncoated Sewa.

Key assumptions which have been used to determine the recoverable values of all CGUs were:

- Maturity of the underlying market, market share and volume development to determine the revenue mix and growth rate;
- Level of operating income largely impacted by revenue and cost taking into account the nature of the underlying costs, potential economies of scale efficiencies planned
- Discount rate to be applied considering the nature of the underlying cash flows and foreign currency and inflation-related risks.
- In case of Sewa, independent valuation of assets with help of external management expert.

Accordingly, the Company recognized a total impairment charge of US\$182 Million consisting of the following:

<i>Amounts in USD Mn</i>				
	A	B	C	B>A/C>A
CGU	Carrying Value of Assets as at June 30, 2016	Value in Use	Fair value of assets	Whether recoverable amount higher than Carrying Value
SFI	260	166	-	(94)
Uncoated (Ballarpur)	338	287	-	(50)
Uncoated (Ashti)	18	9	-	(9)
Uncoated (Sewa)*	29	NA	-	(29)

* Sewa has been assessed based on asset valuation as plant was not operational as at June 30, 2016 and consequently Sewa impairment assessment is based on assets valuation by independent valuer (external management expert).

Management assessment of the CGUs to be tested for impairment

SFI, Malaysia

SFI has an integrated plant facility for the production of pulp and paper and therefore cannot generate revenue independent of each other and have been considered as a single CGU.

For projected year the FY 2017-21 the paper production and sales has been assumed at 68% to 78% of the total installed capacity while pulp has been assumed at 80% of the capacity. Further, the planned plant shutdown of 15 days in every 18 months has also been considered for the purpose of estimating production for years 2017-2021. The estimated sales quantity has been considered as equivalent to estimated production. For projecting these numbers, the Company has taken into account its current state of affairs, liquidity position and future funding position. The sale price has been determined by taking into consideration the recent prices prevailing in the market and by applying decline growth rate of 2% and 1% in price increase over the remaining useful life of the assets. The 2% has been determined after taking into consideration the increase in prices from period 2012-2016.

Based on the above assumptions, the value in use of the CGU is US\$166 million.

As the impairment test is highly sensitive to the assumptions used, following is the impact on assessment as per various scenarios:

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As on 30 June 2016				
Changes in prices	Discount rate	Carrying value of assets (US\$ in million)	Value in Use (US\$ in million)	Total Impairment (US\$ in million)
+1%	-0.5%	260	186	(74)
-1%	+0.5%	260	143	(117)

As on 31 March 2015				
Increase in prices	Growth	Carrying value of assets (US\$ in million)	Value in Use (US\$ in million)	Total Impairment (US\$ in million)
2.5%	2.5%	304	278	(26)
3.5%	3.5%	304	332	NA
4%	3%	304	321	NA

BGPPL, India (four CGUs)

1. Uncoated Paper CGU (Ballarpur): Ballarpur has integrated paper and pulp plant facility.

The estimated production was determined for the forecast period based on performance for historical periods and current state of affairs. Historically the unit was producing and selling 80% to 85% of its total capacity. This has been used as a base for the projection. The estimated sales quantity has been considered as equivalent to estimated production. The sale price has been determined by taking into consideration the recent prices prevailing in the market and by applying decline growth rate of 3%, 2% and 1% in price increase over the remaining useful life of the assets. The price increase has been determined after taking into consideration the growth in prices of CGU for the period 2012-2016. The price increase as mentioned above is assumed on conservative side as compared to historical CAGR which was around 5%.

Based on the above assumptions, the value in use of the CGU is US\$287 million.

As the impairment test is highly sensitive to the assumptions used, following is the impact on assessment per various scenarios:

As on 30 June 2016				
Changes in prices	Discount rate	Carrying value of assets (US\$ in million)	Value in Use (US\$ in million)	Total Impairment (US\$ in million)
+1%	-0.5%	338	315	(23)
-1%	+0.5%	338	260	(78)

2. Coated Paper CGU (Bhigwan): Bhigwan being an independent CGU producing coated paper.

The estimated production was determined for the forecast period based on performance for historical periods and current state of affairs. Historically the unit was producing and selling 88% to 92% of its total capacity. This has been used as a base for the projection. The estimated sales quantity has been considered as equivalent to estimated production. The sale price has been determined by taking into consideration the recent prices prevailing in the market and by applying decline growth rate of 3%, 2% and 1% in price increase over the remaining useful life of the assets. The price increase has been determined after taking into consideration the growth in prices of CGU for the period 2012-2016.

Based on the above assumptions, the value in use of the CGU is US\$332 million. The value in use for the Coated CGU is higher than the carrying amount of US\$183 million which is sensitive to the assumption of discount rate and price increase.

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All amounts in US Dollar thousands unless otherwise stated

As the impairment test is highly sensitive to the assumptions used, following is the impact on assessment per various scenarios:

As on 30 June 2016				
Changes in prices	Discount rate	Carrying value of assets (US\$ in million)	Value in Use (US\$ in million)	Total Impairment (US\$ in million)
+1%	-0.5%	183	364	NA
-1%	+0.5%	183	307	NA

3. Uncoated Paper CGU (Ashti): Pulp produced at Ballarpur is transferred to Ashti for production of uncoated copier paper for external markets.

The estimated production was determined for the forecast period based on performance for historical periods and current state of affairs. Historically, the unit was operating at 85% to 90% of its capacity. This has been used as a base for the projection. The estimated sales quantity has been considered as equivalent to estimated production. The sale price has been determined by taking into consideration the recent prices prevailing in the market and by applying decline growth rate of 3%, 2% and 1% in price increase over the remaining useful life of the assets. The price increase has been determined after taking into consideration the growth in prices of CGU for the period 2012-2016.

Based on the above assumptions, the value in use of the CGU is US\$9 million.

As the impairment test is highly sensitive to the assumptions used, following is the impact on assessment per various scenarios:

As on 30 June 2016				
Changes in prices	Discount rate	Carrying value of assets (US\$ in million)	Value in Use (US\$ in million)	Total Impairment (US\$ in million)
+1%	-0.5%	18	11	(7)
-1%	+0.5%	18	9	(9)

4. Uncoated Paper CGU (Sewa): Sewa is integrated pulp and paper production facility.

Sewa unit has historically been achieving lower level of EBIDTA and even negative cash flows in recent past, which has been mainly due to higher costs. Management after careful deliberation, chose to reassess operational strategy for Sewa and took decision to temporarily shut Sewa operation from April 2016. Since, as at 30 June 2016 Sewa unit was shut, management assessed value of its tangible assets based on assets valuation carried out by an independent external management expert.

Management also continue to explore viable options to productively generate positive cash flows and accordingly is in discussions with potential buyer/ operators. Considering that plant has been not operational though there was value assigned which was less than the carrying value, Management gave higher weightage to current state of affairs and accordingly all tangible assets except free hold land has been impaired. With hopeful conclusion of debt restructuring and Company's continued focus to infuse funds at proven profitable other CGUs, Management considers current impairment charge to be reasonable. Reassessment by Management will be done at next balance sheet date.

Refer note 21 for assets charged as security.

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All amounts in US Dollar thousands unless otherwise stated

6b. Intangible Assets

	30 June 2016	31 March 2015
Opening net book amount	285	405
Amortisation charge	(100)	(72)
Exchange differences	(22)	(48)
Closing net book amount	163	285

	30 June 2016	31 March 2015
Cost	403	435
Accumulated amortization and impairment	(240)	(150)
Net book amount	163	285

7. Capital work-in-progress

	30 June 2016	31 March 2015
Opening balance	8,005	9,466
Impairment	(3,943)	-
Additions	5,772	6,038
Transferred to property, plant & equipment	(4,805)	(7,078)
Disposals	(23)	-
Exchange differences	(508)	(421)
Closing balance	4,498	8,005

Capital work-in-progress primarily comprised plant and machinery and building.

Refer note 21 for assets charged as security.

8a. Biological assets

The Group - through its subsidiary SFI - manages about 288,623 (2015: 288,623) hectares of forest land in Sabah, Malaysia, under two licenses namely; Timber License Agreement & Timber (Plantation) License Agreement for Natural Forest Management (NFM) and Industrial Tree Plantation (ITP) granted by the Government of Sabah, Malaysia.

Of the total available forest land, ITP and NFM licence area as per the agreements is 183,801 Hectares and 104,822 Hectares respectively. Area for NFM is specifically utilised for the sustainable production of high quality tropical timber, which is processed in the Group's Integrated Timber Complex in solid wood, plywood and veneer products. The ITP licence that makes up the remainder of the area, is planted with fast growing Acacia, Eucalyptus and Mixed Tropical Hardwood (MTH) species for the production of pulpwood for the Group's pulp and paper mill. The harvest cycle for these plantations is between 5 to 9 years. All plantation areas that are harvested are replanted. This area is currently dominated by previously logged MTH species of various ages and densities. After this timber is harvested it is established with fast growing plantation species. The remainder of the ITP area is made up of legal and environmental excised areas which may not be used for production.

The Group harvested 576,181 cubic meters and 556,393 cubic meters of trees for the 15-months period ended 30 June 2016 and 9-months period ended 31 March 2015 respectively.

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All amounts in US Dollar thousands unless otherwise stated

The following table presents the Group's biological assets that are measured at fair value as at 30 June 2016 and 31 March 2015:

	Level 1	Level 2	Level 3	Total
At 30 June 2016				
Tree crops	-	-	87,345	87,345
Total	-	-	87,345	87,345

	Level 1	Level 2	Level 3	Total
At 31 March 2015				
Tree crops	-	-	118,302	118,302
Total	-	-	118,302	118,302

The movement in the fair value of assets within Level 3 of the hierarchy has been given below:

	30 June 2016	31 March 2015
Opening balance	118,302	122,013
Increased due to expenditure to planted areas	8,471	9,573
Decrease due to harvest	(7,025)	(5,010)
Gain/ (loss) in profit and loss arising from Biological transformation	(23,493)	9,340
Exchange differences	(8,910)	(17,614)
Closing balance	87,345	118,302
Total gains/ (loss) for the period included in profit and loss for assets held at the end of the reporting period, under 'Change in fair value of biological assets'	(23,493)	9,340

The cumulative fair value of the biological assets has decreased primarily due to lower volume of logs to extracted over the recent past periods, likely lower extraction in immediate future periods and an increase in discount rate use to determine present value of expected cash flows to factor in the uncertainties of extraction and timing thereof. Further the carrying amount of the biological assets has been decreased due to currency movement.

The following unobservable inputs were used to measure the group's tree crops plantation:

Description	Fair value at 30 June 2016	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Tree crops	87,345	Discounted cash flows	Log price (US\$/cubic meters)	ITP - 46-47 NFM - 167-184	The higher the log price, the higher the fair value
			Discount rate	ITP - 15.3% NFM - 16.9%	The higher the discount rate, the lower the fair value
			Yield (cubic meters/hectare)	ITP - 109-143 NFM - 33-67	The higher the yield, the higher the fair value

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Description	Fair value at 31 March 2015	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Tree crops	118,302	Discounted cash flows	Log price (US\$/cubic meters)	ITP - 54-56 NFM - 199-220	The higher the log price, the higher the fair value
			Discount rate	ITP - 10.5% NFM - 16.9%	The higher the discount rate, the lower the fair value
			Yield (cubic meters/hectare)	ITP - 109-143 NFM - 33-67	The higher the yield, the higher the fair value

The Group is exposed to a number of risks related to its plantations:

i. Regulatory and environmental risks

There are various laws, regulations, enactments and agreements, which the Group has to comply with. The operations are regularly reviewed by the management internally for regulatory compliances. Generally external audits by the various entities which include government departments and International Forestry Auditing Organisations which ensure regulatory and environmental compliances are conducted time to time. The Group has ensured that necessary regulations have been complied with as at the balance sheet date.

ii. Supply and demand risks

Demand is determined by the raw material required for the pulp-mill and timber sales. If the demand for the raw materials reduces or ceases then external markets could be sought as the product (trees) continue to grow. Without sufficient labour and availability of specific sub-contractors, the required volumes to be harvested and the area required to be planted will not take place. Insufficient financial support for operating costs will result in the discontinuance of work.

iii. Climate and other risks

Pests and diseases may affect both the nursery and the growing stock. Prolonged drought will reduce the forecasted volume yield. Short term droughts increase the likelihood of the outbreak of wildfires which can cause timber losses. Flash floods can produce landslides resulting in restricted access and a high cost of reconstructing roads. Continuous rain can make most roads impassable and limit timber deliveries to the pulp-mill. Seasonal vigilance and fire prevention plans are put in place. Periodic and timely inspections are held to ensure the preventive actions, which minimises the risks.

Strategic and tactical planning has been conducted using the approved management plans which include the financial requirements for operating land units. Annual works plans based on the long term planning and the budgetary requirements for this are approved and updated every year. Given the adverse financial condition in the recent past, the actual results have been significantly lower than the forecast/ plans. This fact has been adequately considered while determining fair value as at the balance sheet date.

Biological assets have been valued as per IAS 41 and methodology used to determine the fair value of biological assets less costs to sell is in compliance with IFRS 13 and the International Valuation Standards issued by the International Valuation Standards Council which aims to determine the fair value of a biological asset in its present location and condition.

The key assumptions used in the valuation of biological assets are:

- i. cash flows based on the projected revenue of log prices, cost and extraction.

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- II. pre-tax discount rate based on the market rate of return for similar risks, considered as 15.3% for the 15-months period ended 30 June 2016 and 10.5% for the 9-months period ended 31 March 2015 for ITP, and 16.9% for the 15-months period ended 30 June 2015 and 9-months period ended 31 March 2015 for NFM.
- III. projected cash flows do not take into account the finance cost, if any.

The table below summarises the impact of changes in various inputs used in the valuation of biological assets:

	30 June 2016	31 March 2015
1% decrease in discount rate	4,250	6,752
1% increase in discount rate	(4,154)	(6,247)

	30 June 2016	31 March 2015
5% decrease in cost	7,446	15,389
5% increase in cost	(7,446)	(15,389)

	30 June 2016	31 March 2015
5% decrease in price	(12,146)	(21,664)
5% increase in price	12,146	21,664

	30 June 2016	31 March 2015
5% decrease in volume	(4,700)	(6,274)
5% increase in volume	4,700	6,274

The assumptions and methods to determine the fair value less cost to sell at point of harvest are similar to the principles of valuation of closing balance of biological asset.

Refer note 21 for assets charged as security.

8b. Land use rights

	30 June 2016	31 March 2015
Opening balance	12,072	13,862
Amortisation of land premium	(199)	(140)
Exchange differences	(886)	(1,650)
Closing balance	<u>10,987</u>	<u>12,072</u>

	30 June 2016	31 March 2015
Cost	12,788	13,674
Accumulated amortisation	(1,801)	(1,602)
Net book amount	<u>10,987</u>	<u>12,072</u>

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9. Financial instruments by category

Assets as per balance sheet	Loans and receivables	Financial Assets at fair value through profit or loss	Available for sale financial assets	Total
As of 30 June 2016				
Derivative financial instruments	-	-	-	-
Restricted deposits	1,455	-	-	1,455
Available-for-sale financial assets	-	-	-	-
Trade and other receivables*	358,929	-	-	358,929
Grant Receivable	8,723	-	-	8,723
Cash and cash equivalents	110,464	-	-	110,464
Total	479,571	-	-	479,571

As of 31 March 2015				
Derivative financial instruments	-	19	-	19
Restricted deposits	597	-	-	597
Available-for-sale financial assets	-	-	6,716	6,716
Trade and other receivables*	144,052	-	-	144,052
Grant Receivable	12,966	-	-	12,966
Cash and cash equivalents	66,935	-	-	66,935
Total	224,550	19	6,716	231,285

Liabilities as per balance sheet	Financial liabilities at fair value through profit or loss	Other financial liabilities at amortised cost	Total
As of 30 June 2016			
Borrowings	-	972,356	972,356
Trade and other payables	-	270,114	270,114
Derivative financial instruments	1,461	-	1,461
Total	1,461	1,242,470	1,243,931
As of 31 March 2015			
Borrowings	-	775,914	775,914
Trade and other payables	-	232,549	232,549
Derivative financial instruments	1,718	-	1,718
Total	1,718	1,008,463	1,010,181

* Prepayments, certain statutory dues recoverable and advances to suppliers are not in the nature of financial instruments, hence not been considered.

Trade and other receivables of US\$1,427 and US\$3,546 as at 30 June 2016 and 31 March 2015 respectively, were derived from a single external customer.

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10. Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (when available) or to historical information about counterparty default rates:

	30 June 2016	31 March 2015
Trade receivables:		
Customers with default in the past	1,088	1,174
Customers with no default in the past	9,172	38,495
Total	10,260	39,669

Information relating to credit quality of the financial assets is presented below:

	30 June 2016	31 March 2015
Cash at bank and short term deposits		
AAA	30,102	1,096
AA and AA+	148	16
A1+	78,345	65,602
P1 and P1+	185	192
P2 and P3	1,661	1
Total	110,441	66,907

	30 June 2016	31 March 2015
Deposits forming part of restricted deposits		
AAA	34	2
A1+	1,420	595
P1 and P1+	1	-
Total	1,455	597

	30 June 2016	31 March 2015
Related parties with no defaults in the past	392,783	93,716
Total	392,783	93,716

There has been no default in case of other financial assets.

11. Available-for-sale financial asset

	30 June 2016	31 March 2015
Opening balance	6,716	8,080
Recycling of fair valuation of available for sale financial asset	(1,374)	-
Exchange difference	(319)	(321)
Impairment Charge	(5,023)	-
Changes in fair value recognised in other comprehensive income (note 19)	-	(1,043)
Closing balance	-	6,716

During the year ended 30 June 2009 the Group purchased from Bilt, at a cost of US\$3,920, 18,200,000 shares in Avantha Power and Infrastructure Limited ("APIL"). Further, during the year ended 30 June 2010, the Company purchased from Bilt, at a cost of US\$2,831, additional 12,011,250 shares in APIL. The Group's total percentage holding in APIL at 30 June 2016 and at 31 March 2015 (represented by 31,226,754 shares including bonus shares (1,015,504 shares) allotted to Company) was 3.39% (2015: 3.39%). The purchase price for both transactions was based on the book value of the net assets.

During the previous period ended 31 March 2015, APIL entered into a sale agreement to sell one of its subsidiaries

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Korba West Power Company Limited (KWPCCL) for a value of INR 42,000 million, which is still in process as at balance sheet date.

The fair value of the available-for sale investment at 31 March 2015 was assessed based on observable inputs from the comparable transaction of sale of KWPCCL subsidiary of APIL. As at 30 June 2016, fair value was assessed based on observable other transactions in similar sector. The fair values are within level 2 of the fair value hierarchy. (refer note 3.3). The Group assessed additional indicators such as APIL's operational capacity, its debt exposure, market conditions, declining power tariffs putting pressure on earnings and other operational measures. Because of these factors, APIL has consistently been into losses. In view of the above factors, the Management considers recoverability of its investment value as doubtful and accordingly has impaired the carrying value.

12. Derivative financial instruments and hedging activities

	30 June 2016	31 March 2015
Assets (Non-current)		
Interest rate swaps	-	19
Total	-	19
Less: Assets (Non-current portion)		
Interest rate swaps	-	-
Current portion	-	19
Liabilities (Non-current)		
Interest rate swaps	(1,461)	(1,718)
Total	(1,461)	(1,718)
Less: Liabilities (Non-current portion)		
Interest rate swaps	1,461	1,718
Current portion	-	-

Derivative financial instruments are classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and as a current asset or liability if the maturity of the hedged item is less than 12 months.

The derivative financial assets and liabilities are denominated in US dollars.

Interest rate swaps

During the previous years, the Group entered into four interest rate swap contracts for a total notional principal amount of US\$122,500, which were outstanding as at 31 March 2015. The maturity of these outstanding interest rate swap contracts ranged from June 2018 to August 2019. During the period ended 30 June 2016 one contract has matured. Under these arrangements, the Group receives a floating LIBOR based interest rate and pays fixed or floating rates, depending on the LIBOR rate falling in one of the four pre-determined band rates. The loss arising from the interest rate swap amounting to US\$1,291 and US\$1,030 (refer note 30), for the 15-months period ended 30 June 2016 and for the 9-months period ended 31 March 2015 respectively has been recognised in the income statement in finance costs.

Hedging activities

During the year ended 30 June 2009, a proportion of the Group's US\$ denominated loan from Citi bank amounting to US\$253,657 was designated as a cash flow hedge against highly probable forecast export sales of the Indian paper operations also denominated in US\$. These forecast sales were expected to occur between financial year 2011 to financial period ended 2015. During the year ended 30 June 2009, foreign exchange loss of US\$30,220 was recognised in other reserves, in other comprehensive income.

During the year ended 30 June 2010, the entire Citi bank loan was repaid early and as a result the hedge accounting was discontinued. Foreign exchange loss has been released to the income statement of US\$4,964, US\$6,314,

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US\$7,216, US\$7,667 and US\$4,059 for the 9-months period ended 31 March 2015 and years ended 30 June 2014, 30 June 2013, 30 June 2012 and 30 June 2011 respectively. There will be no further release of cash flow hedge reserve.

13. Trade and other receivables

	30 June 2016	31 March 2015
Trade receivables	10,991	40,101
Less: Provision for impairment of trade receivables	(731)	(432)
Trade receivable – net	10,260	39,669
Prepayments	4,052	6,059
Statutory dues recoverable	41,500	52,318
Grant receivable (refer note 38)	8,723	12,966
Deposits	57	647
Amounts due from related parties (refer note 36e)	392,783	93,716
Advance to suppliers-other than fixed assets	5,544	6,784
Other receivables	493	1,557
	463,412	213,716
Less: Non current portion:		
Statutory dues recoverable	(27,019)	(18,884)
Prepayments	(3)	(1,965)
Non current portion	(27,022)	(20,849)
Current portion	436,390	192,867

The fair values of trade and other receivables in the nature of financial assets which approximate their respective carrying values.

Statutory dues recoverable primarily comprise Central value added tax ("Cenvat") credits available in India for import duty paid on purchases of property, plant and equipment and input materials that can be offset against excise duty due for qualifying domestic paper sales produced on this equipment and with these input materials.

As at 30 June 2016 and 31 March 2015 trade receivables of US\$6,001 and US\$27,781, respectively were fully performing.

As at 30 June 2016 and 31 March 2015 trade receivables of US\$4,259 and US\$11,888, respectively, were past due but not impaired. These relate to external customers for whom there is no history of default. The ageing analysis of these trade receivables is as follows:

	30 June 2016	31 March 2015
Up to 6 months	733	7,293
6 months to 1 year	961	1,680
1 year to 2 years	2,565	2,915
Total	4,259	11,888

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Movements of the Group provision for impairment of trade receivables are as follows:

	30 June 2016	31 March 2015
Opening balance	432	186
Provision charge /(release) during the year	339	311
Exchange difference	(40)	(65)
Closing Balance	<u>731</u>	<u>432</u>

The creation of provision for impaired receivables has been included in 'Other operating expenses' in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The charges to income statement from bad debt provisions are as follows:

	15-months period ended 30 June 2016	9-months period ended 31 March 2015
Bad debt provision charge/ (release)	339	311
Net charge	<u>339</u>	<u>311</u>

The other classes within trade and other receivables do not contain impaired assets.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	30 June 2016	31 March 2015
INR	451,862	186,563
USD	9,923	4,259
EURO	210	13,154
GBP	-	24
MYR	1,417	9,709
Others	-	7
Total	<u>463,412</u>	<u>213,716</u>

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group holds security deposits against certain receivables amounting to US\$6,950 (2015: US\$7,550). The security deposits have been disclosed under trade and other payables.

14. Inventories

	30 June 2016	31 March 2015
Raw material, consumables & spares	64,738	131,038
Work in progress	9,124	19,692
Finished goods	20,195	32,768
Less: Provision for inventory	(2,233)	(786)
	<u>91,824</u>	<u>182,712</u>

Raw Material includes inventory of harvested logs amounting to US\$6,982 and US\$6,506 for the period ended 30 June 2016 and 31 March 2015 respectively.

The charge to income statement from inventory provisions and write off are as follows:

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	30 June 2016	31 March 2015
Beginning of the year	786	714
Inventory provision charge/(release)	1,545	113
Exchange rate impact	(98)	(41)
	<u>2,233</u>	<u>786</u>

15. Restricted deposits

	30 June 2016	31 March 2015
Fixed deposits maturing within 12 months	1,455	597
	<u>1,455</u>	<u>597</u>

Fixed deposits shown above are kept as security by financial institutions against bank overdrafts and bank guarantees.

The carrying amounts of the Group's restricted deposits are denominated in the following currencies:

	30 June 2016	31 March 2015
INR	1,454	32
USD	-	565
SGD	1	-
	<u>1,455</u>	<u>597</u>

16. Cash and cash equivalents

	30 June 2016	31 March 2015
Cash in hand	23	28
Bank balances	110,387	34,945
Short term deposits with banks	54	31,962
	<u>110,464</u>	<u>66,935</u>

Cash is for a free disposal of the Group. Deposits of the Group have an average effective interest rate of 7.30% per annum and 8.55% per annum as at 30 June 2016 and 31 March 2015, respectively.

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	30 June 2016	31 March 2015
INR	108,749	65,439
USD	1,397	1,148
EURO	4	147
MYR	314	199
Others	-	2
Total	<u>110,464</u>	<u>66,935</u>

17. a) Share capital and premium

	15-months period ended 30 June 2016		9-months period ended 31 March 2015	
	EUR	USD	EUR	USD
Authorised				
700,000,000 ordinary shares of € 0.01 per share	7,000	8,833	7,000	8,833
Issued and fully paid up				
700,000,000 ordinary shares of € 0.01 per share				
(2015: 700,000,000 ordinary shares of € 0.01 per share)	7,000	8,833	7,000	8,833



PricewaterhouseCoopers
Accountants N.V.
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The movement in the share capital and share premium accounts of the Company during the 15-months period of this consolidated financial statements was as follows:

	Number of ordinary shares (thousands)	Ordinary shares	Share Premium	Total
At 30 June 2014	2,052	32	428,324	428,356
Bonus shares issued during the year	597,948	7,540	(7,540)	-
Ordinary shares issued during the year	100,000	1,261	94,521	95,782
At 31 March 2015	700,000	8,833	515,305	524,138
Ordinary shares issued during the year	-	-	-	-
At 30 June 2016	700,000	8,833	515,305	524,138

On 3 October 2014, the Company entered into a Subscription and Policy agreement with International Finance Corporation (IFC), wherein IFC had agreed to subscribe to 100,000,000 fully paid common shares with the nominal value of Euro 0.01 each in the Company for a consideration of US\$100,000 on the terms and conditions specified therein.

Pursuant to the shareholder's resolution dated 27 October 2014, the Company on 31 October 2014 issued 445,828,898 shares to BIH, 97,760,060 shares to Lathe Investments and 54,359,041 shares to Avantha International Assets B.V., with a nominal value of Euro 0.01 each at par as bonus shares by conversion from the share premium reserve with no additional consideration received in cash.

Thereafter, the shareholders of the Company (Lathe Investment PTE Ltd, International Finance Corporation, Ballarpur International Holdings B.V. and Avantha International Asset B.V.) entered into a Shareholder's agreement on 14 August 2015 to record their respective rights and obligations in relation to the shareholdings, management and administration of the Company and the operation of its business.

b) Unsecured perpetual capital securities

In August, 2011, the Company raised US\$200,000 through issue of unsecured dollar denominated 9.75% subordinated perpetual capital securities (the securities). The securities are listed on the Singapore stock exchange. The securities are perpetual in nature with no maturity or redemption and ranked senior only to the share capital of the Company. The proceeds from the issuance of these securities have been utilised to repay the profit certificates held by BIH and to meet the capital expenditure requirements. The securities are redeemable at the option of the Company in the 5th/ 10th year from the date of allotment of securities and thereafter on every interest payment date and the payment of stated coupon on the securities is also at the discretion of the Company. Considering that both redemption of principal and repayment of coupon is at the discretion of the Company, these securities have been classified as equity in the consolidated financial statements.

Transaction costs amounting to US\$8,886 have been adjusted in the carrying value.

The Company has distributed payments amounting to US\$9,750 each in August 2012, February 2013, August 2013, February 2014, August 2014, February 2015, August 2015 and February 2016 @ 9.75% which has been reflected in the statement of changes in equity. No such payments have been made subsequent to balance sheet date.



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18. Accumulated deficit

At 30 June 2014	82,717
Loss for the year	(59,778)
Changes in share of other equity components due to change in stake of Non-controlling interest	646
Transfer from Other Reserve (refer note 19)	4,128
Distribution on perpetual capital securities (refer note 17(b))	(19,500)
At 31 March 2015	8,213
Loss for the year	(318,763)
Transfer from Other Reserve (refer note 19)	7,706
Distribution on perpetual capital securities (refer note 17(b))	(19,500)
At 30 June 2016	(322,344)

Retained earnings represent the undistributed consolidated profits of the Company.

19. a) Other reserves

	Note	Available for sale financial assets	Post employment benefit obligations	Hedging reserve	Statutory Reserve	Total other reserves
At 30 June 2014		3,794	(664)	(4,964)	32,202	30,368
(Loss) on fair valuation of available for sale financial asset	11	(1,043)	-	-	-	(1,043)
Deferred taxes on available for sale financial assets		209	-	-	-	209
Post employment benefit obligations		-	(918)	-	-	(918)
Deferred tax on post employment benefit obligations		-	284	-	-	284
Transfer to retained earnings		-	-	-	(4,128)	(4,128)
Cash flow hedging reserve		-	-	4,964	-	4,964
At 31 March 2015		2,960	(1,298)	-	28,074	29,736
Recycling of fair valuation of available for sale financial asset	11	(1,374)	-	-	-	(1,374)
Recycling of Deferred taxes on available for sale financial assets		405	-	-	-	405
Post employment benefit obligations		-	(516)	-	-	(516)
Deferred tax on post employment benefit obligations		-	159	-	-	159
Transfer to retained earnings		-	-	-	(7,706)	(7,706)
Reversal of CTA on available for sale financial asset		(1,991)	-	-	-	(1,991)
At 30 June 2016		-	(1,655)	-	20,368	18,713

The statutory reserve represents debenture redemption reserve for non-convertible debentures issued by the Group. This is in accordance with Indian Corporate Law wherein a portion of the profits are apportioned each year until the aggregate amount equals 25% of the face value of the debentures issued and outstanding. The reserve will be released upon redemption of the debentures.

For distribution of reserves refer the company financials.

b) Translation reserve

The translation reserve is the effect of translation of the results and financial position of all the Group entities from functional currency to presentation currency.

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20. Trade and other payables

	30 June 2016	31 March 2015
Trade and other payables	183,826	174,079
Deferred revenue*	19,512	14,322
Amounts due to related parties (refer note 36d)	49,617	30,975
Security deposits	8,151	9,228
Interest payable	9,008	3,945
Current portion	270,114	232,549

* Primarily represents excess of grant receivable over grant income during the period/ year.

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	30 June 2016	31 March 2015
INR	190,987	143,878
USD	35,874	31,134
EURO	3,823	3,096
MYR	39,323	54,441
Others	107	-
Total	270,114	232,549

The carrying value of trade and other payables approximate their fair value.

21. Borrowings

	30 June 2016	31 March 2015
Current		
Term loans	466,278	167,669
Cash credit and Packing credit	124,162	88,654
Sales tax loan deferment	1,904	193
Working capital term loans	256,804	229,173
	849,148	485,689
Non current		
Term loans	96,101	289,518
Loans from related parties	21,569	-
Sales tax loan deferment	5,538	707
	123,208	290,225
Total borrowings	972,356	775,914

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21.1. Term loans

The following table shows the movement in term loans.

	30 June 2016	31 March 2015
Opening Balance	457,187	537,435
Drawdown during the year	284,318	39,515
Repayments during the year	(146,475)	(110,182)
Transaction costs paid during the year	(11,874)	(237)
Amortisation of transaction costs	3,046	1,151
Exchange differences	(23,823)	(10,495)
Closing Balance	562,379	457,187

Current Portion	466,278	167,669
Non Current Portion	96,101	289,518
Total term loans	562,379	457,187

As at 30 June 2016, included in current portion of long term borrowings is an amount of US\$ 304,426 on term loan agreement with Rabobank (BGPPL), IDFC (BGPPL), Axis Bank (BGPPL), GE Money (BGPPL), SBI (BGPPL), DBS (BGPPL) Aditya Birla Finance Limited (BGPPL), Yes Bank (BGPPL), Standard Chartered (SFI) and ICICI bank (SFI). Under the existing agreement, the Group was required to meet certain ratios viz. total debt to EBITDA / net worth, EBITDA to gross interest, debt service coverage ratio and secured coverage ratio (financial covenants) applied to the statutory financial statements prepared in the local accounting standards of the respective entities in the Group. As at 30 June 2016, the Group is not in compliance with certain covenants and the related amounts have been classified as current. At the time these financial statements are authorised for issue, the Group has not received the waiver from above mentioned banks.

During the 9-months period ended 31 March 2015, the Group is required to meet certain ratios viz. total debt to EBITDA / net worth, EBITDA to gross interest, debt service coverage ratio and secured coverage ratio (financial covenants) applied to the statutory financial statements prepared in accordance with the local accounting standards of the respective entities in the Group. As at 31 March 2015, the Group is not in compliance with certain covenants. Waivers for such non compliances/breach were approved by the respective banks before the period end, except in respect of loan of US\$21,500 from ICICI Bank for which waiver letter was received subsequent to the period end. In respect of loan of US\$20,000 from SCB Bank, US\$10,000 OCBC Bank and US\$25,600 Rabobank, the covenant testing was due as at 31 March 2015 but was not performed and the Company repaid entire outstanding amount subsequent to the period end. The above borrowing have been classified as current as at 31 March 2015.

The following table summarises the draw downs and repayments by facility

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	30 June 2016	31 March 2015
Drawdowns		
- DBS (BPH) (refer (o) below)	15,000	-
- GE Money (BGPPL) (refer (i) below)	-	8,132
- ICICI Bank (BGPPL) (refer (h) below)	48,674	-
- ABFL (BGPPL) (refer (m) below)	40,658	-
- Axis Bank (BGPPL) (refer (l) below)	120,730	31,383
- Yes Bank (BGPPL) (refer (n) below)	59,256	-
Total draw downs	284,318	39,515
Repayments		
- NCD (refer (c) below)	(21,103)	(12,113)
- Rabobank (SFI) (refer (b) below)	(8,750)	(13,750)
- Axis Bank (BGPPL) (refer (l) below)	(18,683)	(1,582)
- SCB (SFI) (refer (e) below)	(9,000)	(11,000)
- Rabobank (BGPPL) (refer (a) below)	(31,156)	(6,820)
- SBI (BGPPL) (refer (j) below)	(4,899)	(3,879)
- OCBC (SFI) (refer (d) below)	(10,000)	(5,000)
- ICICI Bank (SFI) (refer (h) below)	(7,500)	(9,500)
- IDFC (BGPPL) (refer (g) below)	(8,666)	(5,261)
- GE Money (BGPPL) (refer (i) below)	(5,167)	(3,277)
- ABFL (BGPPL) (refer (m) below)	(1,051)	-
- SCB (BPH) (refer (f) below)	(20,000)	(38,000)
- DBS (BGPPL) (refer (k) below)	(500)	-
Total repayments	(146,475)	(110,182)

(a) Term loans from consortiums led by Rabobank (BGPPL)

In September 2010 BGPPL obtained a loan from a consortium led by Rabobank for US\$145,000 at LIBOR plus a margin of 2.8% in order to refinance the Axis Bank loan. The loan was drawn down in November 2010 and was repayable in instalments from February 2011 to May 2015. The loan was secured by way of pari-passu charge against all the moveable and immoveable fixed assets of BGPPL. Instalment of US\$6,820, US\$13,640 and US\$46,060 was repaid during the year ended 30 June 2011, 30 June 2012 and 30 June 2013 respectively. The balance outstanding of US\$78,480 was prepaid in May 2013 and refinanced by way of a loan from a consortium led by Rabobank.

In order to refinance the loan from consortium led by Rabobank, in May 2013 BGPPL obtained a loan from a consortium led by Rabobank for US\$78,480 at LIBOR plus a margin of 1.75%. The loan has been drawn down in May 2013 and is repayable in instalments from November 2013 to May 2015. Instalment of US\$ 25,600 and US\$46,060 has been repaid during the 15-months period ended 30 June 2016 and 9 months period ended 31 March 2015 respectively. The loan is secured by way of pari-passu charge against all the tangible fixed assets of BGPPL.

In addition in September 2012 BGPPL obtained a loan from Rabobank for US\$25,000 at LIBOR plus a margin of 3.30%. The loan was drawn down in September 2012 and is repayable in instalments from September 2015 to September 2019. Instalment of US\$ 5,555 has been repaid during the 15-months period ended 30 June 2016. The loan is secured by way of pari-passu charge against all the current and fixed assets of BGPPL.

(b) Term loans from consortiums led by Rabobank (SFI)

In July 2010 SFI obtained a loan from Rabobank for US\$50,000 at LIBOR plus a margin of 3.65%. The loan was drawn down from July 2010 to December 2010 and is repayable in instalments from March 2013 to September 2016. The loan is secured by way of pari-passu charge against all the current and fixed assets of SFI. On 28 June 2013,

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the outstanding portion of US\$17,500 (out of US\$20,000) of Malayan Banking Berhad has been prepaid and refinanced by way of a loan from ICICI Bank Limited. Instalment of US\$3,750 has been repaid both during the 15-month period ended on 30 June 2016 and 9-months period ended 31 March 2015 respectively. The balance outstanding as on 30 June 2016 is US\$ 7,500.

In addition in September 2012 SFI obtained a loan from Rabobank for US\$25,000 at LIBOR plus a margin of 3.58%. The loan was drawn down in September 2012 and is repayable in instalments from September 2014 to September 2016. The loan is secured by way of pari-passu charge against all the current and fixed assets of SFI. Instalment of US\$5,000 and US\$10,000 has been repaid during the 15-month period ended on 30 June 2016 and 9-months period ended 31 March 2015 respectively.

(c) Non-convertible debentures (BGPPL)

In September 2010 BGPPL issued two tranches of non-convertible debentures ("NCD") of INR2,500,000,000 each and totalling INR5,000,000,000 (US\$109,408) in issues arranged by ICICI Bank and Yes Bank. The NCDs carry an interest rate ranging from 8.75% to 9.00% depending on the date and amount drawn. The NCDs are repayable in instalments from September 2012 to September 2017. In December 2010 BGPPL issued further NCD of INR 2,500,000,000 (US\$54,331) arranged by ICICI Bank with an interest rate in the range of 9.00% to 9.75% depending upon the date and amount drawn. This is repayable in instalments from December 2012 to June 2017. The debenture is secured by way of pari-passu first charge on the fixed assets of BGPPL. Instalment of US\$ 21,103 and US\$12,113 has been repaid during the 15-month period ended 30 June 2016 and 9-months period ended 31 March 2015 respectively. The fair value of the non-convertible debentures as at 30 June 2016 amounts to US\$50,900(2015: US\$69,350).

(d) Term loan from OCBC Bank (SFI)

In April 2011 SFI obtained from OCBC Bank a US\$20,000 loan at LIBOR plus a margin of 3.9%. The loan was drawn down in instalments from April 2011 to July 2011 and is repayable in instalments from October 2013 to April 2017. The loan is secured by way of pari-passu charge against all the current and fixed assets of SFI. Instalment of US\$5,000 has been repaid during the 9-months period ended 31 March 2015 and balance loan of US\$10,000 was repaid during the 15-month period ended 30 June 2016.

(e) Term loan from Standard Chartered Bank (SFI)

In November 2010 SFI obtained from Standard Chartered Bank a US\$20,000 loan at LIBOR plus a margin of 3.2%. The loan was drawn down in instalments from July 2011 to November 2011 and is repayable in instalments from March 2014 to September 2017. The loan is secured by way of pari-passu charge against all the current and fixed assets of SFI. Instalment of US\$5,000 each has been repaid during 15-month period ended on 30 June 2016 the 9-months period ended 31 March 2015 respectively.

In addition, in September 2012, SFI obtained a loan from Standard Chartered Bank for US\$25,000 at LIBOR plus a margin of 5%. The loan was drawn down in August 2012 and is repayable in instalments from February 2013 to August 2017. The loan is secured by way of pari-passu charge against all the current and fixed assets of SFI. Instalment of US\$ 4,000 and US\$6,000 has been repaid during the 15-month period ended on 30 June 2016 and 9-month period ended 31 March 2015 respectively.

(f) Term loan from Standard Chartered Bank (BPH)

In July 2012 BPH obtained a loan from Standard Chartered Bank for US\$58,000 at LIBOR plus a margin of 5%. The loan was drawn down in July 2012 and is repayable in July 2015. The loan is secured by way of pari-passu charge against Shares of BPH. US\$38,000 is prepaid during the 9-months period ended 31 March 2015. Balance US\$20,000 is fully paid in July 2015.

(g) Term loan from IDFC Limited (BGPPL)

In September 2012 BGPPL obtained a loan from Industrial Development Financial Corporation Limited for INR 2,500,000,000 (US\$45,526) at Benchmark rates plus a Spread of 2.25%. The loan was drawn down in December 2012 and is repayable in instalments from October 2014 to January 2021. The loan is secured by way of pari-passu

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charge against all the tangible fixed assets (excluding land) of BGPPL. Instalment of US\$ 5,973 and US\$3,114 has been repaid during the 15-month period ended 30 June 2016 and 9-months period ended 31 March 2015 respectively

In addition, in January 2014 BGPPL obtained a loan from Industrial Development Financial Corporation Limited for INR 821,053,000 (US\$13,085) at rate of 12.75%. The loan was drawn down in January 2014 and is repayable in instalments from February 2014 to July 2020. The loan is secured by way of pari-passu charge against all the tangible fixed assets (excluding land) of BGPPL. Instalment of US\$ 1,931 and US\$1,534 has been repaid during the 15-month period ended 30 June 2016 and 9-months period ended 31 March 2015 respectively.

In addition, in January 2014 BGPPL obtained a loan from Industrial Development Financial Corporation Limited for INR 448,241,000 (US\$7,145) at rate of 12.75%. The loan was drawn down in January 2014 and is repayable in instalments from March 2014 to September 2022. The loan is secured by way of pari-passu charge against all the tangible fixed assets (excluding land) of BGPPL. Instalment of US\$ 762 and US\$613 has been repaid during the 15-month period ended 30 June 2016 and 9-months period ended 31 March 2015 respectively.

(h) Term loan from ICICI Bank Limited (SFI)

In order to refinance the loan from consortium led by Rabobank and Term loan from ING and Nordea Bank in June 2013, SFI obtained a loan from ICICI Bank Limited for US\$50,000 at LIBOR plus a margin of 3.94%. The loan was drawn in June 2013 and is repayable in instalments from September 2013 to June 2018. Instalment of US\$ 6,000 and US\$8,000 has been repaid during the 15-month period ended 30 June 2016 and 9-months period ended 31 March 2015 respectively. The loan is secured by way of pari-passu charge against all the current and fixed assets of SFI.

In addition, in August 2013, SFI obtained a loan from ICICI Bank Limited for US\$25,000 at LIBOR plus a margin of 4.02%. The loan was drawn in August 2013 and is repayable in instalments from January 2014 to July 2019. Instalment of US\$1,500 and US\$1,500 has been repaid during the 15-month period ended 30 June 2016 and 9-months period ended 31 March 2015 respectively. The loan is secured by way of pari-passu charge against all the current and fixed assets of SFI.

In March 2016 BGPPL obtained a loan from ICICI Bank Limited for INR3,250,000,000 (US\$48,673) at rate of ICICI Bank Base Rate plus 2.60%. The loan was drawn down in March 2016 and is repayable in instalments from March 2018 to December 2022. The loan is secured by way of pari-passu charge against all the movable properties of BGPPL.

(i) Term loan from GE Money Financial Services Pvt. Ltd. (BGPPL)

In June 2013 BGPPL obtained a loan from GE Money Financial Services Pvt. Ltd for INR1,500,000,000 (US\$24,891) at SBI Base rate plus 3%. The loan was drawn down in June 2013 and is repayable in instalments from March 2014 to June 2019. Instalment of US\$ 4,138 and US\$3,277 has been repaid during the 15-month period ended 30 June 2016 and 9-months period ended 31 March 2015 respectively. US\$2,257 was paid in 30 June 2014. The loan is secured by way of pari-passu charge against all the movable properties of BGPPL.

In November 2014 BGPPL obtained a loan from GE Money Financial Services Pvt. Ltd for INR 500,000,000 (US\$8,131) at rate of 10.69%. The loan was drawn down in November 2014 and is repayable in instalments from August 2015 to November 2020. Instalment of US\$ 1,029 has been repaid during the 15-month period ended 30 June 2016. The loan is secured by way of pari-passu charge against all the movable properties of BGPPL.

(j) Term loan from State Bank of India (BGPPL)

In July 2013 BGPPL obtained a loan from State Bank of India for INR3,000,000,000 (US\$49,241) at Benchmark SBI Bank Base rate plus a spread of 1.75%. The loan was drawn down in July 2013 and is repayable in instalments from June 2014 to June 2023. Instalment of US\$4,899 and US\$3,879 has been repaid during the 15-month period ended 30 June 2016 and 9-months period ended 31 March 2015 respectively. The loan is secured by way of pari-passu charge against all the movable properties of BGPPL.

(k) Term loan from DBS (BGPPL)



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In August 2013 BGPPL obtained a loan from DBS for US\$20,000 at LIBOR plus a margin of 2.70%. The loan was drawn down in August 2013 and is repayable in instalments from February 2016 to August 2019. Instalment of US\$ 500 has been repaid during the 15-month period ended 30 June 2016. The loan is secured by way of pari-passu charge against all the movable properties of BGPPL.

(l) Term loan from Axis Bank (BGPPL)

In December 2013 BGPPL obtained a loan from Axis Bank for INR 881,613,000 (US\$14,455) at rate of 11.20%. The loan was drawn down in December 2013 and is repayable in instalments from December 2013 to September 2020. Instalment of US\$ 11,118 and US\$1,582 has been repaid during the 15-month period ended on 30 June 2016 and 9-months period ended 31 March 2015 respectively. The loan is secured by way of pari-passu charge against all the movable properties of BGPPL.

In December 2014 BGPPL obtained a loan from Axis Bank for INR 2,000,000,000 (US\$31,383) at Base rate plus 1.35%. The loan was drawn down in two tranches in December 2014 and March 2015, is repayable in instalments from December 2017 to September 2022. The loan is secured by way of pari-passu charge against all the movable properties of BGPPL.

In December 2015 BGPPL obtained a loan from Axis Bank for INR 10,000,000,000 (US\$150,913) at rate base rate plus 1.65%. The company has drawn down loan of INR 8,000,000,000 (US\$ 120,730) during 15-month period ended on 30 June 2016 and is repayable in instalments from December 2015 to September 2023. Instalment of US\$7,564 has been repaid during the 15-month period ended on 30 June 2016. The loan is secured by way of pari-passu charge against all the movable properties of BGPPL.

(m) Term loan from Aditya Birla Finance Ltd. (BGPPL)

In August 2015 BGPPL obtained a loan from Aditya Birla Bank for INR 2,500,000,000 (US\$40,658) at rate of 11.15%. The loan was drawn down in August 2015 and is repayable in instalments from September 2015 to March 2023. Instalment of US\$ 1,051 has been repaid during the 15-month period ended on 30 June 2016. The loan is secured by way of pari-passu charge against all the movable properties of BGPPL.

(n) Term loan from Yes Bank (BGPPL)

In August 2015 BGPPL obtained a loan from Yes Bank for INR 1,500,000,000 (US\$22,577) at rate of base rate plus 1%. The loan was drawn down in September 2015 and is repayable in instalments from November 2016 to August 2020. The loan is secured by way of pari-passu charge against all the movable properties of BGPPL.

In March 2016 BGPPL obtained a loan from Yes Bank for INR 2,500,000,000 (US\$36,678) at rate of 11.00%. The loan was drawn down in March 2016 and is repayable in instalments from September 2017 to March 2021. The loan is secured by way of pari-passu charge against all the movable properties of BGPPL.

(o) Term loan from DBS (BPH)

In May 2016 BPH obtained a loan from DBS Bank Ltd. for US\$ 15,000 at LIBOR plus a margin of 3.65%. The loan was drawn down in May 2016.

21.2. Other current borrowings

Packing credit for export sales

Packing credits for export sales are typically for up to six months to finance export sales against letters of credit from customers. Under the terms of the lender agreement providing the packing credit working capital facilities to BGPPL, its charge over assets rank pari-passu with other banks providing working capital facilities.

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Working capital loans

Working capital loans comprise:

	30 June 2016	31 March 2015
Short-term loans	187,523	139,150
Working capital trade loan from banks	3,273	8,921
Buyers' credit facilities from banks	66,008	81,102
Total	256,804	229,173

Buyers' credit facilities from banks are utilised to finance raw material import for a period of up to one year.

21.3. Sales tax loan deferment

	30 June 2016	31 March 2015
Sales tax loan deferment	7,442	900
Less: Non current portion	(5,538)	(707)
Current portion	1,904	193

Interest rate used to calculate the discounted value of sales tax loan has been considered to be 11.5%.

21.4. Other information

The average effective interest rates per annum of the Group's borrowings are as follows:

	30 June 2016	31 March 2015
	%	%
Borrowings in MYR	7-8	3-8
Borrowings in USD (Term loan)	1.75-7	1.75-6
Borrowings in USD (Working capital loan)	1.5-6	1.3-5.5
Borrowings in INR	9-14.5	9-14.5
Borrowings in Euro (Working capital loan)	1.5-4.5	1.5-4.5

The estimated fair values of the Group's borrowings as at 30 June 2016 and 31 March 2015 approximated their respective carrying values as all the non-current borrowings are at a floating rate of interest except for the non-convertible debentures which has been disclosed separately.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	30 June 2016	31 March 2015
INR	686,388	423,322
USD	282,917	335,830
EURO	2,928	2,769
MYR	123	13,993
	972,356	775,914

The Group has the following undrawn borrowing facilities:

	30 June 2016	31 March 2015
Working capital facilities	-	191,085
	-	191,085

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22. Deferred income tax

The analysis of deferred tax assets and deferred tax liabilities is as follows.

	30 June 2016	31 March 2015
Deferred tax assets:		
Deferred tax assets to be recovered after more than 12 months	139,477	158,209
Deferred tax assets to be recovered within 12 months	9,953	14,432
	149,430	172,641
Deferred tax liabilities:		
Deferred tax liabilities to be recovered after more than 12 months	116,537	153,747
Deferred tax liabilities to be recovered within 12 months	664	(234)
	117,201	153,513
Deferred tax (assets) / liabilities, net	(32,229)	(19,128)
Breakup of net deferred tax assets/liability based on jurisdiction:		
Deferred tax assets (net)*- Others	-	24,085
Deferred tax (assets) / liabilities (net)*- India	(32,229)	4,957
Deferred tax (assets) / liabilities, net	(32,229)	(19,128)

*A net asset or liability is recorded based on the legal right (same jurisdiction) and intention to settle on a net basis or realise assets and liability simultaneously.

The gross movement on the deferred income tax account is as follows:

	30 June 2016	31 March 2015
Opening balance	24,085	33,129
Exchange Differences	(1,106)	(2,404)
Income statement (charge)/credit	(22,979)	(6,640)
Closing balance, net asset	-	24,085

	30 June 2016	31 March 2015
Opening balance	4,957	9,243
Exchange Differences	1,739	256
Income statement charge/(credit)	(38,361)	(4,050)
Tax charge relating to components of other comprehensive income (note 31)	(564)	(492)
Closing balance, net liability/ (asset)	(32,229)	4,957

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The movement in deferred income tax assets and liabilities during the period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities:	Accelerated tax depreciation and biological assets	Gain on Investment available for sale	Others	Total
At 30 June 2014	151,788	673	(1,285)	151,176
Charged / (credited) to income statement	15,306	-	1,503	16,809
Charged / (credited) directly to equity	-	(209)	(284)	(493)
Exchange differences	(13,752)	(59)	(168)	(13,979)
At 31 March 2015	153,342	405	(234)	153,513
Charged / (credited) to income statement	(26,769)	-	1,427	(25,342)
Charged / (credited) directly to equity	-	(405)	(159)	(564)
Exchange differences	(10,036)	-	(370)	(10,406)
At 30 June 2016	116,537	-	664	117,201

Deferred tax assets:	Defined benefit obligations	Trade and other receivables	Minimum alternate tax, unabsorbed losses, depreciation and impairment	Derivative financial instruments	Others	Total
At 30 June 2014	2,915	7,293	162,274	369	2,211	175,062
(Charge)/Credited to income statement	326	3,150	8,332	(18)	2,430	14,220
Exchange differences	(121)	(353)	(15,853)	(15)	(299)	(16,641)
At 31 March 2015	3,120	10,090	154,753	336	4,342	172,641
(Charge)/ Credited to income statement	107	(4,025)	(6,571)	(32)	561	(9,960)
Exchange differences	(218)	(617)	(11,993)	(24)	(399)	(13,251)
At 30 June 2016	3,009	5,448	136,189	280	4,504	149,430

Deferred income tax assets are recognised for tax loss carry-forwards and tax credits to the extent that the realisation of the related tax benefit through future taxable profits is probable. The underlying tax losses and tax credits primarily relate to minimum alternate tax ("MAT") credits and unabsorbed depreciation in India and tax loss carry forwards in SFI, Malaysia and entities in Netherlands as detailed in the following table and further explained below. The applicable tax rates in the relevant jurisdictions enacted at each balance sheet date are shown in note 31.

The deferred tax asset on tax losses carried forward and tax credits has been created as follows:

	India		Malaysia	Other	Total
Deferred tax assets on tax losses and tax credits	Unabsorbed depreciation	MAT credit	Tax losses carried forward	Tax losses carried forward	
At 30 June 2014	21,858	28,318	100,434	11,664	162,274
Credited / (charged) to income statement	6,462	1,249	1,703	(1,082)	8,332
Exchange differences	(1,046)	(1,152)	(13,655)	-	(15,853)
At 31 March 2015	27,274	28,415	88,482	10,582	154,753
Credited / (charged) to income statement	42,030	520	(38,539)	(10,582)	(6,571)
Exchange differences	(3,145)	(1,985)	(6,863)	-	(11,993)
At 30 June 2016	66,159	26,950	43,080	-	136,189

India

Indian companies are subject to corporate income tax or MAT. If MAT is greater than corporate income tax, then MAT is levied. MAT is charged on book profits, and the excess of MAT over the lower corporate income tax amount is available as a credit against corporate income tax in the following ten years. Based on recent amendments notified by Government of India, with effect from 01 April 2017 MAT credit can be carry forward for fifteen years. Unabsorbed depreciation represents tax losses resulting from depreciation charge according to the Indian Income Tax Act which

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is not absorbed by taxable income and can be carried forward against future tax profits indefinitely.

BGPPL has no unrecognised MAT credits and unabsorbed depreciation from prior years.

In its tax returns for the tax years ended 31 March 2008, 2009, 2010, 2011 and 2012 BGPPL has deducted approximately US\$27,976 of sales taxes that are subject to the Sales Tax Exemption scheme (refer to note 2.21. b) as non-taxable income both for purposes of calculating its tax liability under normal provisions and the MAT liability under the MAT regime. This deduction has been disputed by the Indian tax authorities for the March 2008 tax return where they disallowed the deduction of sales tax both for the calculation of the tax under normal provisions and under the MAT regime. This case is currently pending at appellate level. The Group's ultimate parent company Ballarpur is also in litigation with the tax authorities in a similar case and has achieved favourable court rulings so far; however, the tax authorities continue to litigate this matter at the Nagpur High Court. The Group believes that the risk of an unfavourable court decision is low both for tax deduction under normal provisions and under the MAT regime and has therefore not adjusted the deferred tax asset on tax losses of BGPPL. However, in the event of an unfavourable court ruling, the available tax losses will get reduced by US\$5,400, US\$4,400, US\$5,100, US\$6,200 and US\$6,240, in the Indian tax years 2008, 2009, 2010, 2011 and 2012 respectively. Further, an additional MAT, penalty and interest exposure may also arise, which may be partially offset by a MAT credit.

Malaysia

SFI, the Malaysian entity, has historically been in a tax loss situation until the year 2008-09 and for the years 2013-14, 2014-15 and 2015-16 and therefore does not incur any substantial current income tax expense.

SFI carries forward unused tax losses and various tax allowances, all of which are available for set-off against taxable income in future years for an unlimited period. Details are shown in the following table:

	30 June 2016	31 March 2015
Unutilised tax losses	190,873	153,000
Unabsorbed capital allowances	498,180	502,821
Reinvestment allowance	17,018	18,371
Infrastructure allowance	558	602
	<u>706,629</u>	<u>674,794</u>

In addition, SFI carries forward a tax-exempt income account from historical investment tax credits that – subject to agreement by the Inland Revenue Board of Malaysia – is available for distribution of tax-exempt dividends to the shareholders of the subsidiary. The available tax-exempt balance at each balance sheet date is as follows:

	30 June 2016	31 March 2015
Tax exempt account	<u>147,118</u>	<u>158,816</u>

Deferred tax assets relating to unused tax loss carry-forwards and deductible temporary differences are recognized if it is probable that they can be offset against future taxable profits or existing temporary differences. Based on detailed analysis and considering future investment strategies, management has considered a reasonable period for which future taxable profits can be estimated against which the losses can be adjusted. As on 30 June 2016 and 31 March 2015, SFI recognized net deferred tax assets on tax loss carry-forwards and other temporary differences totalling US\$ Nil and US\$13,503 respectively since it was foreseeable that tax loss carry-forwards and other temporary differences could be offset against future taxable profits.

In assessing the probability of offsetting cumulative tax losses, the Company applied a method on the basis of forecasted taxable results for the period 2017 - 2057 and a risk adjustment reflecting the lack of probability of assessment of future profits. Management is aware of this highly sensitive calculation. The company has taken the sensitivity of the calculation into consideration by assuming a zero growth rate after 5 years in the forecasted taxable results. As at 30 June 2016, if the company would assume that it would be impracticable to prepare a reliable forecast after 5 years, there would be no DTA to be recognized.

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Based on above assessment total DTA would be US\$8,653. But owing to uncertainties involved in the projection and the Company has tax losses in the previous years. Hence being on conservative basis the Company has not created any DTA over and above DTA available against DTL.

Unrecognised deferred taxes (SFI, Malaysia)

As at 30 June 2016 and 31 March 2015, the estimated net deferred tax assets of SFI, calculated at the applicable tax rate, which have not been recognised in the Group's financial statements, are as follows:

	30 June 2016	31 March 2015
Tax effects of:		
Unutilised tax losses	45,810	36,720
Unabsorbed capital allowance	76,475	32,184
Reinvestment allowance	4,084	4,409
Infrastructure allowance	134	144
	126,503	73,457

The Netherlands

The Dutch holding entities have historically been and continue to be in a tax loss situation and therefore do not incur any substantial current income tax expense. Deferred tax assets relating to unused tax loss carry-forwards and deductible temporary differences are recognized if it is probable that they can be offset against future taxable profits or existing temporary differences.

During the current period ended June 30, 2016, The Company has reversed deferred tax assets on tax loss carry-forwards and other temporary differences amounts US\$10,582 as the Company still continue in tax loss situation and not in a position to estimate recoverability based on future projections and financing strategies.

In case of withholding tax, the Company is of the view that though it can be in a position to use the Indian interest withholding tax as a credit against CIT payable by BPH in the Netherlands on account of future taxable profits. But for June 30, 2016, the Company has considered it appropriate to take allowance against the credit available for accounting purposes, owing to various uncertainties in cash flow/restructuring of the Group in near future which can also be supported impacted by the debt restructuring invoked in its investee Company.

During the period ended March 31, 2015 based on future projections and financing strategies, Company expects the losses can be adjusted against future taxable profits. The Company has recognized deferred tax assets on tax loss carry-forwards and other temporary differences amounts US\$10,582. If the company assumes that there will be no structural change in the company's financial situation, the amount of DTA and other non-current tax assets (withholding tax credits which can be offset against corporate income tax payable) would decrease by US\$23,437 respectively for the 9-months period ended 31 March 2015.

The unused tax losses and unrecognised deferred tax assets are as follows:

	30 June 2016	31 March 2015
Accumulated tax losses	112,985	91,370
Of which: recorded loss deferred tax assets	-	10,582
Of which: unrecognised loss deferred tax assets	28,246	12,261

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23. Retirement benefit obligations

(a) Defined benefit plan

	30 June 2016	31 March 2015
Balance sheet obligations:		
Gratuity	7,370	7,233
Compensated absences	2,802	2,896
Total	10,172	10,129

	15-months period ended 30 June 2016	9-months period ended 31 March 2015
Income statement charge:		
Gratuity	1,288	740
Compensated absences	694	988
Total	1,982	1,728

	15-months period ended 30 June 2016	9-months period ended 31 March 2015
Other comprehensive income		
Actuarial (gain) / losses	-	-
- change in demographic assumptions	24	-
- change in financial assumptions	60	518
- experience variance (i.e. Actual experience vs assumptions)	426	398
- others	-	-
Return on plan assets, excluding amount recognised in net interest expense	6	2
Re-measurement (or actuarial) (gain) / (loss) arising because of change in effect assets ceiling	-	-
Components of defined benefit costs recognised in other comprehensive income	516	918

(b) Defined contribution plans

	15-months period ended 30 June 2016	9-months period ended 31 March 2015
Income statement charge:		
Provident fund	3,121	2,223
Superannuation fund	34	50
Total	3,155	2,273

(c) Provident Fund

The employees of the Group participate in a provident fund plan, a defined contribution plan. The Group makes monthly contributions based on a specific percentage of salary of each covered employee to a government recognised provident fund. The Group does not have any further obligation to the provident fund plan beyond making

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such contributions. Upon retirement or separation, an employee becomes entitled to this lump sum benefit, which is paid directly to the employee by the fund.

(d) Superannuation fund

The employees of the Group participate in a superannuation fund plan, a defined contribution plan. The Group makes monthly contributions based on a specific percentage of salary of each covered employee to a government recognised fund. The Group does not have any further obligation to this plan beyond making such contributions. Upon retirement or separation, an employee becomes entitled to this lump sum benefit, which is paid directly to the employee by the fund.

(e) Gratuity benefit plan

In accordance with applicable Indian laws, the Group provides for gratuity, a defined benefit plan, covering eligible employees. This plan provides for a lump sum payment to vested employees on retirement, death, incapacity or termination of employment of amounts that are based on salary and tenure of employment. Liabilities with regard to this plan are determined by actuarial valuation.

The following table sets out the funded status of the plan and the amounts recognised in the Group's balance sheet.

	30 June 2016			31 March 2015		
	Funded	Unfunded	Total	Funded	Unfunded	Total
Defined benefit obligations	982	6,708	7,690	937	6,637	7,574
Fair value of plan assets	(320)	-	(320)	(341)	-	(341)
	662	6,708	7,370	596	6,637	7,233

The movement in the benefit obligation for gratuity benefit plan over the previous year is as follows:

	30 June 2016			31 March 2015		
	Funded	Unfunded	Total	Funded	Unfunded	Total
Present value of obligation as at the beginning of the period	937	6,637	7,574	653	6,243	6,896
Current service cost	87	525	612	49	299	348
Interest Expense or cost	87	611	698	41	392	433
Acquisition	-	-	-	-	-	-
Re-Measurement (or Actuarial) (gain) / (loss) arising from:						
- change in demographic assumptions	24	-	24	-	-	-
- change in financial assumptions	10	50	60	88	430	518
- experience variance (i.e. Actual experience vs assumptions)	(33)	458	425	165	233	398
- others	-	-	-	-	-	-
Past service cost	-	-	-	-	-	-
Effect of change in foreign exchange rates	(71)	(511)	(582)	(30)	(271)	(301)
Benefits paid	(59)	(1,062)	(1,121)	(29)	(689)	(718)
Effects of business combinations or disposals	-	-	-	-	-	-
Present value of obligation as at the end of the period	982	6,708	7,690	937	6,637	7,574

The movement in the fair value of plan assets of the gratuity benefit plan is as follows:

	30 June 2016	31 March 2015
Fair value of plan assets as at the beginning of the period	341	296
Investment Income	31	20
Contributions/Effects of business combinations or disposals	51	56
Benefits Paid	(59)	(29)
Return on plan assets, excluding amount recognised in net interest expense	(6)	(2)
Effect of change in foreign exchange rates	(38)	-
Fair value of plan assets as at the end of the period	320	341

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Plan assets represent the fund value maintained with an insurance company.

The components of amounts recognised in the income statement for the gratuity benefit plan are as follows:

	15-months period ended 30 June 2016			9-months period ended 31 March 2015		
	Funded	Unfunded	Total	Funded	Unfunded	Total
Current service cost	87	525	612	49	299	348
Past Service cost	-	-	-	-	-	-
Loss / (Gain) on settlement	-	-	-	-	-	-
Net interest income / (cost) on the net Defined benefit Liability	57	619	676	23	369	392
Less: Recovered from Holding Company	-	-	-	-	-	-
Total	144	1,144	1,288	72	668	740

	30 June 2016	31 March 2015
Effect of assets ceiling at the beginning of the year	-	-
Interest expense or Cost (to the extent not recognised in net interest expenses)	-	-
Re-measurement (or actuarial) (gain) / (loss) arising because of change in effect assets ceiling	-	-
Effect of assets ceiling at the end of the year	-	-

The principal actuarial assumptions used for the gratuity benefit plan were as follows:

	30 June 2016	31 March 2015
Economic Assumptions		
Discount rate	7.65%	7.75%
Salary growth rate	5.00%	5.00%

Demographic Assumptions		
Retirement age (years)	60	60
Mortality rate (as % of IALM 06-08)	100	100
Withdrawal rate	2%	2%

Sensitivity Analysis	Impact on defined benefit obligation					
	Change in assumption		Increase in assumption		decrease in assumption	
	2016	2015	2016	2015	2016	2015
Discount rate	1%	1%	Decrease by 7.1%	6.9%	Increase by 6.1%	6.0%
Salary growth rate	1%	1%	Increase by 7.0%	6.7%	Decrease by 6.2%	5.9%
Attrition rate	50%	50%	Increase by 1.5%	1.5%	Decrease by 1.6%	1.7%
Mortality rate	10%	10%	Increase by 0.3%	0.1%	Decrease by -0.3%	-0.1%

The Group assesses these assumptions with its projected long-term plans of growth and prevalent industry standards. The mortality rates used are as published by one of the leading life insurance companies in India.

	30 June 2016	31 March 2015
Weighted average duration of cash flows (years)	6-13	6-13
1 year	1,247	1,682
2-5 years	3,486	3,499
6-10 years	4,445	4,230
More than 10 years	12,672	13,198

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Estimated contribution to fund for next year is US\$708 (2015: US\$73)

(f) Compensated absences

The Group permits encashment on retirement, separation and during the course of service, of the leaves accumulated by their employees. The liability for encashment of leave is determined and provided on the basis of an actuarial valuation performed by an independent actuary at each balance sheet date. This plan is completely unfunded.

The movement in the compensated absences over the prior year is as follows:

	30 June 2016	31 March 2015
Present value of obligation as at the beginning of the period	2,896	2,748
Current service cost	330	366
Interest Expense or cost	270	171
Re-Measurement (or Actuarial) (gain) / (loss) arising from:	-	-
- change in demographic assumptions	205	-
- change in financial assumptions	18	187
- experience variance (i.e. Actual experience vs assumptions)	(281)	(136)
- others	-	-
Past service cost	-	-
Effect of change in foreign exchange rates	(202)	(151)
Benefits paid	(434)	(289)
Present value of obligation as at the end of the period	2,802	2,896

The components of amounts recognised in the income statement for the compensated absences are as follows:

	15-months period ended 30 June 2016	9-months period ended 31 March 2015
Current service cost	330	366
Past service cost	-	-
Loss / (Gain) on settlement	-	-
Net interest income / (cost) on the net defined benefit liability (Assets)	270	171
Actuarial (gain) / losses	-	-
- change in demographic assumptions	205	-
- change in financial assumptions	18	187
- experience variance (i.e. Actual experience vs assumptions)	(129)	264
- others	-	-
Return on plan assets, excluding amount recognised in net interest expense	-	-
Re-measurement (or actuarial) (gain) / (loss) arising because of change in effect assets ceiling	-	-
Expenses recognised in the income statements	694	988

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24. Other operating income

	15-months period ended 30 June 2016	9-months period ended 31 March 2015
Gain on disposal of property, plant & equipments	26	44
Sale of scrap	1,049	902
Export incentive	393	608
Liability written back	4,388	-
Sales tax grant (refer note 38)	3,010	2,603
Miscellaneous income	4,265	5,533
	13,131	9,690

25. Raw materials and consumables used

	15-months period ended 30 June 2016	9-months period ended 31 March 2015
Raw materials consumed	273,902	170,643
Stores and consumables	166,127	116,572
Power and fuel	87,603	76,851
Change in finished goods stock	19,149	(8,583)
Other	481	982
	547,262	356,465

Stores and consumables primarily include chemicals.

The Group is purchasing Calcium Carbonate at two of its units under an agreement with IMERYS New Quest India Pvt. Ltd and SMM Speciality Minerals Malaysia. This arrangement has been entered for a period of ten years, along with BILT group. The Agreement provides for a minimum off take by BILT group and its affiliates (BGPPL and SFI) based on annual forecast plan of the Group and is considered as an operating lease. Payments for other elements in the arrangement are not separated from lease payments and all payments have been disclosed under Stores and consumables. The total expense for purchase of Calcium carbonate under this arrangement for the 15-months period ended 30 June 2016 is US\$26,229 (2015: US\$11,206).

26. Other operating expenses

	15-months period ended 30 June 2016	9-months period ended 31 March 2015
Repair and maintenance	8,714	10,565
Selling and distribution expenses	21,536	19,243
Professional fees	3,033	1,799
Travelling, conveyance and hiring expenses	3,031	2,383
Insurance	2,777	1,819
Royalty	-	2,157
Advertisement, Publicity & Business Promotion	1,355	719
Rates & Taxes	9,468	255
Rent	2,108	1,292
Others	10,504	7,713
	62,526	47,945

Others include local levies etc. None is material enough to be disclosed separately.

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27. Auditor remuneration

	15-months period ended 30 June 2016	9-months period ended 31 March 2015
Fees payable to the Company's auditor and other network firms for the audit of the parent company and consolidated financial statements of the Company	354	383
Other non-audit services	-	2,423
	<u>354</u>	<u>2,806</u>

28. Employee benefit expense

	15-months period ended 30 June 2016	9-months period ended 31 March 2015
Wages & salaries	50,159	37,214
Pension costs - defined contribution plans (refer note 23)	3,155	2,273
Pension costs - defined benefit plans (refer note 23)	1,982	1,728
Welfare expenses	3,799	2,023
	<u>59,095</u>	<u>43,238</u>

29. Average number of people employed (excluding temporary workers)

	15-months period ended 30 June 2016	9-months period ended 31 March 2015
Ballarpur	1,228	1,695
Bhigwan	865	878
Ashti	185	191
Sewa	645	683
Head Office	205	225
SFI	2,116	2,423
	<u>5,244</u>	<u>6,095</u>

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30. Finance income and costs

	15-months period ended 30 June 2016	9-months period ended 31 March 2015
Finance income:		
Interest income from related parties	48,725	7,578
Interest income on bank deposits	713	1,926
Finance income	49,438	9,504
Finance expense:		
Net foreign exchange loss/(gain)	25,246	29,191
Interest on bank borrowings	67,446	28,956
Unwinding of discount on sale tax loan deferment	-	16
Interest on debentures	8,370	6,614
Net (gain)/ loss on derivative financial instruments (refer note 12)	(116)	(35)
Realised loss of interest rate swaps (refer note 12)	1,407	1,065
Interest on loans from related parties	531	-
Interest on working capital loans	35,682	13,278
Other transaction costs*	4,275	11,323
Other bank charges	4,974	2,379
Finance cost	147,815	92,786
Net finance expense/(income)	98,377	83,283

* represents cost incurred for debt and equity financing not materialised.

31. Income tax expense (benefit)

	15-months period ended 30 June 2016	9-months period ended 31 March 2015
Current tax expense	16,929	2,682
Deferred tax expense (credit)	(15,382)	2,590
	1,547	5,272

A reconciliation of the theoretical income tax expense / (benefit) applicable to the profit / (loss) before income tax at the statutory tax rate in India to the income tax expense / (benefit) at the Group's effective tax rate is as follows:

	15-months period ended 30 June 2016	9-months period ended 31 March 2015
(Loss)/ profit before tax	(320,968)	(55,278)
Tax expense/(credit) calculated at the Indian statutory tax rate (30.90%) (2015: 30.90%)	(99,178)	(17,081)
Tax effects of:		
Income exempt from tax	(6,945)	(2,368)
Reversal of withholding tax	13,831	-
Expenses not deductible for tax purposes	-	1,240
Recognition/reversal of DTA/DTL on tax losses/profits carried forward from prior years	78,509	19,029
Effect of lower tax rates in other countries	11,846	2,619
Others	3,484	1,833
Income tax expense/(credit) for the year	1,547	5,272

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The effect of lower tax rates in other countries fluctuates with the profit or loss situation in the operating subsidiary SFI in Malaysia and the holding entities in The Netherlands.

The applicable tax rates in the relevant jurisdictions enacted at each balance sheet date are as follows:

		15-months period ended 30 June 2016	9-months period ended 31 March 2015
India	Corporate income tax rate	30.90%	30.90%
	Minimum alternate tax rate on book profits	20.01%	20.01%
	Tax rate for capital gains from long term investments in assets or securities	20.00%	20.00%
Malaysia	Corporate income tax rate	24.00%	24.00%
Netherlands	Corporate income tax rate	25.00%	25.00%

The tax (charge)/credit relating to components of other comprehensive income are as follows:

	15-months period ended 30 June 2016			9-months period ended 31 March 2015		
	Before tax	Tax (Charge)/Credit	After Tax	Before tax	Tax (Charge)/Credit	After Tax
Recycling /fair valuation of available for sale financial asset	(1,374)	405	(969)	(1,043)	209	(834)
Post employment benefit obligations	(516)	159	(357)	(918)	284	(634)
Cash flow hedges	-	-	-	4,964	-	4,964
Currency translation differences	(43,107)	-	(43,107)	(60,709)	-	(60,709)
Other comprehensive income	(44,997)	564	(44,433)	(57,706)	493	(57,213)

32. Net foreign exchange gains/ (losses)

The exchange differences (charged)/credited to the income statement are included as follows:

	15-months period ended 30 June 2016	9-months period ended 31 March 2015
Net foreign exchange (losses)/gains on operating activities	1	267
Net foreign exchange (losses)/gains on financing activities (note 30)	(25,246)	(29,191)
	(25,245)	(28,924)

33. Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

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(Loss) for the period

	15-months period ended 30 June 2016	9-months period ended 31 March 2015
(Loss)/ profit after tax	(318,763)	(59,778)
Less: Distribution on perpetual capital securities	19,500	19,500
Profit attributable to owners of the parent	(338,263)	(79,278)
Weighted average number of ordinary shares in issue (refer note 17a)	700,000,000	655,109,489
Basic Earning per share	(0.48)	(0.12)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has no dilutive potential shares and accordingly the diluted earnings per share is the same as basic earnings per share.

34. Contingencies

The Group is currently involved in a number of legal cases. Although it is not possible to predict the outcome of the pending litigation with accuracy, the Group believes, based on legal opinions received, that the Group has meritorious defence to the claims. The Directors believe the pending actions will not require outflow of resources embodying economic benefits and will not have a material adverse effect upon the results of the operations, cash flows or financial condition of the Group.

Ballarpur production unit

The unit has various matters in dispute with the Central Excise Department at Nagpur. These are:

- During March 2006 to March 2010 the Central Excise Department claimed that the benefit received by the unit under the sales tax deferral scheme represents additional consideration and is liable for excise duty. The unit has appealed to the Tribunal and the Tribunal has granted unconditional stay for payment of any excise duty and associated interest. The cumulative amount of the contingent liability as at 30 June 2016 was US\$ 644 (2015: US\$694). During the current period the Company has also received demand from Central Excise Department amounting to US\$ 529 for period April 2010 to September 2015, against which the Company has preferred an appeal before CESTAT.
- During January 2001 to February 2003 the Central Excise Department issued various notices relating to the maintenance of separate books of account for the manufacture of paper using unconventional raw materials. The cumulative amount of the contingent liability as at 30 June 2016 was US\$236 (2015: US\$255).
- In addition, the unit has other disputed amounts with the Central Excise Department totalling US\$1,067 (2015: US\$1,151) and which are at various stages of dispute and appeal.

The unit also has various civil matters in dispute:

- The water supply charges from Wardha river have been revised with retrospective effect. The Collector, Chandrapur has raised a demand with arrears for a consolidated amount of US\$981 (2015: US\$1,059) for periods to May 2004. The unit has filed writ petition before the High Court at Nagpur. The High Court has granted stay and the petition is pending for final arguments and order.
- During August 2009 to September 2009 the Chandrapur Forest Conservation Department revised the bamboo royalty rate payable by the unit with retrospective effect for the period from 2005 to 2006 and has demanded a total US\$11,746 (2015: US\$12,669) additional payment. The unit has petitioned the Nagpur High Court challenging the revision of the royalty rate and judgment is pending.

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- c. During the current period, Company for its Ballarpur unit is contesting a litigation with one of the vendor who was fabricator involved in modernisation of its pulp mill involving amount of US\$3,208.
- d. Also, the unit has a civil recovery suit filed against it amounting to US\$58 (2015: US\$98).

Bhigwan production unit

- a. A civil recovery suit has been filed against the unit amounting to US\$101 (2015: US\$109).
- b. The unit has several matters in dispute relating to custom duty amounting to US\$487 (2015: US\$525), and excise matters of US\$33 (2015: US\$4).
- c. The unit has several matters in dispute relating to sales tax amounting to US\$96.

Sewa production unit

- a. Odisha pollution control board issued a notice for recovery of US\$46,883 (2015: US\$34,722) for water drawn from Kolab river up to the end of December 2008 for which reply has been filed. Currently, the challenge against the constitutional validity of this recovery is still pending before the High Court.
- b. One case pertaining to Illegal denial of entitlement of exemption from electricity duty relating to generator set and 100% exemption for next seven years and electricity duty for the next ten years, from the date of installation. Matter is pending with the High Court of Cuttack having the claim amount from State government for as sum of US\$7,579 (2015: US\$7,901)
- c. Also the unit has various civil recovery suits filed against it amounting to US\$437 (2015: US\$446) and excise matter of US\$1,009 (2015: US\$1,030).
- d. The unit has one case in dispute relating to custom of US\$10 (2015: US\$11)

SFI production unit

- a. In December 2008 back pay labour claims were filed by 1,070 employees amounting to US\$5,844 (2015:US\$6,308). However the former holding company, LFIB, of the SFI unit, has by a letter dated 30 December 2008 confirmed to the SFI unit that LFIB will accept responsibility and lead the conduct of the defense of the legal claims of employees.
- b. In June 2016 ABB Malaysia Sdn Bhd has filed a claim for US\$1,402 against SFI. ABB filed claim that SFI was in breach of the terms of three Work Orders to carry out various work in connection with the erection, testing and commissioning of the electrical material of power plant, pulp mill, recovery boiler and related instruments. ABB alleged the company failed to make timely certification and payment of the progress claims for the work done and issued a letter of demand to SFI for immediate payment of unpaid progress claims including costs and expenses incurred by ABB for delay and substantial losses suffered by it. The hearing is currently pending to take place.
- c. On 3.06.2016, SFI was served Notice and Request for Arbitration by CCM Chemicals claiming a compensation for US\$423 alleging that SFI has committed various breaches of Chlorine Supply Agreement dated 5.07.2011 (Contract) including:1) Consistently failed to supply CCM quantities of product as required under Contract. 2) Failed to pay CCM equivalent to shortfall quantity in accordance with Contract. 3) Failed to ensure that the quantity of the product supplied to CCM is in accordance with requirements and specifications provided for under the Contract.
- d. In 2007, a suit for wrongful encroachment/trespass was filed by the beneficial owner of the land acquired by SFI from her grandfather sometime in year 1984, seeking the declaration that the whole transaction was null and void as it involve a "dealing in land" between a native and non-native which is contrary to section 17 of Sabah Land ordinance. In October 2016 Court has made ruling in that SFI is ordered to pay damages

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including interest amounting to US\$201. The company has filed appeal against the judgement considering the damages awarded by court is on higher side as the registrar has adopted a wrong test to assess the damages.

- e. There are few other matters pending before various authorities and courts amounting to US\$69 (2015: US\$100)

Further, refer note 22 for income tax-related contingencies.

35. Commitments

(a) Capital commitments

Capital expenditure contracted for but not yet incurred is as follows:

	30 June 2016	31 March 2015
Purchase of property, plant and equipment	1,270	2,918
Total capital commitments	1,270	2,918

(b) Operating lease commitments

The Group has taken plant and machinery on lease under its non-cancellable operating lease agreement. The future aggregate minimum lease payments under the non-cancellable operating lease in respect of agreement with SMM Speciality Minerals SFI, Malaysia is as follows:

	30 June 2016	31 March 2015
Minimum lease payments:		
No later than 1 year	1,086	1,128
More than 1 year and no later than 5 years	1,358	2,537
Total	2,444	3,665

36. Related party transactions

The Group is controlled by Ballarpur International Holdings B.V., Amsterdam ("BIH") which owns 62.21% (2015:63.92%) of the Company as of 30 June 2016. BIH is wholly owned by Ballarpur Industries Limited, a part of Avantha Group, the ultimate parent.

Entities which are part of Avantha Group are considered as related parties for the Group.

The transactions with related parties have been bifurcated into the following categories for disclosure based on the nature of relationship:

- a) Immediate Holding Company: Ballarpur International Holdings B.V.
- b) Holding Company: Ballarpur Industries Limited
- c) Entities over which Avantha Group exercises significant influence / control: Crompton Greaves Limited, APR Sacks Ltd., IMERYS Newquest India Pvt. Ltd., Avantha Holdings Limited, Avantha Power and Infrastructure Ltd., SMI Newquest India Pvt. Ltd., Mirabelle Trading Pte. Ltd., Saraswati Travels Pvt. Ltd., Leading Line Merchant Traders Pvt. Ltd. and Bilt Tree Tech Ltd.

The goods and services are sold/purchases from related parties are based on prices in force and terms that would be available to third parties. The following transactions were carried out with the related parties:

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(a) Sale of goods and services

	15-months period ended 30 June 2016	9-months period ended 31 March 2015
(i) Holding Company		
Ballarpur Industries Limited	39	1,141
(ii) Entities over which Avantha Group exercises significant influence/control		
Mirabelle Trading Pte. Limited	2,189	-
IMERYS New Quest India Pvt. Limited	1,536	1,015
Avantha Holdings Limited	2,627	3,200
Others	520	353
Total Sales to related parties	6,911	5,709

(b) Purchase of goods, fixed assets and services

	15-months period ended 30 June 2016	9-months period ended 31 March 2015
(i) Holding Company		
Ballarpur Industries Limited	146	4,805
(ii) Entities over which Avantha Group exercises significant influence/control		
Avantha Holdings Limited	-	4,773
SMI New Quest Inda Pvt. Limited	13,106	9,049
IMERYS New Quest Inda Pvt. Limited	19,470	12,196
Mirabelle Trading Pte. Limited	33,079	32,985
Saraswati Travels Private Limited	97	1,938
BILT Tree Tech Limited	12,042	9,167
Others	431	439
Total purchases from related parties	78,371	75,352

(c) Key management compensation

Total remuneration paid to the directors is as follows:

	15-months period ended 30 June 2016	9-months period ended 31 March 2015	Note
Executive Directors	2,220	1,149	refer a) below
Non-executive Directors	290	96	refer b) below
Independent Directors	188	119	refer c) below
Total	2,698	1,364	

a) Executive Directors

- i. The remuneration of US\$2,216 and US\$1,145 for the 15-months period ended 30 June 2016 and 9-months period ended 31 March 2015 respectively was paid to one of the directors of the Bilt Paper Group. The break-up of remuneration is as below:

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	15-months period ended 30 June 2016	9-months period ended 31 March 2015
Break-up of remuneration of Executive Directors		
Salary, allowances incentives and other short term employee benefits	1,609	710
Termination benefits	-	-
Post employment benefits	26	16
Other long term benefits	581	419
Share based payments	-	-
	<u>2,216</u>	<u>1,145</u>

- ii. Management fees of US\$4 was paid to the trust office for the 15-months period ended 30 June 2016 and 9-months period ended 31 March 2015 for the director who act as Managing Director of the group.

b) Non-Executive Directors

- i. For the 15-months period ended 30 June 2016 and 9-months period ended 31 March 2015, there was one director of Bilt Paper that had been nominated by private equity investors. The director was not paid any emoluments by the Group.
- ii. For the 15-months period ended 30 June 2016 and 9-months period ended 31 March 2015, there were three directors of the Company that were paid by the ultimate parent, Bilt, which made no recharge to the Group. These directors are directors of the ultimate parent and a number of affiliates. Accordingly, the above details include no emoluments in respect of these directors. Their total emoluments as included in the aggregate of key management compensation of the ultimate parent are US\$290 and US\$96 for the 15-months period ended 30 June 2016 and 9-months period ended 31 March 2015 respectively.

c) Independent Directors

- i. Sitting fees paid to Independent Directors of the Group are US\$188 and US\$119 for the 15-months period ended 30 June 2016 and 9-months period ended 31 March 2015 respectively.

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(d) Period end payables to related parties:

	30 June 2016	31 March 2015
(i) Immediate Holding Company Ballarpur International Holdings B.V.	1,953	920
(ii) Holding Company Ballarpur Industries Limited	8,485	1,058
(iii) Entities over which Avantha Group exercises significant influence/control		
IMERYS New Quest Inda Pvt. Limited	7,543	5,897
SMI New Quest Inda Pvt. Limited	9,117	5,448
Mirabelle Trading Pte. Limited	1,351	13,322
BILT Tree Tech	2,642	907
Avantha Holdings Limited	17,318	2,297
Others	1,208	1,126
Total payables to related parties	49,617	30,975

The payables to related parties arise mainly from purchase transactions and are due two months after the date of purchase. The payables bear no interest.

(e) Period end receivables from related parties:

	30 June 2016	31 March 2015
(i) Immediate Holding Company Ballarpur International Holdings B.V.	302	1,513
(ii) Holding Company Ballarpur Industries Limited	374,217	74,965
(iii) Entities over which Avantha Group exercises significant influence/control		
Mirabelle Trading Pte. Ltd.	7,833	-
Avantha Holdings Limited	5,416	5,303
Avantha Power & Infrastructure Limited	-	8,815
BILT Tree Tech Limited	3,958	2,449
Others	1,057	671
Total receivables from related parties	392,783	93,716

The receivables from related parties arise mainly from sale transactions and are due one month after the date of sales. The receivables are unsecured in nature and bear no interest. Other balances are represented by loan and advances given to related parties. No provisions are held against receivables from related parties (2015: nil).

With respect to receivable balance from BILT. Which comprises advances made by BGPPL to BILT to support BILT in meeting its debt obligations from time to time which is net of similar advances received from BILT. These advances are interest bearing at 12.5% and are repayable on immediate/demand basis. These do not carry any security charge among advances exchanged between either parties.

During previous years, Group made some capacity enhancement and capitalizations for which debts were obtained. During current period, Group faced significant cash crunch as major of its cash generated was consumed in servicing debts obtained in previous years. Funds were also borrowed by Parent Company BILT to support entire

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chain of operations under its control. Such exchange of advances among BILT and BGPPL resulted into net receivable from BILT at BGPPL level as highlighted above.

Subsequent to balance sheet significant parts of such advances have been received from BILT and also fresh advances have been made to BILT. Group is hopeful of getting relieve from debt exposure after conclusion of debt restructuring taking place at BGPPL and BILT level, refer note 38 (2) for details.

(f) Interest income from related parties

	30 June 2016	31 March 2015
(i) Holding Company		
Ballarpur Industries Limited	32,131	7,578
(ii) Entities over which Avantha Group exercises significant influence/control		
Avantha Holdings Limited	16,594	-
Total interest income from related parties	48,725	7,578

(g) Interest expense to related parties

	15-months period ended 30 June 2016	9-months period ended 31 March 2015
(i) Immediate Holding Company		
Ballarpur International Holdings B.V.	503	-
Total interest expense to related parties	503	-

(h) The Group has been provided certain administrative, accounting, legal, treasury, marketing, procurement and other support services by the holding company and the ultimate holding company. These expenses would not be cross charged to Company by Group.

37. Sales tax grant

(a) Sales tax refund scheme

Pursuant to the expansion of production capacity, the Indian subsidiary is eligible for incentives under the scheme of the Government of Maharashtra and an application to this effect was filed with the relevant Authorities in 2009. During the year ended 30 June 2012, the Group has received the eligibility certificates from the Government according to which the Ballarpur and Bhigwan units of the Indian subsidiary are eligible for incentives not exceeding US\$78,456 and US\$104,542 over a period of 9 years and 12 years respectively.

Based on sales estimates made as at 30 June 2016, the two units at Ballarpur and Bhigwan expect to receive incentives of US\$13,668 and US\$29,317 over a period of 9 years and 12 years respectively. Grant receivable accrued for the 15- months period ended 30 June 2016 amounts to US\$2,703 (2015: US\$1,513) and US\$4,027 (2015: US\$2,668) for Ballarpur and Bhigwan respectively. The income for incentives recognised during the 15-months period amounts to US\$627 (2015: US\$369) and US\$1,345 (2015: US\$781) for Ballarpur and Bhigwan respectively and excess of receivable over the income has been disclosed in deferred income. If the sales estimates are higher/ lower by 5%, the effect on the income statement is disclosed below:

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	15-months period ended 30 June 2016	9-months period ended 31 March 2015
Sales tax grant Income		
5% Increase In Qty/Rate	55	39
5% Decrease In Qty/Rate	(55)	(39)
Deferred Income Liability		
5% Increase In Qty/Rate	55	39
5% Decrease In Qty/Rate	(55)	(39)

(b) Sales Tax Deferment Scheme

Pursuant to the expansion in earlier years, the unit of the Indian subsidiary is also entitled to benefit associated with the interest free sales tax loan which is repayable after a stipulated period. Income relating to such scheme amounted to US\$583 (2015: US\$1,453).

38. Post Balance Sheet events

- The Group entered into the following term loan borrowing agreements:
 - In March 2017, a loan of US\$ 23,119 from EC Holdings PTE Limited (Singapore) against the working capital requirements for SFI operations, carrying an interest rate of 13% p.a. The loan is secured against the shares of SFI and BPH.
 - In March 2017, a loan of US\$ 23,119 from ECL Finance Limited (India), against the working capital requirements for BGPPL operations, carrying an interest rate of 16.5% p.a. The loan is secured against the shares of SFI and BPH.
- On December 28, 2016, the Joint Lenders Forum (JLF) of BGPPL, a subsidiary, invoked a debt restructuring exercise resulting into discussions on bilateral and all-party basis. This meeting was attended by all lenders and the senior management personnel of the Company.

As part of this process, the lenders agreed not to take any legal actions against the Company and offer moratorium on debt servicing until the conclusion of restructuring exercise by JLF. Also, following the mandatory guidelines of the Reserve Bank of India (RBI), a Trust Retention Account (TRA) Agreement was entered on March 20, 2017 among the Company as a borrower, ECL Finance Limited as a priority lender who offered additional loans referred in (1) above, Axis Bank as TRA Agent, and ICICI Bank as a cash monitoring agency to route through all receipts and proceeds from that date.

As per the arrangement, the Company agreed to service interest and principal payments as agreed to the priority lender, ECL, for the additional financing done in March 2017 referred in (1) above. The other lenders agreed for a moratorium for 9 months period till December 2017. Thereafter, the interest and principal payments will follow the terms agreed in the debt restructuring plan that will be approved by JLF.

Additionally, ICICI Bank (outstanding amount of US\$ 69,358), Axis Bank (outstanding amount of US\$ 168,974) and IDFC (outstanding amount of US\$ 13,021) assigned their loans to Edelweiss Asset Reconstruction Company Private Limited (EARC), and intimated the Company on April 10, 2017, April 6, 2017 and March 22, 2017 respectively.

JLF met again on May 31, 2017 proposing a debt restructuring plan for consideration, which was placed for approval at the next meeting in July 2017.

Subsequently, on July 28, 2017, JLF provided an in-principle approval to the debt portfolio realignment for BGPPL.

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The Company expects to complete finalising the formal agreements with each of the lenders by October 2017 and implementation thereof by November 2017. The holding company, Ballarpur Industries Limited, has concluded recently a restructuring plan with its own lenders, and basis that BPBV management is optimistic of completing BGPPL's restructuring plan as well.

Based on approved minutes of the lenders' meeting dated 28 July 2017, the Scheme of restructuring envisages classification of the total outstanding borrowings including cumulative interest as of 30 June 2016 of USD\$ 843,188 as follows:

- a) Priority lenders: Those who provided the 'bridge' loans to restart the operations will get repaid as per original terms agreed ranging from one to four years and get paid for interest as per the original terms agreed with them. These lenders also agree to pay for one-time settlement to certain unsecured lenders referred to in (c) below.
- b) Secured lenders other than priority lenders: These lenders, constituting approximately 50% of total borrowings outstanding, have been requested to convert their outstanding amount including cumulative interest, into three components viz. equity shares, rupee term loans with repayment period upto 10 years and interest rate of 9% per annum, and non-convertible debentures with repayment period of upto 17 years and interest rate of 9% per annum. The Scheme is also likely to consider moratorium period for not paying the interest upto March 2018, which will be paid over the next 10 years thereafter along with interest of 9% per annum.
- c) Unsecured lenders opting for one time settlement: These lenders, constituting approximately 25% of total borrowings outstanding, have been requested to settle their dues at 30% of the outstanding balance as one time payment. The Scheme is likely to consider this repayment within three months after its implementation, to be financed mainly by the priority lenders with certain contribution from the promoters.
- d) Other unsecured lenders: These lenders, constituting approximately 25% of total borrowings outstanding, have been requested to convert their outstanding balances including cumulative interest, into four components viz. equity shares, rupee term loans with repayment period upto 10 years and interest rate of 9% per annum, non-convertible debentures with repayment period of upto 17 years and interest rate of 9% per annum, and compulsorily redeemable preference shares with repayment terms extending up to 18 years with coupon rate of 0.01%. The Scheme is also likely to consider moratorium period for not paying the interest upto March 2018, which will be paid over the next 10 years thereafter along with interest of 9% per annum.

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Company financial statements as at 30 June 2016 and for the 15-months period ended 30 June 2016



PricewaterhouseCoopers
Accountants N.V.
For identification
purposes only

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Company balance sheet as at 30 June 2016

(before proposed profit appropriation)

		As at 30 June 2016	As at 31 March 2015
Assets	Note		
Non-current assets			
Investments in subsidiaries	2	71,162	449,237
Loan to subsidiary	9	95,000	95,000
		166,162	544,237
Current assets			
Loan to subsidiary	9	67,000	67,000
Trade and Other Receivables	3	4,098	10,316
Cash and cash equivalents	4	-	-
		71,098	77,316
		<u>237,260</u>	<u>621,553</u>

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		As at 30 June 2016	As at 31 March 2015
	Note		
Equity and liabilities			
Shareholder's Equity			
Issued share capital	5	6,528	7,587
Share premium		604,376	604,376
Perpetual capital securities		191,114	191,114
Translation Reserve		(195,989)	(155,320)
Legal Reserve		84,722	72,252
Loss for the period		(318,763)	(59,778)
Accumulated deficit		(138,743)	(43,678)
Other Reserves		2,304	1,245
		235,549	617,798
Current liabilities	6	1,711	3,755
Total liabilities		1,711	3,755
Total equity and liabilities		<u>237,260</u>	<u>621,553</u>

The notes are an integral part of these company financial statements.

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Income statement for the period ended 30 June 2016

	15-months period ended 30 June 2016	9-months period ended 31 March 2015
Share of loss of subsidiaries for the year	(346,519)	(69,249)
Company result for the year after taxation	27,756	9,471
Loss for the period	<u>(318,763)</u>	<u>(59,778)</u>

The notes are an integral part of these company financial statements.

Notes to the company financial statements

1. Accounting information and policies

1.1. Basis of preparation

The company financial statements of Bilt Paper B.V. (hereafter: the company) have been prepared in accordance with Part 9, Book 2 of the Dutch Civil Code. In accordance with sub article 8 of article 362, Book 2 of the Dutch Civil Code, the company's financial statements are prepared based on the accounting principles of recognition, measurement and determination of profit, as applied in the consolidated financial statements. These principles also include the classification and presentation of financial instruments, being equity instruments or financial liabilities.

As the financial data of the company are included in the consolidated financial statements, the income statement in the company financial statements is presented in its condensed form (in accordance with article 402, Book 2 of the Dutch Civil Code).

In case no other policies are mentioned, refer to the accounting policies as described in the accounting policies in the consolidated financial statements of this Annual Report. For an appropriate interpretation, the company financial statements of Bilt Paper B.V. should be read in conjunction with the consolidated financial statements.

All amounts are presented in US\$'000, unless stated otherwise.

The company prepared its consolidated financial statements in accordance with the International Financial Reporting Standards ('IFRS') as adopted by the European Union.

1.2. Financial fixed assets

1.2.1. Investments in consolidated subsidiaries are entities (including intermediate subsidiaries and special purpose entities) over which the company has control, i.e. the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are recognized from the date on which control is transferred to the company or its intermediate holding entities.

They are derecognized from the date that control ceases.

The company applies the acquisition method to account for acquired subsidiaries, consistent with the approach identified in the consolidated financial statements. The consideration transferred for the acquisition of a subsidiary is the fair value of assets transferred, liabilities incurred to the former owners of the acquiree and the equity interests issued by the company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Identifiable assets acquired and liabilities and contingent liabilities assumed in an acquisition are measured initially at their fair values at the acquisition date, and are subsumed in the net asset value of the investment in consolidated subsidiaries. Acquisition-related costs are expensed as incurred.

Investments in consolidated subsidiaries are measured at net asset value.

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Net asset value is based on the measurement of assets, provisions and liabilities and determination of profit based on the principles applied in the consolidated financial statements.

When an acquisition of an investment in a consolidated subsidiary is achieved in stages, any previously held equity interest is re-measured to fair value on the date of acquisition. The re-measurement against the book value is accounted for in the income statement.

When the company ceases to have control over a subsidiary, any retained interest is re-measured to its fair value, with the change in carrying amount to be accounted for in the income statement.

When parts of investments in consolidated subsidiaries are bought or sold, and such transaction does not result in the loss of control, the difference between the consideration paid or received and the carrying amount of the net assets acquired or sold, is directly recognized in equity.

Foreign currency financial fixed assets are considered as monetary assets and translated at closing rate. Exchange differences arising on such translations are recognized in the income statement.

1.2.2. Investments; recognition of losses when the company's share of losses in an investment equals or exceeds its interest in the investment, (including separately presented goodwill or any other unsecured non-current receivables, being part of the net investment), the company does not recognize any further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the investment. In such case the company will recognize a provision.

1.2.3. Investments; unrealized gains and losses, unrealized gains on transactions between the company and its investments in consolidated subsidiaries are eliminated in full, based on the consolidation principles. Unrealized gains on transactions between the company and its investments in associates are eliminated to the extent of the company's stake in these investments.

Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred.

1.2.4. Amounts due from investments

Amounts due from investments are stated initially at fair value and subsequently at amortized cost. Amortized cost is determined using the effective interest rate.

2. Investments in subsidiaries

Movements can be broken down as follows:

	30 June 2016	31 March 2015
Opening balance	449,237	502,029
Share of loss of subsidiaries	(346,519)	(69,249)
Exchange differences	(28,239)	(52,605)
Recycling of fair valuation of available for sale financial asset	(1,374)	(1,043)
Deferred tax liabilities on available for sale financial assets	405	209
Cash flow hedging reserves	-	4,964
Post employment benefit obligations	(357)	(634)
Reversal of CTA on available for sale financial asset	(1,991)	-
Effect of change in minority	-	566
Investment in subsidiaries	-	65,000
Closing balance	71,162	449,237

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List of subsidiaries

Bilt Paper B.V. has direct and indirect interests in the following subsidiaries:

	Share in equity
	<u>%</u>
Ballarpur Paper Holdings B.V., Netherlands	100
Sabah Forest Industries SDN. BHD., Malasiya	98.08
Bilt Graphic Paper Products Ltd., India	99.99

3. Trade and other receivables

Trade and other receivables can be broken down as follows:

	30 June 2016	31 March 2015
Receivable from Related Party	4,095	10,239
Statutory Dues Recoverable	-	77
Prepaid expenses	3	-
	<u>4,098</u>	<u>10,316</u>

4. Cash and cash equivalents

Cash and cash equivalent can be broken down as follows:

	30 June 2016	31 March 2015
Cash at Bank	-	-
	<u>-</u>	<u>-</u>

Cash at bank as at 30 June 2016 is US\$1 which is rounded off the US\$'000.

5. Shareholders' equity

The authorised and issued share capital of Bilt Paper B.V. amounts to EURO 7,000, divided into 700,000,000 ordinary shares of € 0.01 each.

Movements in the number of shares in 2016/2015 were as follows:

	Ordinary shares
At 30 June 2014	2,052,001
Issue of bonus shares during the year	597,947,999
Issue of ordinary shares during the year	100,000,000
At 31 March 2015	700,000,000
Issue of ordinary shares during the year	-
At 30 June 2016	<u>700,000,000</u>

The breakdown of the shareholder's equity by components differs from the breakdown shown in the consolidated statement of changes in Group equity due to the fact that these company financial statements follow the legal

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situation of the company while the consolidated financial statements follow the accounting principles related to reverse acquisition accounting under IFRS in the year ended June 2009.

Pursuant to the shareholder's resolution dated 27 October 2014, the company on 31 October 2014 issued 445,828,898 shares to BIH, 97,760,060 shares to Lathe Investments and 54,359,041 shares to Avantha International Assets B.V., with a nominal value of Euro 0.01 each at par as bonus issue by conversion from the share premium reserve with no additional consideration received in cash.

On 3 October 2014, the Company had entered into a Subscription and Policy agreement with International Finance Corporation (IFC), wherein IFC had agreed to subscribe to 100,000,000 fully paid common shares with the nominal value of Euro 0.01 each in the company for a consideration of US\$100,000 on the terms and conditions specified therein. Consequently, the shareholders of the company (Lathe Investment PTE Ltd, International Finance Corporation, Ballarpur International Holdings B.V. and Avantha International Asset B.V.) have entered into a Shareholder's agreement on 14 August 2015 to record their respective rights and obligations in relation to the shareholdings, management and administration of the company and the operator of business.

Statements of changes in equity

	Share capital	Share premium	Results for the year	Accumulated deficit	Translation reserve	Legal reserve	Perpetual capital securities	Other reserves	Total equity
Balance at 30 June 2014	20	517,395	(14,567)	(5,045)	(95,431)	68,508	191,114	(4,953)	657,041
Comprehensive income									
Profit for the previous year	-	-	14,567	(14,567)	-	-	-	-	-
Loss for the period	-	-	(59,778)	-	-	-	-	-	(59,778)
Gain on change in fair valuation of biological assets	-	-	-	(9,340)	-	9,340	-	-	-
Other comprehensive income									
Currency translation differences	(1,234)	-	-	-	(59,809)	-	-	1,234	(59,809)
Gain on fair valuation of available for sale financial asset, net of tax	-	-	-	-	-	(834)	-	-	(834)
Remeasurement of post employment benefit obligations	-	-	-	-	-	(634)	-	-	(634)
Release of cash flow hedge reserve	-	-	-	-	-	-	-	4,964	4,964
Total other comprehensive income	(1,234)	-	-	-	(59,809)	(1,468)	-	6,198	(56,313)
Total comprehensive income	(1,234)	-	(45,211)	(23,907)	(59,809)	7,872	-	6,198	(116,091)
Transfer from statutory reserve	-	-	-	4,128	-	(4,128)	-	-	-
Transaction with owners									
Issue of Bonus Share	7,540	(7,540)	-	-	-	-	-	-	-
Issue of New Share (IFC)	1,261	94,521	-	-	-	-	-	-	95,782
Distribution on perpetual capital securities	-	-	-	(19,500)	-	-	-	-	(19,500)
Changes in share of other equity components due to change in stake of Non-controlling interest	-	-	-	646	(80)	-	-	-	566
Total transactions with owners	8,801	86,981	-	(18,854)	(80)	-	-	-	76,848
Balance at 31 March 2015	7,587	604,376	(59,778)	(43,678)	(155,320)	72,252	191,114	1,245	617,798
Comprehensive income									
Loss for the previous period	-	-	59,778	(59,778)	-	-	-	-	-
Loss for the period	-	-	(318,763)	-	-	-	-	-	(318,763)
Gain on change in fair valuation of biological assets	-	-	-	(23,493)	-	23,493	-	-	-
Other comprehensive income									
Currency translation differences	(1,059)	-	-	-	(40,669)	-	-	1,059	(40,669)
Reversal of CTA on available for sale financial asset	-	-	-	-	-	(1,991)	-	-	(1,991)
Recycling of fair valuation of available for sale financial asset	-	-	-	-	-	(969)	-	-	(969)
Remeasurement of post employment benefit obligations	-	-	-	-	-	(357)	-	-	(357)
Total other comprehensive income	(1,059)	-	-	-	(40,669)	(3,317)	-	1,059	(43,986)
Total comprehensive income	(1,059)	-	(258,985)	(83,271)	(40,669)	20,176	-	1,059	(362,749)
Transfer from statutory reserve	-	-	-	7,706	-	(7,706)	-	-	-
Transaction with owners									
Distribution on perpetual capital securities	-	-	-	(19,500)	-	-	-	-	(19,500)
Total transactions with owners	-	-	-	(19,500)	-	-	-	-	(19,500)
Balance at 30 June 2016	6,528	604,376	(318,763)	(138,743)	(195,989)	84,722	191,114	2,304	235,549

Legal reserve comprises of gains arising from the change in fair value of biological assets (US\$66,008), the statutory reserve on debentures issued by the Group (US\$20,368) and post-employment obligation (US\$ (1,654)). Such reserves together with translation and other reserves are not distributable by the company.

Bilt Paper B.V.

All amounts in US Dollar thousands unless otherwise stated

Share premium includes retained earnings (US\$69,153) and translation reserves (US\$19,917) up to June 2008 of BPH consolidated financial statements which was accounted for as a reverse acquisition accounting.

Equity shares are re-valued at each balance sheet date.

Reference is made to the Consolidated statement of changes in Group Equity and Note above.

6. Current liabilities

Current liabilities can be broken down as follows:

	30 June 2016	31 March 2015
Payable to Group companies	-	1,763
Provisions	1,711	1,992
	<u>1,711</u>	<u>3,755</u>

7. Employee numbers (average): NIL

8. Remuneration of the Board:

Management fee - Refer note 36 (c) of consolidated financial statement.

9. Related parties

The following transactions were carried out with the related parties:

a. Reimbursement of Expenses

Reimbursement can be broken down as follows:

	15-months period ended 30 June 2016	9-months period ended 31 March 2015
Ballarpur International Holdings B.V.	1,282	607
Ballarpur Paper Holdings B.V.	2,210	182
	<u>3,492</u>	<u>789</u>

b. Loan to subsidiary

	30 June 2016	31 March 2015
Ballarpur Paper Holdings B.V.	162,000	162,000
	<u>162,000</u>	<u>162,000</u>

Loans to subsidiary represent US\$95,000 (repayable in ten years in the year 2021 as per terms of the loan) and US\$67,000 (repayable on demand) @ 9.90% given to Ballarpur Paper Holdings B.V.

c. Period end balances arising from investing activities:

Intercompany balances payable:

Bilt Paper B.V.

All amounts in US Dollar thousands unless otherwise stated

	30 June 2016	31 March 2015
Ballarpur Paper Holdings B.V.	-	1,763
	-	1,763

Intercompany balances receivable:

	30 June 2016	31 March 2015
Ballarpur International Holdings B.V.	231	1,513
Ballarpur Paper Holdings B.V.	3,862	8,724
Ballarpur Speciality Paper Holdings B.V.	2	2
	4,095	10,239

10. Audit fees

Refer note 27 of consolidated financial statements.

Bilt Paper B.V.

All amounts in US Dollar thousands unless otherwise stated

Amsterdam

Date: 14 September 2017

Board of Directors

Gautam Thapar

Rajeev Ranjan Vederah

Bhuthalingam Hariharan

Yogesh Agarwal

Pankaj Sood

Pradeep Vasudeo Bhide

Jachthavenweg 109h,
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The Netherlands

Bilt Paper B.V.
Registered at the Chamber
of Commerce in Amsterdam
under number 34301128



PricewaterhouseCoopers
Accountants N.V.
For identification
purposes only

Bilt Paper B.V.

All amounts in US Dollar thousands unless otherwise stated

Other information

Statutory appropriation of Results

According to Article 14 of the company's Articles of Association:-

1. Profit \ (Loss) will be taken to mean the credit \ debit balance of the adopted profit and loss account.
2. The company's result shall be at the disposal of the general meeting of shareholders. No distribution of profits for the benefit of the company will be made on shares owned by the company.
3. The company can only make distributions to shareholders from profits qualifying for payment, insofar as the shareholder's equity exceeds the paid-up and called-up part of the capital, to be increased by the reserves that have to be maintained by virtue of the Dutch Law.
4. With due observance of the provisions of Dutch law the management Board may, after a proposal thereto by the general meeting of the shareholders, declare and pay out an interim dividend, insofar as the company's profits so permit.

Proposed appropriation of Results

The directors propose to carry forward the result for the period as accumulated deficit.

Post Balance Sheet events

1. The Group entered into the following term loan borrowing agreements:
 - a) In March 2017, a loan of US\$ 23,119 from EC Holdings PTE Limited (Singapore) against the working capital requirements for SFI operations, carrying an interest rate of 13% p.a. The loan is secured against the shares of SFI and BPH.
 - b) In March 2017, a loan of US\$ 23,119 from ECL Finance Limited (India), against the working capital requirements for BGPPL operations, carrying an interest rate of 16.5% p.a. The loan is secured against the shares of SFI and BPH.
2. On December 28, 2016, the Joint Lenders Forum (JLF) of BGPPL, a subsidiary, invoked a debt restructuring exercise resulting into discussions on bilateral and all-party basis. This meeting was attended by all lenders and the senior management personnel of the Company.

As part of this process, the lenders agreed not to take any legal actions against the Company and offer moratorium on debt servicing until the conclusion of restructuring exercise by JLF. Also, following the mandatory guidelines of the Reserve Bank of India (RBI), a Trust Retention Account (TRA) Agreement was entered on March 20, 2017 among the Company as a borrower, ECL Finance Limited as a priority lender who offered additional loans referred in (1) above, Axis Bank as TRA Agent, and ICICI Bank as a cash monitoring agency to route through all receipts and proceeds from that date.

As per the arrangement, the Company agreed to service interest and principal payments as agreed to the priority lender, ECL, for the additional financing done in March 2017 referred in (1) above. The other lenders agreed for a moratorium for 9 months period till December 2017. Thereafter, the interest and principal payments will follow the terms agreed in the debt restructuring plan that will be approved by JLF.

Additionally, ICICI Bank (outstanding amount of US\$ 69,358), Axis Bank (outstanding amount of US\$ 168,974) and IDFC (outstanding amount of US\$ 13,021) assigned their loans to Edelweiss Asset Reconstruction Company Private Limited (EARC), and intimated the Company on April 10, 2017, April 6, 2017 and March 22, 2017 respectively.

JLF met again on May 31, 2017 proposing a debt restructuring plan for consideration, which was placed for approval at the next meeting in July 2017.

Subsequently, on July 28, 2017, JLF provided an in-principle approval to the debt portfolio realignment for

Bilt Paper B.V.

All amounts in US Dollar thousands unless otherwise stated

BGPPL

The Company expects to complete finalising the formal agreements with each of the lenders by October 2017 and implementation thereof by November 2017. The holding company, Ballarpur Industries Limited, has concluded recently a restructuring plan with its own lenders, and basis that BPBV management is optimistic of completing BGPPL's restructuring plan as well.

Based on approved minutes of the lenders' meeting dated 28 July 2017, the Scheme of restructuring envisages classification of the total outstanding borrowings including cumulative interest as of 30 June 2016 of USD\$ 843,188 as follows:

- a) Priority lenders: Those who provided the 'bridge' loans to restart the operations will get repaid as per original terms agreed ranging from one to four years and get paid for interest as per the original terms agreed with them. These lenders also agree to pay for one-time settlement to certain unsecured lenders referred to in (c) below.
- b) Secured lenders other than priority lenders: These lenders, constituting approximately 50% of total borrowings outstanding, have been requested to convert their outstanding amount including cumulative interest, into three components viz. equity shares, rupee term loans with repayment period upto 10 years and interest rate of 9% per annum, and non-convertible debentures with repayment period of upto 17 years and interest rate of 9% per annum. The Scheme is also likely to consider moratorium period for not paying the interest upto March 2018, which will be paid over the next 10 years thereafter along with interest of 9% per annum.
- c) Unsecured lenders opting for one time settlement: These lenders, constituting approximately 25% of total borrowings outstanding, have been requested to settle their dues at 30% of the outstanding balance as one time payment. The Scheme is likely to consider this repayment within three months after its implementation, to be financed mainly by the priority lenders with certain contribution from the promoters.
- d) Other unsecured lenders: These lenders, constituting approximately 25% of total borrowings outstanding, have been requested to convert their outstanding balances including cumulative interest, into four components viz. equity shares, rupee term loans with repayment period upto 10 years and interest rate of 9% per annum, non-convertible debentures with repayment period of upto 17 years and interest rate of 9% per annum, and compulsorily redeemable preference shares with repayment terms extending up to 18 years with coupon rate of 0.01%. The Scheme is also likely to consider moratorium period for not paying the interest upto March 2018, which will be paid over the next 10 years thereafter along with interest of 9% per annum.



Independent auditor's report

To: the general meeting of Bilt Paper B.V.

Report on the financial statements for the period 1 April 2015 to 30 June 2016

Our opinion

In our opinion the accompanying financial statements give a true and fair view of the financial position of Bilt Paper B.V. as at 30 June 2016, and of its result and its cash flows for the period from 1 April 2015 to 30 June 2016 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements for the period 1 April 2015 to 30 June 2016 of Bilt Paper B.V., Amsterdam ('the company'). The financial statements include the consolidated financial statements of Bilt Paper B.V. and its subsidiaries (together: 'the Group') and the company financial statements.

The financial statements comprise:

- the consolidated and company statement of financial position as at 30 June 2016;
- the following statements for the period from 1 April 2015 to 30 June 2016: the consolidated and company income statement, the consolidated statements of comprehensive income, changes in equity and cash flows;
- the notes, comprising a summary of the significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code.

Material uncertainty related to going concern

We draw attention to the going concern note 2.1 (b) to these consolidated financial statements, which states that BILT Paper B.V. has incurred a net loss of US\$323 million for the fifteen months periods ended 30 June 2016, and the BILT Paper B.V.'s accumulated (deficit) was US\$(322) million as at 30 June 2016. Further, the group had a net liability position as at 30 June 2016. The note states that the group's ability to continue as a going concern is highly contingent on completion and implementation of the restructuring plan of the borrowings of one of its subsidiaries and continuing to manage costs to achieve breakeven position.

Ref.: e0408473

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These conditions, along with other matters as set forth in the basis of preparation note 2.1 (b), indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the section 'Our responsibilities for the audit of the financial statements' of our report.

Independence

We are independent of Bilt Paper B.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities for the financial statements and the audit

Responsibilities of management

Management is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going-concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high, but not absolute, level of assurance which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.



A more detailed description of our responsibilities is set out in the appendix to our report.

Report on other legal and regulatory requirements

Our report on the directors' report and the other information

Pursuant to the legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the directors' report and the other information):

- we have no deficiencies to report as a result of our examination whether the directors' report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed;
- we report that the directors' report, to the extent we can assess, is consistent with the financial statements.

Amsterdam, 14 September 2017
PricewaterhouseCoopers Accountants N.V.

Original has been signed by L.H.J. Oosterloo RA

Appendix to our auditor's report on the financial statements for the period 1 April 2015 to 30 June 2016 of Bilt Paper B.V.

In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit 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 company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the company's consolidated financial statements we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.