

Bilt Paper B.V.

Consolidated Financial Statements

As at 30 June 2014

Bilt Paper B.V.

All amounts in US Dollar thousands unless otherwise stated

Report of the Managing Directors

The Managing Directors herewith submit their report for the year ended 30 June, 2014.

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 name of the Company has been changed from Ballarpur International Graphic Paper Holdings B.V. to Bilt Paper B.V. w.e.f. 26 July 2014.

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 is a subsidiary of Ballarpur International Holdings B.V. Amsterdam ("BIH") which holds 79.21% (2013: 79.21%). 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 2014
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	97.78%

The non-controlling interest (0.01%) in BGPPL is owned by BILT and the non-controlling interest (2.22%) in SFI is owned by the Government of Malaysia.

The registered office address of the Company is Paasheuvelweg 16, 1105BH, Amsterdam, The Netherlands.

The correspondence address of the Company is Paasheuvelweg 16, 1105BH, 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 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
- Girish Karira	Non-Executive Director	Resigned w.e.f. 28 August 2014
- Yogesh Agarwal	Executive Director	Existing Director
- Jane Fields Wicker-Munn	Independent Director	Existing Director
- Pradeep Vasudeo Bhide	Independent Director	Existing Director
- Jogchum Beetsma	Independent Director	Existing Director

Efforts are made to achieve a balanced composition of the management board of the Company as referred to in article 2:276 of the Dutch Civil Code. The Board of Directors already has one director and is yet to decide on a manner for the Company to achieve a balanced composition of the management Board of Directors as referred to in article 2:276 of the Dutch Civil Code.

Result for the period

The Group's consolidated profit/ (loss) for the year ended 30 June 2014 is US\$ (15 232) resulting in an Equity of US\$ 664 284. In the opinion of the directors, the results of the Group during the financial year have been affected by the depreciation of rupee against the dollar, economic conditions across the globe resulting in pressure on selling prices and the on-going expansion projects in India.

DIVIDEND

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

During the year ended 30 June 2014, the company has declared coupon payment- amounting to US\$9,750 each in August 2013 and February 2014 to perpetual capital securities holders which has 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 financial year 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:

- Which would render the values attributed to current assets in the financial statements of the Company misleading; or
- Which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate; or
- 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 major contingent liability of the Company which has arisen since the end of the financial year. No contingent or other liability has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may

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substantially affect the ability of the Company to meet its obligations as and when they fall due.

MANAGEMENT DISCUSSION AND ANALYSIS

Net results for the year

	2014	2013
Revenue (Net of excise duty)	682,356	664,266
Operating profit	51,649	42,525
Finance cost (Net)	(42,728)	(54,677)
Profit / (loss) before income tax	8,921	(12,152)
Profit for the year	(15,232)	857

The consolidated operating profit of the Group has increased mainly due to higher Earnings before Interest Tax Depreciation and Amortisation (EBITDA), margin of coated paper, uncoated paper and pulp at BGPPL and SFI.

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
- Rayon grade pulp manufactured in India– Kamalapuram production unit (till 30 September 2012) which has been regarded as a discontinued operation

*Sewa and Ashti w.e.f. 01 October 2012

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 sells surplus power, that it produces, 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 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 in the income statement.

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The segment information provided to the Board for the reportable segments for the years ended 30 June 2014 and 30 June 2013 is as follows:

	Year Ended 30 June 2014					
	Paper			Total	Head office /Others**	Total
	India	Malaysia				
	Coated	Uncoated	Uncoated			
Total Segment Revenue	283,100	328,827	154,135	772,062	-	772,062
Inter Segment Revenue	-	-	(52,780)	(52,780)	-	(52,780)
Revenue from External Customers	283,100	328,827	101,355	719,282	-	719,282
Net Revenue from External Customers*	272,227	308,774	101,355	682,356	-	682,356
EBITDA	70,141	29,510	17,410	117,061	(7,720)	109,341
Depreciation	(11,507)	(20,657)	(25,507)	(57,671)	(21)	(57,692)
Operating Profit/(Loss)	58,634	8,853	(8,097)	59,390	(7,741)	51,649

	Year Ended 30 June 2013						
	Paper						
	India	Malaysia			India	Head office	
	Coated	Uncoated	Uncoated	Total	Pulp***	/Others**	Total
Total Segment Revenue	282,866	307,634	158,034	748,534	23,735	-	772,269
Inter Segment Revenue	-	(1,936)	(48,208)	(50,144)	-	-	(50,144)
Revenue from External Customers	282,866	305,698	109,826	698,390	23,735	-	722,125
Net Revenue from External Customers*	266,272	283,168	109,826	664,266	22,354	-	686,620
EBITDA	72,834	24,827	413	98,074	5,400	(4,086)	99,388
Depreciation	(10,184)	(14,859)	(26,408)	(51,451)	-	(12)	(51,463)
Operating Profit/(Loss)	62,650	9,968	(25,995)	46,623	5,400	(4,098)	47,925

*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 and Dutch entities.

***Discontinued operation

EBITDA represents profit before tax as adjusted by depreciation and finance costs (net).

During FY2014, Ballarpur produced 245,587 MT of paper as compared to 244,228 MT in FY2013, with the new state-of-the-art paper machine no.7 producing 1,28,719 MT of paper despite manufacturing lower grammage product mix in line with the market demand. This machine and its finishing section has enhanced paper quality and provided better cut and packing with improved productivity levels. On the product development front, Ballarpur successfully developed new products such as BILT Edge paper for Carry Bags, Copier grade for the stationery segment and new shades of ESKP for the packaging segment. During the year a new pulp mill incorporating latest pulping technology continuous digester and ECF bleaching process technology has been commissioned and is in the process of stabilization. During FY 2014, bleached pulp production was 1,89,055 ADMT as compared to 1,15,917 ADMT in FY2013. Improved technological advancements and process controls in operational efficiencies resulted in better pulp quality with consistent brightness and increased pulp strength resulting in better operational efficiencies of paper machines. With the commissioning of this pulp mill, the Ballarpur and Ashti mills are now fully integrated with respect to hardwood pulp. As part of cost reduction initiatives, there was a continued focus on energy and fibre conservation. Ash levels in paper were further increased through incorporation of new process technologies.

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During FY2014, the PM-1 line at Bhigwan produced 1,44,553 MT of coated paper and coated boards, while the new PM-2 line produced 1,29,100 MT of coated paper. Total production was higher at 273,653 MT compared to 267,257 MT in FY12-13 in spite of higher quantities of lower grammage products manufactured on PM2. On the product development front the mill successfully developed and manufactured 50 gsm High strength C1S paper for flexible packaging, 350 gsm C2S art board and 180 gsm Matt board for graphics application. This has greatly enhanced our product basket. There has been a continued focus on cost reduction and several initiatives were taken to reduce the cost of production. Wet end chemicals usage has been optimized which has resulted in reduction in usage by almost 5% from 47.97 Kg/ton to 45.22 kg/Ton. The unit also optimized the coating slip cost through introduction of cost effective synthetic binders in the C1S grades. Overall coating chemical consumption was reduced from 438.75 kg/ton to 430.98 kg/ton. In addition, finishing losses were significantly reduced from 8.38% to 7.63% on PM2. In order to improve the product quality, we installed a modern Web Inspection system on the paper machine to reduce breaks at the coater and also physical defects in the paper. It has helped us to significantly improve the quality.

During FY2014, the Sewa Unit produced 69,947 MT of paper compared to 68,614 MT in FY2013. Own bleached pulp production was also higher at 56,951 ADMT against 50,687 MT in the previous year. The mill undertook several initiatives for quality improvement and new product development. During the year new grades of paper viz. SSML-HB 65,74,88,120 and 165 gsm were developed in line with market demand. In addition, FSC copy paper under the brand name "P3 Go Green Multipurpose Paper" was introduced. A major initiative has been taken to modify the pulp bleaching sequence from C/D,Eop,H,D to C/D, Eop, D1, D2. This has resulted in a significant reduction in elemental chlorine reduction making the pulp manufacturing process more environment friendly. In addition, there is an improvement in the quality of pulp - brightness from 86% to 87% ISO thereby improving the final paper brightness from 91% to 92.5 % ISO. Another major initiative has been undertaken to reduce the fiber consumption from 792 Kg/MT to 771 Kg/MT by improving strength of pulp and incorporation of new process technology.

During FY2014, Unit Ashti produced 48,920 MT of paper, which is higher by 3367 MT as compared to previous year production of 45,553 MT. On the product development front, Unit Ashti successfully developed and manufactured new shades and products in writing & printing segment such as Wisdom Print, Magna Print and Copier grade paper for digital printing. During FY 2014, we have introduced new process technologies - nano-particle technology for RDA system and pigmented OBA technology for better quality of paper. We also introduced shrink packing of copier products which resulted in improved quality of packing and lower production costs. As part of fiber conservation, ash levels in paper have been increased. Also, fiber development through enzyme technology resulted in lower consumption of softwood pulp. These initiatives helped in reduction of fiber consumption along with improvement in paper quality.

During FY 2014, SFI produced 129,642 MT of paper, out of which, 32,974 MT paper was exported. SFI successfully ramped up the production from upgraded Pulp Mill having Continuous digester and ECF bleaching process, to about 80% capacity utilization. Total bleached pulp production was 191,847 MT which was 8.8% higher than FY2013. In line with the strategy of vertical integration across BILT's different entities, SFI exported 83,371 MT of sheeted pulp to BILT's paper manufacturing unit in India. As part of the pulping process optimization to improve the quality and reduce the cost, SFI improved cooking yield from 45.9% to 47.8%, thus bringing down the wood consumption from 6.72GT/ ADMT to 6.19GT/ ADMT of bleached pulp, reduced specific consumption of Caustic (cooking chemical) from 16.5 Kg/T to 14.8 kg/T of bleached pulp and ClO2 (bleaching chemical) from 20.8 kg/T to 18.5 kg/T of bleached pulp. Also as part of the resource conservation initiatives, SFI increased the ash levels in the paper by using new technologies for saving the fiber consumption (Fiber reduced from 755kg /T to 743 kg/T of paper) and reduced specific power consumption (from 1299Kwh/T to 1163Kwh/T of product) in paper manufacturing process.

The Group has a net current liability position as at 30 June 2014 and 30 June 2013 primarily due to increase in capital creditors, delay in capitalisation of pulp manufacturing facility at Ballarpur and increase in short term borrowings. These balances have increased due to capital expansion and current portion of long term borrowings becoming due for payment in accordance with the terms of the loan agreements. The Group is earning operating profits and has positive cash flows from operations. The directors believe the Group will be able to manage the cash flows for at least the next twelve months based on drawing facilities available US\$221,047 (refer note 21.6) and efficient working capital management. The Group plans to raise equity and is in negotiations with private equity investors to reduce the outstanding debt obligations.

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

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 Company's risk management and internal control system is designed to determine risks in relation to the achievement of business objectives and appropriate risk responses.

The risk management is an integral part of our approach and includes, management reviews and reviews in business and 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 Company 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.

The Group's 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 major foreign currencies that the Group deals in are United States Dollar, Malaysian Ringgit and Euro. Indian Rupees is the functional currency of the Group. In current year there has been significant fluctuation in foreign currencies which has adversely affected the Group. To minimize the risk, it will engage in forward buying and hedging when necessary.

(ii) Market 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 the operations. We enter into fixed price contracts to establish determinable prices for key raw materials and consumables.

(iii) 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.

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(iv) Liquidity risk

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 year.

(v) 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 post 30 June 2008. To mitigate the exposure to interest rate fluctuations on borrowings the Group is utilizing interest rate swaps and interest rate options.

(vi) 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.

(vii) 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, 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.

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Future outlook

The Group commissioned the pulp mill of Ballarpur unit during the year ended 30 June 2014. The expected cost benefits and related margin increase will result in higher EBIDTA margin in the next financial year as the import of hard wood pulp will be fully replaced with internally manufactured pulp.

The Company proposes to raise equity through listing on Singapore stock exchange for which draft prospectus has been filed and from the International Finance Corporation ("IFC") which will be used to repay the high cost borrowings resulting in lower finance cost.

Post Balance Sheet events

1. The Company proposes to raise equity through listing on Singapore stock exchange for which draft prospectus has been filed on 24 September 2014.

2. On 03 October 2014, a Subscription Agreement was entered between Bilt Paper B.V., (the Company) and International Finance Corporation (IFC) and a Policy Agreement between Avantha Holdings Limited, Ballarpur Industries Limited, Ballarpur International Holdings B.V. (collectively, the Sponsors), the Company, and IFC, wherein IFC has agreed to subscribe to 100 million fully paid common shares with the nominal value of Euro 0.01 each in the company for a consideration of US\$100 million on the terms and conditions specified therein. Pursuant to above agreement the Company has received US \$ 100 million on 31 October, 2014 and has allotted 100 million fully paid common share to IFC on 31 October 2014. The funds received have been utilised to repay the existing borrowings of the Group.

On 29 October 2014, US\$ 150 million Loan Agreement was entered between Sabah Forest Industries, Malaysia and International Finance Corporation for the purposes of refinancing program and capital expenditure. The loan will be disbursed subject to fulfilment of terms and conditions specified in the "Loan Agreement" and has not been drawn down till date. The agreement also requires company to comply with certain financial covenants on semi-annually basis viz. total financial debt to EBITDA, Current ratio, Prospective debt service coverage ratio and Interest Expense Coverage Ratio and certain non-financial covenants including environmental compliances.

3. 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 by conversion from the share premium reserve with no additional consideration received.

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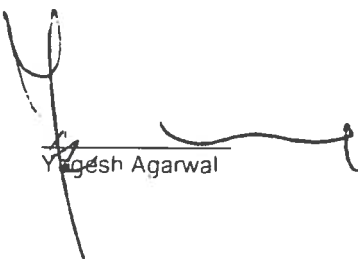
Date 28 November 2014

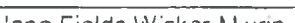
Managing Directors


Gautam Thapar

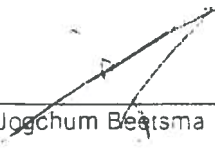

Rajeev Ranjan Vederah


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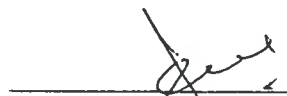
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Managing Directors


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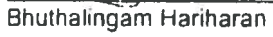
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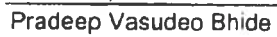

Bhuthalingam Hariharan


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Rajeev Ranjan Vederah


Yogesh Agarwal


Pradeep Vasudeo Bhide

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Consolidated income statement

	Note	Year ended 30 June	
		2014	2013
Continuing operations			
Revenue	5	719,282	698,390
Other operating income	24	8,813	11,319
		728,095	709,709
Gain/ (loss) on change in fair valuation of biological assets	8a	1,228	(2,109)
Raw materials and consumables used	25	(481,133)	(481,340)
Excise duty expenses		(36,926)	(34,124)
Employee benefit expense	28	(47,762)	(43,854)
Depreciation and Amortisation	6	(57,692)	(51,463)
Foreign exchange gains / (losses) – net	32	395	(1,040)
Other operating expenses	26	(54,556)	(53,254)
Operating profit		51,649	42,525
Finance income	30	16,765	311
Finance costs	30	(59,493)	(54,988)
Finance costs, net		(42,728)	(54,677)
Profit / (loss) before income tax		8,921	(12,152)
Income tax (expense)/credit	31	(24,153)	13,009
Profit / (loss) for the year from continuing operations		(15,232)	857
Discontinued operation			
Profit from discontinued operations	40	-	5,411
Profit / (loss) for the year		(15,232)	6,268
Profit / (loss) attributable to			
Owners of the parent		(14,567)	6,977
Non-controlling interest		(665)	(709)
Earnings per share from continuing and discontinued operations attributable to the equity holders of the Company during the year (expressed in USD per share)			
Earning per share basic and diluted	33		
From continuing operations		(16.6)	(8.7)
From discontinued operations		-	2.6
From (loss)/ profit for the year		(16.6)	(6.1)

The notes on pages 15 to 82 are an integral part of these consolidated financial statements.

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Consolidated statement of comprehensive income

		Year ended 30 June	
	Note	2014	2013
Profit/ (loss) for the year		(15,232)	6,268
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Post employment benefit obligations	23	(145)	(487)
		<u>(145)</u>	<u>(487)</u>
Items that may be subsequently reclassified to profit or loss			
Gain/ (loss) on fair value of available-for-sale financial assets net of tax	31	(7,834)	(551)
Currency translation differences	31	(7,392)	(13,307)
Release of cash flow hedge reserve	12	6,314	7,216
		<u>(8,912)</u>	<u>(6,642)</u>
Other comprehensive income for the year, net of tax		<u>(9,057)</u>	<u>(7,129)</u>
Total comprehensive income for the year		<u>(24,289)</u>	<u>(861)</u>
Attributable to:			
– Owners of the parent		(23,481)	(268)
– Non-controlling interest		(808)	(593)
Total comprehensive income for the year		<u>(24,289)</u>	<u>(861)</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 15 to 82 are an integral part of these consolidated financial statements.

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Consolidated statement of financial position

	Note	As at 30 June 2014	2013
ASSETS			
Non-current assets			
Property, plant and equipment	6a	1,117,808	935,909
Intangible assets	6b	405	-
Capital work-in-progress	7	9,466	230,243
Biological assets	8a	122,013	114,143
Available for sale financial assets	11	8,080	17,580
Non current income tax assets		11,863	10,548
Land use rights	8b	13,862	14,048
Deferred income tax asset	22	33,129	44,847
Trade and other receivables	9 & 13	16,761	10,655
		1,333,387	1,377,973
Current assets			
Inventories	14	188,433	150,977
Trade and other receivables	9 & 13	161,682	129,442
Restricted deposits	9 & 15	2,731	2,855
Cash and cash equivalents (excluding bank overdraft)	9 & 16	37,329	6,899
		390,175	290,173
Total assets		1,723,562	1,668,146
EQUITY AND LIABILITIES			
Equity attributable to owners of the company			
Ordinary shares	17 (a)	32	32
Share premium	17 (a)	428,324	428,324
Perpetual capital securities	17(b)	191,114	191,114
Translation reserve		(75,514)	(68,265)
Other reserves	19	30,368	41,115
Retained earnings	18	82,717	107,702
		657,041	700,022
Non-controlling interest		7,243	8,051
Total equity		664,284	708,073
LIABILITIES			
Non-current liabilities			
Borrowings	9 & 21	436,340	283,795
Deferred income tax liabilities	22	9,243	3,607
Derivative financial instruments	9 & 12	1,877	-
Retirement benefit obligation	23	9,348	7,603
		456,808	295,005
Current liabilities			
Trade and other payable	9 & 20	309,124	255,891
Current income tax liabilities		2,309	4,835
Borrowings	9 & 21	291,037	402,983
Derivative financial instruments	9 & 12	-	1,359
		602,470	665,068
Total liabilities		1,059,278	960,073
Total equity and liabilities		1,723,562	1,668,146

The notes on pages 15 to 82 are an integral part of these consolidated financial statements.

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Consolidated statement of changes in equity

	Note	Share capital	Share premium	Retained earnings	Translation reserve	Perpetual capital securities	Other reserves	Total controlling interest	Total equity	
Balance at 30 June 2012		32	428,324	141,770	(54,842)	190,240	63,812	769,336	8,644	777,980
Comprehensive income										
Profit for the year		-	-	6,977	-	-	-	6,977	(709)	6,268
Other comprehensive income										
Currency translation differences	31	-	-	-	(13,423)	-	-	(13,423)	116	(13,307)
Loss on fair valuation of available for sale financial asset net of tax	31	-	-	-	-	-	(551)	(551)	-	(551)
Post employment benefit obligations	23	-	-	-	-	-	(487)	(487)	-	(487)
Release of cash flow hedge reserve	12	-	-	-	-	-	7,216	7,216	-	7,216
Total other comprehensive income		-	-	-	(13,423)	-	6,178	(7,245)	116	(7,129)
Total comprehensive income		-	-	6,977	(13,423)	-	6,178	(268)	(593)	(861)
Transaction with owners										
Issue of Perpetual Capital Securities (net of transaction cost)	17 (b)	-	-	-	-	874	-	874	-	874
Distribution on Group restructuring	39 (a & b)	-	-	(16,140)	-	-	-	(16,140)	-	(16,140)
Dividend tax paid		-	-	(972)	-	-	-	(972)	-	(972)
Repurchase of Profit Certificate	21.2	-	-	-	-	-	(33,308)	(33,308)	-	(33,308)
Transfer to other reserves on repurchase of profit certificate		-	-	(4,433)	-	-	4,433	-	-	-
Distribution on perpetual capital securities	17 (b)	-	-	(19,500)	-	-	-	(19,500)	-	(19,500)
Total transactions with owners		-	-	(41,045)	-	874	(28,875)	(69,046)	-	(69,046)
Balance at 30 June 2013		32	428,324	107,702	(68,265)	191,114	41,115	700,022	8,051	708,073
Comprehensive income										
Profit for the year		-	-	(14,567)	-	-	-	(14,567)	(665)	(15,232)
Other comprehensive income										
Currency translation differences	31	-	-	-	(7,249)	-	-	(7,249)	(143)	(7,392)
Loss on fair valuation of available for sale financial asset net of tax	31	-	-	-	-	-	(7,834)	(7,834)	-	(7,834)
Post employment benefit obligations	23	-	-	-	-	-	(145)	(145)	-	(145)
Release of cash flow hedge reserve	12	-	-	-	-	-	6,314	6,314	-	6,314
Total other comprehensive income		-	-	-	(7,249)	-	(1,665)	(8,914)	(143)	(9,057)
Total comprehensive income		-	-	(14,567)	(7,249)	-	(1,665)	(23,481)	(808)	(24,289)
Transfer from statutory reserve	19	-	-	9,082	-	-	(9,082)	-	-	-
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 2014		32	428,324	82,717	(75,514)	191,114	30,368	657,041	7,243	664,284

The notes on pages 15 to 82 are an integral part of these consolidated financial statements.

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Consolidated statement of cash flows

	Note	Year ended 30 Jun	
		2014	2013
Cash flows from operating activities			
Profit/(loss) for the year before income tax (including discontinued operations)		8 921	(6 741)
Adjustments for:			
Depreciation and amortisation	6	57 692	51,463
Bad debts provision and write off	13	25	-
Release of hedge reserve	12	6 314	7 216
Inventory provision and write off/ back	14	(106)	(21)
Loss/(profit) on sale of property plant and equipment		(41)	(19)
Finance costs net recognized in income statement	29	42 728	54 666
Defined benefit obligation expense	28	1 630	1,296
(Gain) / loss on change in fair value of biological assets	8(a)	(1,228)	2,109
Income from Government Grant	24	(3 375)	(3 566)
Changes in working capital			
Decrease/ (increase) in inventories		(31 176)	(943)
Decrease/ (increase) in trade and other receivables		(34,783)	(34 796)
Increase/ (decrease) in trade and other payables		87 698	5 935
Cash generated from operations		134,299	76,599
Income taxes paid		(7 742)	(1,447)
Net cash generated from operating activities		126,557	75,152
Cash flows from investing activities			
Addition to biological assets	8(a)	(15 252)	(17 175)
Proceeds against Scheme of Incentives (Grant)		4 438	5 871
Proceeds from disposal of property, plant and equipment		1 332	799
Purchase of property, plant and equipment		(7 834)	(9 688)
Additions to capital work-in-progress		(23 494)	(69 666)
Group restructuring	38(c)	(26 373)	(67 179)
Interest received		16 732	241
Decrease/ (increase) in restricted deposits		109	2,155
Net cash used in investing activities		(50,342)	(154,642)
Cash flows from financing activities			
Finance cost paid		(70,350)	(48,449)
Proceeds from borrowings net of transaction costs	21.1	128 150	250 262
Repayment of borrowings	21.1	(94 312)	(120 732)
Re-Purchase of profit certificates	21.2	-	(45 500)
Distribution on Perpetual Capital Securities	17(b)	(19 500)	(19 500)
Proceeds from issuance of Perpetual Capital Securities net of transaction costs	17(b)	-	-
Dividend tax paid		(995)	(972)
Net movement in working capital loans, cash credit, pack, :;g credit bankers acceptance		9 303	55,422
Finance lease payments		(268)	(340)
Net cash flows generated from/ (used in) financing activities		(47,963)	70,191
Effect of change in exchange rate		1,724	1,383
Net increase/ (decrease) in cash and cash equivalents net of bank overdrafts		29,976	(7,916)
Cash and cash equivalents net of bank overdrafts at beginning of the year	16	6 899	14 856
Exchange gains on cash and cash equivalents net of bank overdrafts		454	(41)
Cash and cash equivalents net of bank overdrafts at end of the year	16	37,329	6,899

Refer note 40 for cash flow from discontinued operations.

Refer note 21 for issue of profit certificate against settlement of debt obligation.

The notes on pages 15 to 82 are an integral part of these consolidated financial statements.

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Notes to 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., Paasheuvelweg 16, 1105BH, 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 name of the Company has been changed from Ballarpur International Graphic Paper Holdings B.V. to Bilt Paper B.V. w.e.f. 26 July 2014.

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 2014
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	97.78%

The non-controlling interest (0.01%) in BGPPL is owned by BILT and the non-controlling interest (2.22%) in SFI is owned by the Government of Malaysia.

The registered office address of the Company is Paasheuvelweg 16, 1105BH, Amsterdam, The Netherlands.

The consolidated financial statements of the Group for the year ended 30 June 2014 were authorised for issue in accordance with the resolution of the Board of Directors on 28 November 2014.

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

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations as adopted by the European Union. It has 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

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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 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.

Change in accounting policy

Adoption of IAS 19 (revised 2011)

The revised employee benefit standard introduces changes to the recognition, measurement, presentation and disclosure of post-employment benefits. The standard also required net interest expense/ income to be calculated as the product of the net defined liability /asset and the discount rate as determined at the beginning of the year. The effect of this is to remove the previous concept of recognizing an expected return on plan assets.

Impact on income statement, retained earnings, cash from operating activities and other comprehensive income is explained in the table below:

	2013
Income statement :	
Expense transferred to Other	(705)
Tax expense on above	218
Other comprehensive income	
Post employment benefit obligations expense (net of tax)	(487)
Balance sheet:	
Increase in Retained earnings	487
Decrease in Other Reserves	(487)
Cash flow statement:	
Increase in Profit before tax	705
Defined benefit obligation expense	(705)

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 July 2013.

IFRS 10, 'Consolidated Financial Statements', effective for annual periods beginning on 01 January 2013: IFRS 10 supersedes IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation — Special Purpose Entities. The IFRS defines the principal of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements. The IFRS also sets out the accounting requirements for the preparation of consolidated financial statements. The Group has assessed the requirements and Group is complying with the requirements.

IFRS 12, 'Disclosure of interests in other entities', effective for annual periods beginning on 01 January 2013, includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

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The Group has evaluated the impact. The Group has considered the above relationships and there is no additional impact on disclosures for Group.

IFRS 13, 'Fair value measurement', effective for annual periods beginning on 01 January 2013, provides a specific guidance on fair value measurement and requires enhanced disclosures for all assets and liabilities measured at fair value, not restricting to financial assets and liabilities. The standard introduces a precise definition of fair value and provides guidance on how fair value is measured under IFRS when fair value is required or permitted. IFRS 13 sets out in a single standard a framework to measure the fair value and it also requires disclosures about the fair value measurement. The Group has included the applicable disclosures in the financial statements, refer note 8a and note 11.

IAS 16, Property, Plant and Equipment, (effective for annual periods beginning on 01 January 2013): The previous wording of IAS 16 indicated that servicing equipment should be classified as inventory, even if it was used for more than one period. Following the amendment, this equipment used for more than one period is classified as property, plant and equipment. The Group is complying with the standard.

IAS 32, Financial Instruments: Presentation, (effective for annual periods beginning on 01 January 2013): Prior to the amendment, IAS 32 was ambiguous as to whether the tax effects of distributions and the tax effects of equity transactions should be accounted for in the income statement or in equity. The amendment clarifies that the treatment is in accordance with IAS 12. So, income tax related to distributions is recognised in the income statement, and income tax related to the costs of equity transactions is recognised in equity. The Group has complied with the standard requirements.

IAS 19 (revised), Employee benefits', issued in June 2011 (effective for annual periods beginning on or after 2013): It supersedes IAS 19, Employee benefits'. The revised standard eliminates the corridor approach and method of calculating finance cost on a net funding basis. The standard has also introduced additional disclosure requirements to present the characteristics of defined benefit plans, the amount recognised in financial statements and the risks arising from defined benefit plans. The standard does not have material impact on Group's financial statements.

IFRS 7 (Amendment), Financial instrument Disclosure, offsetting financial assets and financial liabilities, (effective for annual periods beginning on or after 01 January 2013), focus on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instrument that are subject to master netting or similar arrangements irrespective of whether they are offset. The standard does not have a material impact on the Group's financial statements.

b. New and amended standards, and interpretations issued but not effective for the financial year beginning 01 July 2014 and not early adopted

IFRS 9 (Amendment), Financial Instruments: IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on 01 January 2018.

IAS 19 (Amendment), Employee benefits (2011), (effective date annual periods beginning on or after 1 January 2014), this amendment clarifies the application of IAS 19, 'Employee benefits' (2011) – referred to as 'IAS 19R', to plans that require employees or third parties to contribute towards the cost of benefits. The amendment does not affect the accounting for voluntary contributions. The standard is not expected to have a material impact on

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the Group's financial statements. The Group intends to adopt the amendment from the accounting period beginning on 01 July 2014.

IAS 32 (Amendment), Financial instruments: Presentation, on asset and liability offsetting (effective date annual periods beginning on or after 1 January 2014), these amendments are to the application guidance in IAS 32, 'Financial instruments: Presentation', and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The standard is not expected to have a material impact on the Group's financial statements. The Group intends to adopt the amendment from the accounting period beginning on 01 July 2014.

IFRIC 21, 'Levies' (effective date annual periods beginning on or after 1 January 2014), this is an interpretation of IAS 37, 'Provisions, contingent liabilities and contingent assets'. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The Group is currently evaluating the impact of the adoption of this interpretation will have on its consolidated financial statements and intends to adopt the standard from the accounting period beginning on 01 July 2014.

IFRS 8 (Amendment) 'Operating Segments' requires disclosure of judgement made by management in aggregating operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. The Amendment will be applicable for annual period beginning on or after July 1, 2014. The amendment will not have a material impact on the financial statement.

IAS 24, 'related Party Disclosure', The standard is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'). The reporting entity is not required to disclose the compensation paid by the management entity to the management entity's employees or directors, but it is required to disclose the amounts charged to the reporting entity by the management entity for services provided. The amendment will be effective for annual periods beginning on or after July 1, 2014. The amendment will not have a material impact on the financial statement.

Certain amendments relating to IAS 1, IAS 12, IAS 16, IAS 19, IAS 27, IAS 28, IAS 34, IAS 36, IAS 38, IAS 39, IAS 40, IFRS 1, IFRS 2, IFRS 3, IFRS 10, IFRS 11, IFRS 12, IFRS 13, IFRS 14, IFRIC 13, and IFRIC 20 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 rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power 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 combination between entities under common control. The consideration transferred for the acquisition of a subsidiary is the fair values 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.

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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.

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.

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 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.

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(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 June 2014	Average year ended 30 June 2014	As at 30 June 2013	Average year ended 30 June 2013
Indian Rupee	INR	60.05	61.43	59.67	54.85
Malaysian Ringgit	MYR	3.21	3.25	3.16	3.10

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:

Buildings

Factory buildings	8 to 26 years
Residential buildings	55 to 61 years

Plant and machinery and equipment

Paper, pulp and utility plants, machinery and equipment acquired and installed in recent years (2009 onwards)	20 to 30 years
Other paper, pulp and utility plants, machinery and equipment	15 to 18 years
Power plants	15 to 18 years
Office and other equipment	4 to 10 years

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Motor vehicles	4 to 5 years
Jetty and access roads	25 years

The estimated useful lives, residual values and depreciation method are reviewed at each 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 recognized 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.

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 operating profit.

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 costs to sell 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.

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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

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. Currently derivatives have not

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been designated in a cash flow hedge 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

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

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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 except for log inventories for which cost is determined on a first-in, first-out basis. The cost of direct 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 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. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

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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, which meets the definition of equity instrument are 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

(a) 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.

(b) 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.

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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 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 year. 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 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 intention to settle the balances on a net basis.

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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.

2.20 Revenue recognition and Other Operating Income

(a) Revenue Recognition

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.

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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 the value based on estimated volumes 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 sale to customers is 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

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 grant over the useful life of the related assets.

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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 Group's 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 Group's 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 it had always been combined, prospectively from the date on which the business combination occurred (refer note 38 for complete details). The predecessor accounting method is used. Meaning the assets and liabilities are included based on the carrying amount of the previous financial statements (Avantha Group for power plants and BILT Group for Sewa and Ashti which prepare financial statements under Indian GAAP). 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 (refer note 38 for complete details).

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2.27 Provisions

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 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: foreign exchange risk (including currency risk), interest rate risk, credit risk, liquidity risk and competition 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 year end translation of these instruments will be 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

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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.

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 year and as a result of movement of year-end balances which are mainly as a result of foreign exchange gains/losses on translation of trade receivables denominated in other currencies, financial assets at fair value through profit or loss and foreign exchange losses/gains on translation of US dollar-denominated borrowings. The impact on equity is also same as part of profit for the year. The sensitivities are based on the assumption that the exchange rate changes by 1%/6% in respect to INR to US\$, 6%/10% in respect to INR to EUR, 2%/1% in respect to MYR to US\$ and 7%/2% in respect to MYR to EUR for the years ended 30 June 2014 and 30 June 2013 respectively with all other variables held constant.

	Effect on profit / (loss) before tax/Equity	
	2014	2013
INR to US\$		
Gain/(loss) associated with change from year end rate		
INR strengthens by 1%/6% against US\$	3,316	20,144
INR weakens by 1%/6% against US\$	(3,316)	(20,144)

	Effect on profit / (loss) before tax/Equity	
	2014	2013
INR to Euro		
Gain/(loss) associated with change from year end rate		
INR strengthens by 6%/10% against Euro	306	243
INR weakens by 6%/10% against Euro	(306)	(243)

	Effect on profit / (loss) before tax/Equity	
	2014	2013
MYR to US\$		
Gain/(loss) associated with change from year end rate		
MYR strengthens by 2%/1% against US\$	3,295	1,744
MYR weakens by 2%/1% against US\$	(3,295)	(1,744)

	Effect on profit / (loss) before tax/Equity	
	2014	2013
MYR to Euro		
Gain/(loss) associated with change from year end rate		
MYR strengthens by 7%/2% against Euro	8	32
MYR weakens by 7%/2% against Euro	(8)	(32)

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(b) Interest rate risk

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 year. The sensitivities are based on the assumption that the interest rate changes by 50 basis points for the years ended 30 June 2014 and 30 June 2013 with all other variables hold constant.

Interest rates Gain/(loss) associated with change from year end rate	Effect on profit / (loss) before tax/Equity	
	2014	2013
Interest rates higher by 50/ 50 basis points	(2.253)	(1.205)
Interest rates lower by 50/ 50 basis points	2.253	1.205

(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. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. 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 has credit rating 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

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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:

At 30 June 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Borrowings (excluding financial lease liabilities)	328,082	177,478	271,697	58,487
Financial lease liabilities	196	65	22	-
Derivative financial instruments	1,218	1,168	2,986	-
Trade and other payables (excluding deferred revenue)	297,359	-	-	-
Total	626,855	178,711	274,705	58,487

At 30 June 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Borrowings (excluding financial lease liabilities)	301,705	121,391	324,073	35,088
Financial lease liabilities	302	201	89	-
Derivative financial instruments	1,359	-	-	-
Trade and other payables (excluding deferred revenue)	248,033	-	-	-
Total	551,399	121,592	324,162	35,088

The amount of profit certificates (further described in note 21.2(b)) issued and outstanding 30 June 2012 are included in the "over 5 years" column of the above table of year ended 30 June 2012 since they were perpetual in nature. Profit certificate were fully redeemed in the year ended 30 June 2013.

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. 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 and profit certificates are not considered as equity.

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

	2014	2013
Equity as per Stockholders equity	657,041	700,022
	657,041	700,022

3.3 Fair value estimation

The tables below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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- 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 2014 and 30 June 2013.

Group's assets and liabilities that are measured at fair value at 30 June 2014 and 30 June 2013.
See note 8 (a) for disclosures of the biological assets measured at fair value.

30 June 2014				
	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				-
– Investments	-	-	8,080	8,080
Total assets	-	-	8,080	8,080
Liabilities				
Financial assets at fair value through profit or loss				
– Derivatives	-	1,877	-	1,877
	-	1,877	-	1,877
30 June 2013				
	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets				-
– Investments	-	-	17,580	17,580
Total assets	-	-	17,580	17,580
Liabilities				
Financial assets at fair value through profit or loss				
– Derivatives	-	1,359	-	1,359
	-	1,359	-	1,359

The fair value of financial instruments traded in active markets is 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 2014 and 30 June 2013 is based on a valuation model of discounted cash flow.
- 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.

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- The fair value of the LIBOR profit certificates on initial recognition and on repurchase has been calculated using the Group's observable borrowing rate which considers comparable margin and discounted cash flow analysis. However, since these instruments are carried at amortized cost, they have not been included in level hierarchy disclosure.
- 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 3 instruments as at 30 June 2014 and 30 June 2013.

	Available for sale financial assets
At 30 June 2012	19,328
Gains and losses recognised in other comprehensive income	(688)
Exchange differences	(1,060)
At 30 June 2013	17,580
Gains and losses recognised in other comprehensive income	(9,792)
Exchange differences	292
At 30 June 2014	8,080

The available-for sale investment at 30 June 2011 was classified as Level 2 instrument based on a comparable market transaction which occurred in August 2011. However, in the absence of comparable transaction, the same is classified as Level 3 instrument as at 30 June 2014 and 30 June 2013 and its fair value is based on a valuation model applying discounted cash flow analysis under residual and replacement approach.

The critical assumptions for determination of fair value of available for sale securities are revenue growth and cost estimates. Based on sensitivity in assumptions and methods of calculation, a range of values has been determined by the management and the fair valuation of available for sale financial assets is based on mid value of these ranges. Other things remaining constant, if the discount rate is higher/lower by 1%, the fair valuation would be higher/lower by US\$1,377/ US\$1,171 and (2013:US\$2,592/ US\$2,228).

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*

For fixed assets in a business combination, an external adviser is used to perform a fair valuation of the acquired fixed assets (Plant, machinery, equipment and buildings). Further 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 and 39)

(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

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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.

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 among other estimates, applicable or effective dates and day conventions, fixed rate coupon, floating index, notional amount and reset frequency. The fair value of foreign exchange forward and option contracts has been determined based, on among other estimates, the value of swap and the mark-to-market value of option. Changes in any estimates could lead to recognition of significant fair value changes in income statement.

The Group has used discounted cash flow analysis for available-for-sale financial asset that is not traded in the active market. Refer notes 11 and 12.

(d) Release of hedge reserve

Foreign exchange risk in highly probable sales in future periods are hedged using foreign currency borrowings designated as cash flow hedges. Estimating highly probable sales volume involves gathering and evaluating sales estimates for future periods as well as analysing actual outcome on a regular basis in order to fulfil effectiveness testing requirements for hedge accounting. Deviations in outcome of sales might result in the requirements for hedge accounting is not being fulfilled. Refer note 12.

(e) 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 receivable is based on sales estimates within State of Maharashtra which involves gathering and evaluating sales estimates for future periods as well as analysing actual outcome on a regular basis. Changes in estimates could lead to significant changes in grant income and are accounted for prospectively over the balance period of the asset. Refer note 38

The significant judgement is in relation to the following item:

(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 30)

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(b) Group restructuring

Assets and liabilities of the acquired units have been fair valued on the date of transfer in accordance with IFRS 1 and useful lives of assets have been determined by external advisor. 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.

(c) 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.

(d) 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 calculated by using cash flow projections based on financial budgets approved by management covering a five to eight year period based on assumptions like, maturity of the underlying market, market share and volume development to determine the revenue mix and growth rate. 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 manufactured in Malaysia – SFI production unit
- Rayon grade pulp manufactured in India– Kamalapuram production unit (till 30 September 2012) which has been regarded as a discontinued operation

*Sewa and Ashti w.e.f. 01 October 2012

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 sells surplus power, that it produces, 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 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.

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

The segment information provided to the Board for the reportable segments for the years ended 30 June 2014 and 30 June 2013 is as follows:

	Year Ended 30 June 2014					
	Paper		Total	Head office /Others**	Total	
	India	Malaysia				
	Coated	Uncoated	Uncoated			
Total Segment Revenue	289,100	328,827	154,135	772,062	-	772,062
Inter Segment Revenue	-	-	(52,780)	(52,780)	-	(52,780)
Revenue from External Customers	289,100	328,827	101,355	719,282	-	719,282
Net Revenue from External Customers*	272,227	308,774	101,355	682,356	-	682,356
EBITDA	70,141	29,510	17,410	117,061	(7,720)	109,341
Depreciation	(11,507)	(20,657)	(25,507)	(57,671)	(21)	(57,692)
Operating Profit/(Loss)	58,634	8,853	(8,097)	59,390	(7,741)	51,649

	Year Ended 30 June 2013						
	Paper						
	India		Malaysia		India	Head office	
	Coated	Uncoated	Uncoated	Total	Pulp***	/Others**	Total
Total Segment Revenue	282,866	307,634	158,034	748,534	23,735	-	772,269
Inter Segment Revenue	-	(1,936)	(48,208)	(50,144)	-	-	(50,144)
Revenue from External Customers	282,866	305,698	109,826	698,390	23,735	-	722,125
Net Revenue from External Customers*	266,272	288,168	109,826	664,266	22,354	-	686,620
EBITDA	72,834	24,827	413	98,074	5,400	(4,086)	99,388
Depreciation	(10,184)	(14,859)	(26,408)	(51,451)	-	(12)	(51,463)
Operating Profit/(Loss)	62,650	9,968	(25,995)	46,623	5,400	(4,098)	47,925

*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 and Dutch entities.

***Discontinued operation

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

A reconciliation of EBITDA to profit before tax, including discontinued operation is provided as follows:

	2014	2013
EBITDA for reportable segments	117,061	103,474
Head office / Others	(7,720)	(1,086)
Total Segments	109,341	99,388
Depreciation	(57,692)	(51,463)
Finance cost Net	(42,728)	(54,666)
Profit before Tax	8,921	(6,741)

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

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Breakdown of the revenue from external customers is as follows:

	2014	2013
Paper	713,627	691,079
Rayon Grade Pulp	-	23,735
Timber and related products	3,458	6,353
Caustic soda	11	498
Power	2,186	460
	<u>719,282</u>	<u>722,125</u>

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.

	2014	2013
India- Domestic	581,907	575,787
India- Export	36,019	36,512
Malaysia- Domestic	72,124	77,356
Malaysia- Export	29,232	32,470
	<u>719,282</u>	<u>722,125</u>

The breakdown of the major components of the total of 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 and non-current income tax assets) located in India and Malaysia is disclosed below:

	2014	2013
India	775,816	786,877
Malaysia	512,579	535,701
	<u>1,288,395</u>	<u>1,322,578</u>

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

Revenues for the years ended 30 June 2014 and 30 June 2013 amounting to US\$57,449 and US\$56,684 respectively were derived from a single external customer.

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6a. Property, plant and equipment

	Land and buildings	Plant and machinery	Motor vehicles	Jetty and access roads	Total
Year ended 30 June 2014					
Opening net book amount	79,019	848,916	1,096	6,878	935,909
Additions	54,519	190,787	82	1,378	246,766
Exchange differences	479	(6,369)	(12)	(80)	(5,982)
Disposals	-	(1,274)	(16)	-	(1,290)
Depreciation charge	(4,082)	(51,457)	(381)	(1,675)	(57,595)
Closing net book amount	129,935	980,603	769	6,501	1,117,808
As of 30 June 2014					
Cost	152,540	1,193,504	2,842	17,939	1,366,825
Accumulated depreciation	(22,605)	(212,901)	(2,073)	(11,438)	(249,017)
Net book amount	129,935	980,603	769	6,501	1,117,808
Year ended 30 June 2013					
Opening net book amount	69,104	835,647	1,153	8,657	914,561
Additions	3,496	32,255	410	777	36,938
Group restructuring- additions	24,310	116,530	7	189	141,036
Exchange differences	(3,855)	(24,567)	(57)	5	(28,474)
Group restructuring- disposals	(9,907)	(64,964)	(19)	(1,019)	(75,909)
Disposals	(88)	(662)	(30)	-	(780)
Depreciation charge	(4,041)	(45,323)	(368)	(1,731)	(51,463)
Closing net book amount	79,019	848,916	1,096	6,878	935,909
As of 30 June 2013					
Cost	98,509	1,027,081	2,812	16,831	1,145,233
Accumulated depreciation	(19,490)	(178,165)	(1,716)	(9,953)	(209,324)
Net book amount	79,019	848,916	1,096	6,878	935,909

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

(i) Idle Assets

As at the year end, plant and machinery includes net assets aggregating US\$28,841 which have been lying idle since October 2013, upon commissioning of the new pulp mill at Ballarpur production unit. Depreciation amounting to US\$2,190 has been charged on such assets for the year as the company intends to use all such assets in next phase of expansion.

(ii) Testing of Impairment of Tangible assets

The management undertakes impairment assessment wherever indicators exist. A detailed review of the recoverable amount of each CGU was performed. The recoverable amount is the higher of the fair value less cost to sell and value in use. Fair value less cost to sell represents the best estimate of the amount Bilt Paper B.V. would receive if it were to sell the CGU. The fair value was estimated on the basis of the present value of future cash flows taking into account the cost to sell.

During the current year also considering the past history of losses at SFI, the management has carried out an impairment assessment. The recoverable amount was determined on the basis of the value in use using the discounted cash flow method. The basis for projecting future cash flows is the business plan for eight years from 2015 to 2022 which has been prepared and approved by the management. This plan takes into consideration management's expectations regarding the future development of the relevant market. Budgeted gross margins

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are based on the past performance and expectations for market development. The applied growth rates represent the EBITDA rate of the related operations and markets and are consistent with forecasts included in industry reports. The Company has used pre-tax discount rate of 10.5% which reflects specific risks relating to each CGU. The Malaysian CGU has considered a price increase of 9% in the year 2015-16, and thereafter an average annual growth in revenue of 3% which works out at an overall average of 4%, for the purpose of impairment testing as the paper industry is cyclical by nature and the prices have been on a downtrend since last couple of years. For the purpose of impairment testing a 3% terminal growth has been considered.

Key assumptions used to determine the recoverable values of all CGUs are:

- 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.

Based on the impairment test, management concluded that the recoverable amount based on value in use for the India CGUs is above the carrying amount as on 30 June 2014. Also, the value in use for the Malaysian CGUs is above the carrying amount of US\$368 million which is sensitive to the assumption of growth and price increase.

No impairment charge as on 30 June 2014 has been recognized in these financial statements as the management believe that the investments in SFI is of strategic in nature.

The following changes in material assumptions will lead to a situation where the carrying amount equals or exceeds the value in use:

Increase in sales price	Terminal Growth	Value of Assets	Value in Use	(Impairment)
4%	3%	368	429	61
3.5%	3.5%	368	398	30
2.5%	2.5%	368	276	(92)

Property, plant and equipment include the following amounts relating to vehicles where the Group is a lessee under a finance lease:

	2014	2013
Cost – capitalised finance leases	948	964
Accumulated depreciation	(799)	(663)
Net book amount	149	301

Refer note 21 for assets charged as security.

6b. Intangible Assets

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	2014	2013
Opening net book amount	-	-
Exchange differences	5	-
Additions	497	-
Amortisation charge	(97)	-
Closing net book amount	405	-

	2014	2013
Cost	502	-
Accumulated amortization	(97)	-
Net book amount	405	-

7. Capital work-in-progress

	2014	2013
Opening balance	230,243	185,126
Group restructuring- additions	-	4,057
Additions	30,923	83,441
Transferred to property, plant & equipment	(246,117)	(27,191)
Disposals	16	(1,911)
Exchange differences	(5,599)	(13,279)
Closing balance	9,466	230,243

Capital work-in-progress primarily comprised plant and machinery under construction for the expansion of production capacity of various production units of the Group and building. The pulp mill upgrade at Ballarpur has been commissioned during the year ended 30 June 2014.

Refer note 21 for assets charged as security.

8a. Biological assets

The Group - through its subsidiary SFI - manages about 288,623 (2013: 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, the Industrial Tree Plantation (ITP) and Natural Forest Management (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 movement of the biological assets of the Group are given below:

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	2014	2013
Opening balance	114,143	111,514
Additions	15,252	17,175
Gain/ (loss) arising from change in fair value	1,228	(2,109)
Decrease due to harvest -transfer to inventory	(6,877)	(13,693)
Exchange differences	(1,733)	1,256
Closing balance	122,013	114,143

The cumulative fair value of the biological assets has increased primarily due to change in mix of species to be extracted in future years, higher sales prices of wood logs in future years and higher volumes of NFM to be harvested according to plan of the company.

The Group harvested 1,016,384 cubic meters and 911,953 cubic meters of trees for the year ended 30 June 2014 and 30 June 2013 respectively.

The following table presents the Group's biological assets that are measured at fair value at 30 June 2014:

	Level 1	Level 2	Level 3	Total
At 30 June				
Tree crops	-	-	122,013	122,013
Total	-	-	122,013	122,013

The movement in the fair value of assets within Level 3 of the hierarchy has been given above.

	Tree crops
Opening balance	114,143
Increased due to expenditure to planted areas	15,252
Decrease due to harvest	(6,877)
Gain in profit and loss arising from Biological transformation	1,228
Exchange differences	(1,733)
Closing balance	122,013
Total gains or losses 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'	1,228

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

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

Description	Fair value at 30 June 2014	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Tree crops	122,013	Discounted cash flows	Log price (US\$/cubic meters)	ITP - 51-54 NFM - 191-232	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 - 108-143 NFM - 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 and external audits are carried out for regulatory compliances. External audits by the various entities include government departments and International Forestry Auditing Organisations which ensure regulatory and environmental compliances. The Group has ensured that necessary regulations have been complied with as at the balance sheet date. For conditions refer note 41.

ii. Supply and demand risks

Demand is determined by the raw material required for the pulp-mill and ITC 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 minimizes the risks.

Strategic and tactical planning has been conducted using the approved management plans which include the financial requirements for operating the three land units. Annual works plans based on the long term planning and the budgetary requirements for this are approved and updated every year.

The methodology used to determine the fair value of biological assets less costs to sell is in compliance with both IAS 41, Agriculture, 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.

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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.
- II. pre-tax discount rate based on the market rate of return for similar risks, considered as 10.5% and 10.5% for the year ended 30 June 2014 and 30 June 2013 respectively for ITP and 16.9% and 13.5% for the year ended 30 June 2014 and 30 June 2013 respectively 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-Jun	
	2014	2013
1% decrease in discount rate	5.265	5.781
1% increase in discount rate	(4.936)	(4.973)

	30-Jun	
	2014	2013
5% decrease in cost	21.534	19.065
5% increase in cost	(21.534)	(18.654)

	30-Jun	
	2014	2013
5% decrease in price	(28.044)	(28.065)
5% increase in price	28.044	28.499

	30-Jun	
	2014	2013
5% decrease in volume	(6.510)	(6.124)
5% increase in volume	6.510	6.124

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

	2014	2013
Opening balance	14.048	11.916
Group restructuring- additions	-	2.641
Group restructuring- disposals	-	(16)
Amortisation of land premium	(189)	(200)
Exchange differences	3	(293)
Closing balance	13,862	14,048
	2014	2013
Cost	15.324	15.321
Accumulated amortisation	(1.462)	(1.273)
Net book amount	13,862	14,048

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All amounts in US Dollar thousands unless otherwise stated

9. Financial instruments by category

Assets as per balance sheet	Loans and receivables	Available for sale financial assets	Total
As of 30 June 2014			
Restricted deposits	2,731	-	2,731
Available-for-sale financial assets	-	8,080	8,080
Trade and other receivables*	106,015	-	106,015
Grant Receivable	8,947	-	8,947
Cash and cash equivalents	37,329	-	37,329
Total	155,022	8,080	163,102

As of 30 June 2013			
Restricted deposits	2,855	-	2,855
Available-for-sale financial assets	-	17,580	17,580
Trade and other receivables*	69,877	-	69,877
Grant Receivable	8,229	-	8,229
Cash and cash equivalents	6,899	-	6,899
Total	87,860	17,580	105,440

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 2014			
Borrowings (excluding finance lease liabilities)	-	727,105	727,105
Finance lease liabilities	-	272	272
Trade and other payables	-	309,124	309,124
Derivative financial instruments	1,877	-	1,877
Total	1,877	1,036,501	1,038,378

As of 30 June 2013			
Borrowings (excluding finance lease liabilities)	-	686,224	686,224
Finance lease liabilities	-	554	554
Trade and other payables	-	255,891	255,891
Derivative financial instruments	1,359	-	1,359
Total	1,359	942,669	944,028

* 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\$4,852 and US\$5,227 for the years ended 30 June 2014 and 30 June 2013 respectively, were derived from a single external customer.

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:

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	2014	2013
Trade receivables:		
Customers with default in the past	1,364	-
Customers with no default in the past	37,020	29,990
Total	38,384	29,990

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

	2014	2013
Cash at bank and short term deposits		
AAA	1,213	3,600
AA and AA+	2	11
A1+	36,061	3,015
A and A-	22	238
Total	37,298	6,864

	2014	2013
Deposits forming part of restricted deposits		
AAA	17	4
A1+	2,714	2,851
Total	2,731	2,855

	2014	2013
Related parties with no defaults in the past	62,675	39,665
Total	62,675	39,665

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

11. Available-for-sale financial asset

	2014	2013
Opening balance	17,580	19,328
Exchange difference	292	(1,060)
Changes in fair value recognised in other comprehensive income (note 19)	(9,792)	(688)
Closing balance	8,080	17,580

During the year ended 30 June 2009 the Company 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 2014 (represented by 31,226,754 shares which includes bonus shares allotted to Company) was 3.39% (2013: 3.39%). The purchase price for both transactions was based on the book value of the net assets.

The fair value of the available-for sale investment at 30 June 2014, 30 June 2013 and 30 June 2012 is based on cash flows discounted using a rate based on the market interest rate and a risk premium specific to the unlisted security considered at 14.5% (2013: 14.5%).

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12. Derivative financial instruments and hedging activities

	2014	2013
Liabilities (Non-current)		
Interest rate swaps	(1,877)	(1,359)
Total	(1,877)	(1,359)
Less: Liabilities (Non-current portion)		
Interest rate swaps	1,877	-
Current portion	-	(1,359)

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 dollar.

Interest rate swaps

During the year ended 30 June 2009, the Group entered into three interest rate swap contracts for a total notional principal amount of US\$ 310,000. Under these arrangements, the Group receives a floating LIBOR based interest rate and pays fix rates. The interest rate swap arrangements are designed to protect the Group from increase in LIBOR rates by providing a cap of 6.0%. The (gain)/loss arising from the interest rate swap amounting to US\$(414), US\$176 and US\$1,586 (refer note 29), for the years ended 30 June 2014, 30 June 2013 and 30 June 2012, respectively has been recognised in the income statement in finance costs. During the year ended 30 June 2014, these contracts has been expired.

During the year ended 30 June 2014, the Group entered into four interest rate swap contracts for a total notional principal amount of US\$122,500. Under these arrangements, the Group receives a floating LIBOR based interest rate and pays fix rates. The loss arising from the interest rate swap amounting to US\$2,454 (refer note 29), for the years ended 30 June 2014 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 from 01 January 2011 to 30 June 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\$6,314, US\$7,216, US\$7,667 and US\$4,059 for the year ended 30 June 2014, 30 June 2013, 30 June 2012 and 30 June 2011 respectively. The balance foreign exchange loss in other comprehensive income will be released to the income statement in the year ending 30 June 2015 based on the original forecast sales anticipated. The release of the foreign exchange loss will be based on comparison of forecasted and actual sales and is expected to result in a charge of US\$4,960, for the year ending 30 June 2015.

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13. Trade and other receivables

	2014	2013
Trade receivables	38,570	30,152
Less: Provision for impairment of trade receivables	(186)	(162)
Trade receivable – net	<u>38,384</u>	<u>29,990</u>
Prepayments	6,835	6,026
Statutory dues recoverable	49,066	46,851
Grant receivable (refer note 38)	8,947	8,229
Deposits	504	321
Amounts due from related parties (refer note 36e)	62,675	39,665
Advance to suppliers-other than fixed assets	10,660	7,386
Other receivables	<u>1,372</u>	<u>1,629</u>
	178,443	140,097
Less: Non current portion:		
Statutory dues recoverable	(15,346)	(10,466)
Prepayments	(1,415)	(189)
Non current portion	<u>(16,761)</u>	<u>(10,655)</u>
Current portion	<u>161,682</u>	<u>129,442</u>

The fair values of trade and other receivables in the nature of financial assets 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 2014 and 30 June 2013 trade receivables of US\$28,112 and US\$22,047, respectively were fully performing.

As at 30 June 2014 and 30 June 2013 trade receivables of US\$10,272 and US\$7,943, 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:

	2014	2013
Up to 6 months	9,253	7,817
6 months to 1 year	428	58
1 year to 2 years	591	68
Total	<u>10,272</u>	<u>7,943</u>

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

	2014	2013
INR	147,564	105,094
USD	6,878	11,569
EURO	12,407	11,765
GBP	67	38
MYR	11,503	11,489
Others	24	142
Total	<u>178,443</u>	<u>140,097</u>

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

	2014	2013
Opening balance	162	58
Group restructuring- additions	-	104
Provision/(release) during the year	25	-
Exchange difference	(1)	-
Closing Balance	186	162

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 provision as follows:

	2014	2013
Bad debt provision charge	25	-
Net charge	25	-

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

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 as security against certain receivables amounting to US\$8,048 (2013: US\$7,013). The security deposits have been disclosed under trade and other payables.

14. Inventories

	2014	2013
Raw material consumables & spares	144,272	126,416
Work in progress	19,702	8,375
Finished goods	25,173	16,868
Less: Provision for inventory	(714)	(682)
	188,433	150,977

Refer note 39 for inventories acquired/ disposed-off on Group restructuring.

Raw material includes inventory of harvested logs amounting to US\$10,200 and US\$7,944 for the year ended 30 June 2014 and 30 June 2013 respectively.

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

	2014	2013
Beginning of the year	682	676
Group restructuring- additions	-	29
Inventory provision charge/(release)	(106)	(21)
Exchange rate impact	138	(2)
Net charge	714	682

15. Restricted deposits

	2014	2013
Fixed deposits maturing within 12 months	2,731	2,855
	2,731	2,855

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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:

	2014	2013
INR	1.891	2.015
USD	840	840
Total	2,731	2,855

16. Cash and cash equivalents

Cash and cash equivalents comprises of (including for the purposes of the statement of cash flows) of the following:

	2014	2013
Cash in hand	31	35
Bank balances	16.433	6.654
Short term deposits with banks	20.865	210
	37,329	6,899

Cash is for a free disposal of the Group. Deposits of the Group have an average effective interest rate of 8.48% per annum and 6.66% per annum as at 30 June 2014 and 30 June 2013, respectively.

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

	2014	2013
INR	36.030	2.725
USD	1.120	3.613
EURO	128	189
MYR	34	369
Others	17	3
Total	37,329	6,899

17. a) Share capital and premium

	2014 €	USD	2013 €	USD
Authorised				
9.000.000 ordinary shares of € 01 per share	90	141	90	141
Issued and fully paid up				
2.052.001 ordinary shares of € 01 per share (2013: 2.052.001 ordinary shares of € 01 per share)	21	32	21	32

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The movement in the share capital and share premium accounts of the Company during the period of this consolidated financial statements was as follows.

	Number of ordinary shares (thousands)	Ordinary shares	Share Premium	Total
At 30 June 2012	2,052	32	428,324	428,356
Issued during the year	-	-	-	-
At 30 June 2013	2,052	32	428,324	428,356
Issued during the year	-	-	-	-
At 30 June 2014	2,052	32	428,324	428,356

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 utilized 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 cost amounting to US\$8,886 has been adjusted in the carrying value.

The company has distributed payments amounting to US\$9,750 each in August 2012, February 2013, August 2013 and February 2014 at 9.75% which has been reflected in the statement of changes in equity.

18. Retained earnings

At 30 June 2012	141,770
Profit for the year	6,977
Transfer to retained earnings on repurchase of profit certificate (refer note 21.2)	(4,433)
Distribution on Group restructuring (refer note 39 (a & b))	(16,140)
Dividend tax paid	(972)
Distribution on perpetual capital securities (refer note 17 (b))	(19,500)
At 30 June 2013	107,702
Profit for the year	(14,567)
Transfer from Other Reserve (refer note 19)	9,082
Distribution on perpetual capital securities (refer note 17 (b))	(19,500)
At 30 June 2014	82,717

Retained earnings represent the undistributed consolidated profits of the company.

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19. a) Other reserves

	Note	Available for sale financial assets	Profit certificates	Post employment benefit obligations	Hedging reserve	Statutory Reserve	Total other reserves
At 30 June 2012		12,179	28,875	(32)	(18,494)	41,284	63,812
Loss on fair valuation of available for sale financial asset	11	(688)	-	-	-	-	(688)
Deferred taxes on available for sale financial assets		137	-	-	-	-	137
Repurchase of Profit Certificates		-	(33,308)	-	-	-	(33,308)
Transfer from retained earnings on repurchase of profit certificate		-	4,433	-	-	-	4,433
Post employment benefit obligations		-	-	(705)	-	-	(705)
Deferred tax on post employment benefit obliga		-	-	218	-	-	218
Cash flow hedging reserve		-	-	-	7,216	-	7,216
At 30 June 2013		11,628	-	(519)	(11,278)	41,284	41,115
Loss on fair valuation of available for sale financial asset	11	(9,792)	-	-	-	-	(9,792)
Deferred taxes on available for sale financial assets		1,958	-	-	-	-	1,958
Post employment benefit obligations		-	-	(209)	-	-	(209)
Deferred tax on post employment benefit obliga		-	-	64	-	-	64
Transfer from retained earnings		-	-	-	-	(9,082)	(9,082)
Cash flow hedging reserve		-	-	-	6,314	-	6,314
At 30 June 2014		3,794	-	(664)	(4,964)	32,202	30,368

On repurchase of profit certificates, balance in other reserves attributable to the difference on account of equity contribution on issuance and equity distribution on repurchase has been transferred to retained earnings.

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 on 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.

20. Trade and other payables

	2014	2013
Trade and other payables	247,798	194,194
Deferred revenue*	11,764	7,858
Amounts due to related parties (refer note 36d)	35,001	41,529
Security deposits	9,686	8,276
Interest payable	4,875	4,034
	309,124	255,891
Current portion	309,124	255,891

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

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

	2014	2013
INR	143,436	125,428
USD	101,947	80,528
EURO	3,281	2,267
GBP	1	9
MYR	60,199	47,434
Others	260	225
Total	309,124	255,891

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

21. Borrowings

	2014	2013
Current		
Term loans	101,594	216,918
Packing credit for export sales	59,765	61,088
Sales tax loan deferment	202	723
Working capital term loans	129,287	123,977
Finance lease liabilities	189	277
	291,037	402,983
Non-current		
Term loans	435,841	283,453
Sales tax loan deferment	415	65
Finance lease liabilities	84	277
	436,340	283,795
Total borrowings	727,377	686,778

21.1. Term loans

The following table shows the movement in term loans.

	2014	2013
Opening Balance	500,371	373,485
Drawdown during the year	128,924	253,417
Repayments during the year	(94,312)	(120,732)
Transaction costs paid during the year	(765)	(3,155)
Amortisation of transaction costs	1,832	2,402
Expense of unamortised transaction costs	-	2,967
Exchange differences	1,385	(8,013)
Closing Balance	537,435	500,371
 Current Portion	 101,594	 216,918
Non Current Portion	435,841	283,453
Total term loans	537,435	500,371

During the year ended 30 June 2014, 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 the local accounting standards of the respective entities in the Group. As at 30 June 2014, the Group is not in compliance with certain covenants. Waivers for such non compliances/breach were approved by the respective banks before the year end. Further for loan of OCBC Bank, company has received a waiver with the condition that additional equity would be injected by way of US\$40,000 by date no later than 01 November 2014 and by no later than 2 weeks following the date of equity

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injection, a prepayment of US\$2,500 over our existing facility. If the conditions are not fully complied, the testing of financial covenants will be enforced for the 2 periods at original terms for period ended 31 December 2013 and 30 June 2014. For loan of SCB Bank (BPH) Company is required to perform testing of financial covenants as at 30 September 2014 as per waiver received.

During the year ended 30 June 2013, included in current portion of long term borrowings was an amount of US\$ 139,966 on term loan agreement with Yes Bank (BGPPL), SCB Bank (BPH) and Rabobank (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 2013, the Group was not in compliance with certain covenants and the related amounts had been classified as current. At the time these financial statements are authorised for issue, the Group has received the waiver from Yes Bank (BGPPL), SCB Bank (BPH) and Rabobank (SFI). Waiver for such non-compliance/ breach were approved by the banks during the year ended 30 June 2014.

The following table summarises the draw downs and repayments by facility,

	2014	2013
Drawdowns		
- Rabobank (BGPPL) (refer (a) below)	-	25 000
- Rabobank (SFI) (refer (b) below)	-	25 000
- GE Money (BGPPL) (refer (j) below)	-	24 891
- ICICI Bank (SFI) (refer (i) below)	25 000	50 000
- IDFC (BGPPL) (refer (h) below)	20 229	45 526
- SBI (BGPPL) (refer (k) below)	49 240	-
- DBS (BGPPL) (refer (l) below)	20 000	-
- Axis Bank (BGPPL) (refer (m) below)	14 455	-
- SCB (SFI) (refer (f) below)	-	25 000
- SCB (BPH) (refer (g) below)	-	58 000
Total draw downs	128,924	253,417
Repayments		
- NCD (refer (c) below)	(13 603)	(14 817)
- Rabobank (SFI) (refer (b) below)	(1 250)	(23 750)
- Axis Bank (refer (m) below)	(1 493)	-
- SCB (SFI) (refer (f) below)	(7 500)	(2 500)
- Rabobank (BGPPL) (refer (a) below)	(46 060)	(46 060)
- Mordea Bank (refer (d) below)	-	(33 605)
- SBI (BGPPL) (refer (k) below)	(1 349)	-
- OCBC (SFI) (refer (e) below)	(5 000)	-
- ICICI Bank (SFI) (refer (i) below)	(4 500)	-
- IDFC (BGPPL) (refer (h) below)	(1 300)	-
- GE Money (BGPPL) (refer (j) below)	(2 257)	-
Total repayments	(94,312)	(120,732)

(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 with pari-passu charge against all the moveable and immoveable fixed assets of the 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

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in May 2013 and is repayable in instalments from November 2013 to May 2015. Instalment of US\$ 46,060 is repaid during the year ended 30 June 2014. The loan is secured with pari-passu charge against all the tangible fixed assets of the 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. The loan is secured with 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 with pari-passu charge against all the current and fixed assets of SFI. Instalment of US\$ 6,250 has been repaid during the year ended 30 June 2013. On 28 June 2013, 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\$ 11,250 has been repaid during the year ended 30 June 2014. The balance outstanding as on 30 June 2014 is US\$ 15,000.

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 with pari-passu charge against all the current and fixed assets of SFI.

(c) Non-convertible debentures

In September 2010 BGPPL issued two tranches of non-convertible debentures ("NCD") of INR 2,500,000 each and totalling INR 5,000,000 (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 a further INR 2,500,000 NCD (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 pari-passu first charge on the fixed assets of the BGPPL. Instalment of US\$ 13,603 and US\$ 14,817 has been repaid during the year ended 30 June 2014 and 30 June 2013. The fair value of the non-convertible debentures as at 30 June 2014 amounts to US\$ 82,047 (2013: US\$96,284).

(d) Term loan from ING and Nordea Bank

In July 2010 SFI obtained from ING and Nordea Bank a €28,800 (US\$39,220) loan at EURIBOR plus a margin of 1.5%. The loan was drawn down in instalments from December 2010 to February 2011 and is repayable in instalments from December 2011 to December 2019. The loan is secured with pari-passu charge against all the current and fixed assets of the SFI. Instalments of €3,388 (US\$4,331) and €1,694 (US\$2,239) was repaid during the year ended 30 June 2012 and 30 June 2013 respectively. The balance outstanding of €23,718 (US\$31,366) was prepaid in June 2013 and refinanced by way of a loan from ICICI Bank Limited. Unamortised transaction cost of US\$ 2,873 was expensed.

(e) Term loan from OCBC Bank

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 with pari-passu charge against all the current and fixed assets of the SFI. Instalment of US\$ 5,000 has been repaid during the year ended 30 June 2014.

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(f) 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 with pari-passu charge against all the current and fixed assets of the SFI. Instalment of US\$ 2,500 has been repaid during the year ended 30 June 2014.

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 with pari-passu charge against all the current and fixed assets of SFI. Instalment of US\$ 5,000 and US\$ 2,500 has been repaid during the year ended 30 June 2014 and 30 June 2013 respectively.

(g) 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 with pari-passu charge against Shares of BPH.

(h) Term loan from IDFC Limited

In September 2012 BGPPL obtained a loan from Industrial Development Financial Corporation Limited for INR 2,500,000 (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 with pari-passu charge against all the tangible fixed assets (excluding land) of BGPPL.

In addition, in January 2014 BGPPL obtained a loan from Industrial Development Financial Corporation Limited for INR 821,053 (US\$13,085) at rate of 12.10%. The loan was drawn down in January 2014 and is repayable in instalments from February 2014 to July 2020. The loan is secured with pari-passu charge against all the tangible fixed assets (excluding land) of BGPPL. Instalment of US\$ 873 has been repaid during the year ended 30 June 2014.

In addition, in January 2014 BGPPL obtained a loan from Industrial Development Financial Corporation Limited for INR 448,241 (US\$7,145) at rate of 12.10%. The loan was drawn down in January 2014 and is repayable in instalments from March 2014 to September 2022. The loan is secured with pari-passu charge against all the tangible fixed assets (excluding land) of BGPPL. Instalment of US\$ 427 has been repaid during the year ended 30 June 2014. (refer note 39 (c))

(i) Term loan from ICICI Bank Limited

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 has been drawn down in June 2013 and is repayable in instalments from September 2013 to June 2018. Instalment of US\$ 4,000 has been repaid during the year ended 30 June 2014. The loan is secured with 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 down in August 2013 and is repayable in instalments from January 2014 to July 2019. Instalment of US\$500 has been repaid during the year ended 30 June 2014. The loan is secured with pari-passu charge against all the current and fixed assets of SFI.

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

In June 2013 BGPPL obtained a loan from GE Money Financial Services Pvt. Ltd for INR 1,500,000

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(US\$24,891) at Benchmark rates plus a spread of 2.25%. The loan was drawn down in June 2013 and is repayable in instalments from March 2014 to June 2019. Instalment of US\$2,257 has been repaid during the year ended 30 June 2014. The loan is secured with pari-passu charge against all the movable properties of BGPPL.

(k) Term loan from State Bank of India

In July 2013 BGPPL obtained a loan from State Bank of India for INR 3,000,000 (US\$49,241) at Benchmark rates plus a spread of 1.50%. The loan was drawn down in July 2013 and is repayable in instalments from June 2014 to June 2023. Instalment of US\$1,349 has been repaid during the year ended 30 June 2014. The loan is secured with pari-passu charge against all the movable properties of BGPPL.

(l) Term loan from DBS

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. The loan is secured with pari-passu charge against all the movable properties of BGPPL.

(m) Term loan from Axis Bank

In December 2013 BGPPL obtained a loan from Axis Bank for INR 881,613 (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\$1,493 has been repaid during the year ended 30 June 2014. The loan is secured with pari-passu charge against all the movable properties of BGPPL. (refer note 39 (c))

21.2. Borrowings from related parties (note 36)

Profit certificates issued to a related party

In October 2009, BPH, a Group company had issued 20,000 LIBOR profit certificates with a par value of Euro 20,000 to BIH, the parent company, for a consideration of US\$140,000. The profit certificates do not have any stated maturity. The Group is required to pay dividends at LIBOR, over the consideration received subject to the availability of sufficient profits.

The fair value of the liability component, included in non-current borrowings, was calculated at issuance of the profit certificates using the average interest rate for the Group's external borrowings. The residual amount, representing the value of the equity contribution, is included in shareholders' equity in other reserves, (note 19) net of income taxes.

The profit certificates recognised in the balance sheet are calculated as follows:

	2014	2013
Opening balance	-	14 226
Gain on derecognition	-	(4 433)
Repurchase consideration	-	(45 500)
Equity distribution (refer note 19)	-	33 308
Exchange effects	-	2 399
Liability component	-	-

On 11 August 2011, the Group re-purchased 13,500 of the 20,000 profit certificates issued to the Parent Company for a consideration of US\$94,500. On the date of re-purchase, the difference between the proportionate carrying value of the certificates re-purchased (US\$33,340) and the fair value of the corresponding liability on the date of the re-purchase (US\$30,620) has been accounted for in the income statement. The balance of the excess of re-purchase price over the fair value of the liability amounting to US\$63,880 has been disclosed as an equity distribution to the Parent Company.

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On 18 July 2012 the Group repurchased remaining 6,500 profit certificates issued to the Parent Company for a consideration of US\$ 45,500. On the date of repurchase the difference between the proportionate carrying value of the profit certificates repurchased (US\$13,889) and the fair value of the corresponding liability on the date of the repurchase (US\$9,456) has been accounted for in the income statement. The balance of the excess of repurchase price over the fair value of the liability amounting to US\$ 33,308 has been disclosed as an equity distribution to the parent company.

The fair value of the liability component of the profit certificates at 30 June 2012 amounted to, US\$9,876 and was calculated using cash flows discounted at a rate based on the LIBOR rate plus margin of 5.7%.

21.3. 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.

Working capital loans

Working capital loans comprise:

	2014	2013
Short-term loans	67.121	46.731
Working capital trade loan from banks	11.680	8.739
Buyers' credit facilities from banks	50.486	68.507
Total	129.287	123.977

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

21.4. Finance lease liabilities

Finance lease liabilities relate to the financing of vehicles. These lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

	2014	2013
Gross finance lease liabilities - minimum lease payments:		
No later than 1 year	196	302
More than 1 year and no later than 5 years	89	289
	285	591
Future finance charges on finance lease	12	37
Present value of finance lease liabilities	273	554

Present value of finance liabilities:

No later than 1 year	189	277
More than 1 year and no later than 5 years	84	277
	273	554

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21.5. Sales tax loan deferment

	2014	2013
Sales tax loan deferment	617	788
Less Non current portion	(415)	(65)
Current portion	<u>202</u>	<u>723</u>

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

21.6. Other information

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

	2014	2013
	%	%
Borrowings in MYR	3-8	3-8
Borrowings in USD (Term loan)	1.75-6	1.75-6
Borrowings in USD (Working capital loan)	1.3-5.5	1.3-5
Borrowings in INR	9-14.5	9 - 13
Borrowings in Euro (Working capital loan)	1.5-4.5	1.5-3

The estimated fair values of the Group's borrowings as at 30 June 2014 and 30 June 2013 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:

	2014	2013
INR	315,132	238,605
USD	392,628	435,071
EUR	1,534	2,181
MYR	18,083	10,918
	<u>727,377</u>	<u>686,778</u>

The Group has the following undrawn borrowing facilities:

	2014	2013
Working capital facilities	<u>221,047</u>	<u>192,257</u>
	<u>221,047</u>	<u>192,257</u>

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22. Deferred income tax

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

	2014	2013
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	165,559	165,708
Deferred tax assets to be recovered within 12 months	9,503	10,720
	175,062	176,428
Deferred tax liabilities		
Deferred tax liabilities to be recovered after more than 12 months	152,461	137,666
Deferred tax liabilities to be recovered within 12 months	(1,285)	(2,478)
	151,176	135,188
Deferred tax (assets) / liabilities, net	(23,886)	(41,240)
Breakup of net deferred tax assets/liability based on jurisdiction		
Deferred tax assets (net)*- Others	33,129	44,847
Deferred tax liabilities (net)*- India	9,243	3,607
Deferred tax (assets) / liabilities, net	(23,886)	(41,240)

*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:

	2014	2013
Opening balance	44,847	40,229
Exchange Differences	(653)	238
Income statement (charge)/credit	(11,065)	4,380
Closing balance, net asset	33,129	44,847

	2014	2013
Opening balance	3,607	13,913
Exchange Differences	(82)	1,147
Income statement charge/(credit)	7,741	(14,857)
Charged / (credited) directly to equity	-	3,759
Tax charge relating to components of other comprehensive income (note 31)	(2,023)	(355)
Closing balance, net liability/ (asset)	9,243	3,607

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

	Accelerated tax depreciation and biological assets	Gain on Investment available for sale	Group Restructuring	Others	Total
Deferred tax liabilities:					
At 1 July 2012	132,948	3,047	-	(1,485)	134,510
Charged / (credited) to income statement	1,834	-	-	(656)	1,178
Charged / (credited) directly to equity	-	(137)	1,576	(218)	1,221
Exchange differences	(1,390)	(212)	-	(119)	(1,721)
At 30 June 2013	133,392	2,698	1,576	(2,478)	135,188
Charged / (credited) to income statement	19,499	-	(1,579)	1,297	19,217
Charged / (credited) directly to equity	-	(1,958)	-	(65)	(2,023)
Exchange differences	(1,103)	(67)	3	(39)	(1,206)
At 30 June 2014	151,788	673	-	(1,285)	151,176

	Defined benefit obligations	Trade and other receivables	Minimum alternate tax, unabsorbed losses and depreciation	Derivative financial instruments	Group Restructuring	Others	Total
Deferred tax assets:							
At 1 July 2012	2,237	2,159	151,991	2,130	-	2,309	160,826
Credited to income statement	190	2,945	14,874	(1,790)	-	4,195	20,414
Charged / (credited) directly to equity	-	-	-	-	(2,183)	-	(2,183)
Exchange differences	(134)	(354)	(1,607)	-	-	(534)	(2,629)
At 30 June 2013	2,293	4,750	165,258	340	(2,183)	5,970	176,428
Credited to income statement	621	2,514	(1,136)	21	2,183	(3,792)	411
Exchange differences	1	29	(1,848)	8	-	33	(1,777)
At 30 June 2014	2,915	7,293	162,274	369	-	2,211	175,062

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 Sri Lanka, 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 2012	20,865	20,354	100,968	9,804	151,991
Credited / (charged) to income statement	(639)	5,734	7,919	1,860	14,874
Exchange differences	(1,054)	(1,557)	1,004	-	(1,607)
At 30 June 2013	19,172	24,531	109,891	11,664	165,258
Credited / (charged) to income statement	2,684	3,845	(7,665)	-	(1,136)
Exchange differences	2	(58)	(1,792)	-	(1,848)
At 30 June 2014	21,858	28,318	100,434	11,664	162,274

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 (prior to April 2010: seven

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years). Unabsorbed depreciation represents tax losses resulting from depreciation charge according to the Indian Income Tax Act which 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 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 Mumbai High Court. The Group believe 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.

Deferred income tax liabilities of US\$31,355 have not been recognised for the taxes arising that would be payable on the undistributed earnings (including statutory reserves) of certain subsidiaries. Such amounts are permanently reinvested. Undistributed earnings (excluding currency translation reserve) totalled US\$99,519 as at 30 June 2014.

Malaysia

SFI, the Malaysian entity, has historically been in a tax loss situation till the year 2008-09 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:

	2014	2013
Unutilised tax losses	162 472	164 026
Unabsorbed capital allowances	533 453	502 190
Reinvestment allowance	21 225	21 573
Infrastructure allowance	695	707
	<u>717,845</u>	<u>688,496</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:

	2014	2013
Tax exempt account	<u>183 490</u>	<u>186 501</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 2014 and 30 June 2013, SFI recognized net deferred tax assets on tax loss carry-forwards and other temporary differences totalling US\$21,465 and US\$32,844 respectively since it was

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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 2015 - 2041 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 8 years in the forecasted taxable results. As at 30 June 2014, if the company would assume that it would be impracticable to prepare a reliable forecast after 8 years, the net DTA to be recognized would amount to US\$8,109.

Unrecognised deferred taxes (SFI, Malaysia)

As at 30 June 2014 and 30 June 2013, 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:

	2014	2013
Tax effects of:		
Unutilised tax losses	38,993	41,006
Unabsorbed capital allowance	27,584	13,565
Reinvestment allowance	5,094	5,393
Infrastructure allowance	167	177
	<u>71,838</u>	<u>60,141</u>

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. Based on future projections and financing strategies, management expects the losses can be adjusted against future taxable profits. As on 30 June 2014 and 30 June 2013, recognized deferred tax assets on tax loss carry-forwards and other temporary differences amounts to US\$11,664 and US\$12,004 respectively. 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\$23,527 and US\$22,552 respectively for the year ended 30 June 2014 and 30 June 2013.

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

	2014	2013
Accumulated tax losses	94,634	94,306
Of which recorded loss deferred tax assets	11,664	11,664
Of which unrecognised loss deferred tax asset	11,995	11,913

23. Retirement benefit obligations

(a) Defined benefit plan

	2014	2013
Balance sheet obligations:		
Gratuity	6,600	5,920
Compensated absences	2,748	1,683
Total	<u>9,348</u>	<u>7,603</u>

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	2014	2013
Income statement charge:		
Gratuity	537	688
Compensated absences	1,093	608
Total*	1,630	1,296

*includes (2013: US\$78) in respect of discontinued operations.(refer note 28)

	2014	2013
Other comprehensive income		
Actuarial (gain) / losses		
- change in demographic assumptions	-	-
- change in financial assumptions	(482)	368
- experience variance (i.e. Actual experience vs. assumptions)	668	338
- others	-	-
Return on plan assets excluding amount recognised in net interest expense	3	(1)
Re-measurement (or actuarial) (gain) / (loss) arising because of change in effect assets ceiling	-	-
Components of defined benefit costs recognised in other comprehensive income	209	705

(b) Defined contribution plans

	2014	2013
Income statement charge:		
Provident fund	2,730	2,803
Superannuation fund	74	187
Total*	2,804	2,990

*includes (2013: US\$140) in respect of discontinued operations. (refer note 28)

(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 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.

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

	2014			2013		
	Funded	Unfunded	Total	Funded	Unfunded	Total
Defined benefit obligations	653	6 243	6 896	594	5 620	6 214
Fair value of plan assets	(296)	-	(296)	(294)	-	(294)
Liability in the balance sheet	357	6.243	6.600	300	5.620	5.920

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

	Funded	2014 Unfunded	Total	Funded	2013 Unfunded	Total
Present value of obligation as at the beginning of the period	594	5 620	6 214	397	4 763	5 160
Current service cost	55	418	473	58	369	427
Interest Expense or cost	45	427	472	46	399	445
Acquisition	-	-	-	-	-	-
Re-Measurement (or Actuarial) (gain) / (loss) arising from	-	-	-	-	-	-
- change in demographic assumptions	-	-	-	-	-	-
- change in financial assumptions	(67)	(415)	(482)	60	303	363
- experience variance (i.e. Actual experience vs assumptions)	46	643	689	(16)	385	339
- others	-	-	-	-	-	-
Past service cost	-	-	-	-	-	-
Effect of change in foreign exchange rates	(3)	(10)	(13)	85	(625)	(540)
Benefits paid	(17)	(759)	(776)	(47)	(809)	(856)
Effects of business combinations or disposals	-	319	319	41	835	876
Present value of obligation as at the end of the period	653	6,243	6,896	594	5,620	6,214

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

	2014	2013
Present value of obligation as at the beginning of the period	1 683	1 509
Current service cost	451	188
Interest Expense or cost	139	102
Re-Measurement (or Actuarial) (gain) / (loss) arising from	-	-
- change in demographic assumptions	-	-
- change in financial assumptions	(217)	135
- experience variance (i.e. Actual experience vs assumptions)	648	183
- others	-	-
Past service cost	72	-
Effect of change in foreign exchange rates	187	(501)
Benefits paid	(224)	(186)
Effects of business combinations or disposals	9	253
Present value of obligation as at the end of the period	2,748	1,683

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

	2014	2013
Fair value of plan assets as at the beginning of the period	294	171
Investment Income	22	26
Contributions/Effects of business combinations or disposals	-	166
Benefits Paid	(17)	(47)
Return on plan assets excluding amount recognised in net interest expense	(3)	1
Effect of change in foreign exchange rates	0	(23)
Fair value of plan assets as at the end of the period	296	294

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

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

	2014			2013		
	Funded	Unfunded	Total	Funded	Unfunded	Total
Current service cost	55	418	473	58	211	269
Past Service cost	-	-	-	-	-	-
Loss / (Gain) on settlement	-	-	-	-	-	-
Net interest income / (cost) on the net Defined benefit Liability	23	427	450	20	399	419
Less: Recovered from Holding company	-	(386)	(386)	-	-	-
Total	78	459	537	78	610	688

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

	2014	2013
Current service cost	451	188
Past service cost	72	-
Loss / (Gain) on settlement	-	-
Net interest income / (cost) on the net defined benefit liability (Assets)	139	102
Actuarial (gain) / losses	-	-
- change in demographic assumptions	-	-
- change in financial assumptions	(217)	135
- experience variance (i.e. Actual experience vs assumptions)	648	183
- others	-	-
Return on plan assets, excluding amount recognised in net net interest expense	-	-
Re-measurement (or actuarial) (gain) / (loss) arising because of change in effect assets ceiling	-	-
Expenses Recognised in the income statements	1,093	608

Change in effect of assets ceiling

	2014	2013
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:

a) Economic assumptions

	2014	2013
Discount rate	8.70%	8.50%
Salary growth rate	5.00%	5.00%
Expected rate of return on plan assets	6.75%	9.25%

b) Demographic assumptions

	2014	2013
Retirement age (years)	60	60
Mortality Rate (as % of IALM 06-08)	100	100
Withdrawal rate	2%	2%
Rate of leave availment	2.50%	2.50%

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Sensitivity Analysis

	Change in assumption	% impact on defined benefit obligation due to increase in assumption	% impact on defined benefit obligation due to decrease in assumption
Discount rate	1%	(9%) - (10%)	11% - 12%
Salary growth rate	1%	11% - 12%	(9%) - (10%)
Attrition Rate	50%	4%	4%
Mortality rate	10%	0%	0%

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.

Maturity Profile of defined benefit obligation

Weighted average duration of cash flows (years) 3.8 - 13.4

	2014
1 year	26
2 - 5 year	56
6 - 10 year	74
More than 10 year	235

Estimated contribution to fund for next year is US\$369 (2013: US\$369)

(f) Compensated absences

The Group permits encashment of leave accumulated by their employees on retirement, separation and during the course of service. 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 un-funded.

24. Other operating income

	2014	2013
Gain on disposal of property, plant & equipments	41	19
Sale of scrap	1,030	771
Export incentive	576	880
Sales tax grant (refer note 38)	3,375	3,566
Miscellaneous income	3,791	6,083
	8,813	11,319

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All amounts in US Dollar thousands unless otherwise stated

25. Raw materials and consumables used

	2014	2013
Raw materials consumed	219,978	229,283
Stores and consumables	166,174	141,026
Power and fuel	112,383	106,575
Change in finished goods stock	(18,437)	1,799
Other	1,035	2,657
	<u>481,133</u>	<u>481,340</u>

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 the BILT group. The Agreement provides for a minimum off take by the 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 year ended 30 June 2014 is US\$22,008 (2013: US\$18,463).

26. Other operating expenses

	2014	2013
Repair and maintenance	8,644	10,272
Distribution expenses	21,667	24,466
Professional fees	1,420	1,953
Travelling, conveyance and hiring expenses	2,441	3,042
Insurance	2,385	2,319
Royalty	3,025	-
Advertisement, Publicity & Busi. Promoun	1,504	1,443
Rate & Taxes	1,507	921
Others	11,963	8,838
	<u>54,556</u>	<u>53,254</u>

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

27. Auditor remuneration

	2014	2013
Fees payable to the Company's auditor and other network firms for the audit of the parent company and consolidated financial statement of the Company	360	325
Other non-audit services	-	106

28. Employee benefit expense

	2014	2013
Wages & salaries	41,133	37,825
Pension costs - defined contribution plans (refer note 23)	2,804	2,850
Pension costs - defined benefit plans (refer note 23)	1,630	1,218
Welfare expenses	2,195	1,961
	<u>47,762</u>	<u>43,854</u>

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

	2014	2013
Ballarpur	1,419	1,540
Bhigwan	893	871
Kamalapuram*	-	877
Ashti	192	192
Sewa	705	790
Head Office	231	3
SFI	2,794	2,823
	<u>6,234</u>	<u>7,096</u>

*Discontinued operation

30. Finance income and costs

Finance income:

	2014	2013
Interest income on bank deposits and related parties	16,765	311
Finance income	<u>16,765</u>	<u>311</u>

Finance expense:

Net foreign exchange loss/(gain)	3,248	24,621
Gain on conversion of CCD's/profit certificate	-	(4,433)
Interest on bank borrowings	37,849	23,656
Unwind of discount on sale tax loan deferment	77	246
Interest on debentures	9,970	12,626
Net loss/(gain) on derivative financial instruments (refer note 12)	483	(7,162)
Debt extinguishment costs	-	485
Realised loss of interest rate swaps (refer note 12)	1,556	7,338
Interest on working capital term loans	11,440	8,906
Other bank charges	4,299	1,762
Finance cost	<u>68,922</u>	<u>68,045</u>
Less: Amounts capitalized on qualifying assets	9,429	13,057
Total finance costs	<u>59,493</u>	<u>54,988</u>
Net finance expense/(income)	<u>42,728</u>	<u>54,677</u>

The table below shows the applicable capitalisation rates in respect of borrowing costs capitalised on qualifying assets:

	2014	2013
Capitalisation rate	8.12%	7.58%

31. Income tax expense

	2014	2013
Current tax expense	5,347	6,228
Deferred tax expense (credit)	18,806	(19,237)
	<u>24,153</u>	<u>(13,009)</u>

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All amounts in US Dollar thousands unless otherwise stated

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:

	2014	2013
Profit before tax*	8,921	(6,742)
Tax expense/(credit) calculated at the Indian statutory tax rate (30.90%) (2013: 30.90%)	2,757	(2,084)
Tax effects of:		
Income exempt from tax	(4,190)	(6,424)
Expenses not deductible for tax purposes	1,579	1,804
Recognition/reversal of DTA on tax losses/profits carried forward from prior years	21,675	(7,665)
Effect of change in tax rate	1,293	-
Effect of lower tax rates in other countries	673	975
Others	366	385
Income tax expense/(credit) for the year	24,153	(13,009)

*includes profit before tax from discontinued operations (refer note 40)

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:

		2014	2013
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%	25.00%
Netherlands	Corporate income tax rate	25.00%	25.00%

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

	2014			2013		
	Before tax	Tax (Charge)/Credit	After Tax	Before tax	Tax (Charge)/Credit	After Tax
Fair value gains on available-for-sale financial assets	(9,792)	1,958	(7,834)	(6,881)	137	(5,511)
Post employment benefit obligations	(209)	64	(145)	(705)	218	(487)
Cash flow hedges	6,314	-	6,314	7,216	-	7,216
Currency translation differences	(7,392)	-	(7,392)	(13,307)	-	(13,307)
Other comprehensive income	(11,079)	2,022	(9,057)	(7,484)	355	(7,129)
Deferred tax (note 22)		2,022			355	

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32. Net foreign exchange gains/ (losses)

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

	2014	2013
Net foreign exchange (losses)/gains on operating activities	395	(1.040)
Net foreign exchange (losses)/gains on financing activities (note 30)	(3.248)	(24.621)
	<u>(2,853)</u>	<u>(25,661)</u>

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 year.

Continuing operations:

	2014	2013
Profit after tax	(14.567)	1.566
Less: Distribution on perpetual capital securities	19.500	19.500
Profit attributable to owners of the parent	(34.067)	(17.934)
Weighted average number of ordinary shares in issue	2.052.001	2.052.001
Basic earnings per share	(16.6)	(8.7)

Discontinued operations:

	2014	2013
Profit for the year- Discontinued operations	-	5.411
Weighted average number of ordinary shares in issue	-	2.052.001
Basic earnings per share	-	2.64

Profit for the year:

	2014	2013
Profit after tax	(14.567)	6.977
Less: Distribution on perpetual capital securities	19.500	19.500
Profit attributable to owners of the parent	(34.067)	(12.523)
Weighted average number of ordinary shares in issue	2.052.001	2.052.001
Basic earnings per share	(16.6)	(6.1)

(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.

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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 defences 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:

- a. 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 2014 was US\$725 (2013: US\$717).
- b. 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 2014 was US\$266 (2013: US\$502).
- c. In addition the unit has other disputed amounts with the Nagpur Central Excise Department totalling US\$1,363 (2013: US\$1,445) and which are at various stages of dispute and appeal.

The unit has various following civil matters in dispute:

- a. The water supply charges from Wardha river have been revised with retrospective effect. The Collector, Chandrapur has raised a demand with arrears for consolidated amount of US\$1,105 (2013: US\$1,212) for periods to May 2004. The unit has filed writ petition before High Court at Nagpur. The High Court has granted stay and the petition is pending for final arguments and order.
- b. 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\$13,225 (2013: US\$13,309) additional payment. The unit has petitioned the Nagpur High Court challenging the revision of the royalty rate and judgment is pending.
- c. According to a complaint filed by Maharashtra Lok Kamgar Sangh, as per the Model Standing Orders framed under Industrial Employment (Standing Orders) Act, 1946, applicable to the company, workers who work for more than 240 days in a year are to be given permanency in the Company along with the benefits applicable to permanent workers. Amount involved is US\$3,331 (2013: US\$3,352).

The Honourable High Court of Mumbai has ruled against the Company by an order in July 2010, against which the Company has filed a Letter Patent Appeal (LPA) in the Honourable High Court of Judicature at Mumbai.

- d. Also, the unit has other labour matters in dispute amounting to US\$81 (2013: US\$75) and has a civil recovery suit filed against it amounting to US\$96 (2013: US\$53).

Bhigwan production unit

- a. Two civil recovery suits have been filed against the unit amounting to US\$274 (2013: US\$190).
- b. The unit has three matters in dispute relating to custom duty amounting to US\$310 (2013: US\$516), and excise matter of US\$26 (2013: US\$26).

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- c. Also, the unit has labour matters in dispute amounting to US\$113 (2013: US\$70)

Sewa production unit

- a. Odisha pollution control board issued a notice for recovery of US\$9,174 (2013: US\$9,232) 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 High Court.
- b. Also the unit has various civil recovery suit filed against it amounting to US\$249 (2013: US\$562) and excise matter of US\$964 (2013: US\$920).

Ashti production unit

- a. The unit has various matters in dispute relating to excise matter of US\$295 (2013: US\$305).
- b. Various civil recovery suits have been filed against the unit amounting to US\$17 (2013: US\$48).

SFI production unit

UNP Plywood:

- a. The SFI unit has legal case against it, by UNP Plywood for US\$40,093 (2013: US\$40,751). The claim arises from the termination by the SFI unit of the timber charge agreement entered into by SFI prior to the acquisition by BPH. The Company believes that this agreement was illegal and unenforceable. The case has been decided against SFI and the deputy registrar has determined the damages of US\$19,046 plus interest. On 24 October 2014, the High Court judge granted stay of execution of award made by the deputy registrar pending disposal of SFI's appeal to High Court judge. The next hearing is scheduled on December 2014. The Company had retained US\$40,287 from the purchase consideration payable for the acquisition of SFI which has been subsequently deposited in an escrow account. Management believes that amount retained is sufficient to pay the eventual outcome of the claim and any additional amounts due would, under the sale and purchase agreement for the SFI unit, be required to be paid by the seller, Lion Forest Industries Berhad ("LIFB"). Therefore no provision is required to be made in this respect.
- b. In December 2008 back pay labour claims were filed by 1,070 employees amounting to US\$7,288 (2013: US\$7,408). 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 defence of the legal claims of employees.
- c. There are few other matters pending before various authorities and courts amounting to US\$562 (2013: US\$124).

Further, refer note 22 for income tax related contingencies.

35. Commitments

(a) Capital commitments

Capital expenditure contracted for is as follows:

	2014	2013
Purchase of property, plant and equipments	7,102	5,670
Total capital commitments	7,102	5,670

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(b) Operating lease commitments

The group has taken on lease plant and machinery 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:

	2014	2013
Minimum lease payments:		
No later than 1 year	1 243	1 243
More than 1 year and no later than 5 years	3,729	4,974
	<u>4,972</u>	<u>6,217</u>

36. Related party transactions

The Group is controlled by Ballarpur International Holdings B.V., Amsterdam ("BIH") which owns 79.21% of the Company as on 30 June 2014. BIH is wholly owned by Ballarpur Industries Limited which is part of Avantha Group which is 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 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., MTP New Ocean Mauritius Ltd., Mirabelle Trading Pte. Ltd., Saraswati Travels Pvt. Ltd., Leading Line Merchant Traders Pvt. Ltd. and Bilt Tree Tech Ltd.

The following transactions were carried out with the related parties:

(a) Sale of goods and services

	2014	2013
(i) Holding Company		
Ballarpur Industries Limited	18,180	1,087
(ii) Entities over which Avantha Group exercises significant influence/control		
Avantha Power & Infrastructure Ltd	-	2,404
APR Sacs Limited	-	4,566
Imerys New Quest India Pvt. Ltd.	1,248	330
Avantha Holdings Ltd.	2,667	-
Others	421	237
Total Sales to related parties	<u>22,516</u>	<u>8,624</u>

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(b) Purchase of goods, fixed assets and services

	2014	2013
(i) Holding Company		
Ballarpur Industries Limited	1,272	277
(ii) Entities over which Avantha Group exercises significant influence/control		
Avantha Holdings Limited	7,581	4,781
SMI New Quest Inda Pvt. Ltd	12,283	12,443
Imerys New Quest Inda Pvt. Ltd	16,963	12,989
Mirabelle Trading Pte. Ltd.	58,172	49,179
Saraswati Travels Private Limited	2,107	2,068
Avantha Power & Infrastructure Ltd	-	44,564
Crompton Greaves Ltd.	234	1,208
BILT Tree Tech Ltd.	9,970	8,293
Others	1,123	313
Total purchases from related parties	109,705	136,115

(c) Key management compensation

Total remuneration paid to the directors are as follows:

	2014	2013	Note
Executive Directors	1,599	1,028	Refer a) below
Non-Executive Directors	192	807	Refer b) below
Independent Directors	154	133	Refer c) below
Total	1,945	1,968	

a) Executive Directors

- i. The remuneration of US\$1,595 and US\$1,024 for the year ended 30 June 2014 and 30 June 2013 respectively, was paid to one of the directors of the Bilt Paper Group. The break-up of remuneration as below:

	2014	2013
Salary, allowances, incentives and other short term employee benefits	777	766
Termination benefits	-	-
Post employment benefits	19	19
Other long term benefits	799	239
Share based payments	-	-
	1,595	1,024

- ii. Management fees of US\$4 was paid each year to the trust office for the years ended 30 June 2014 and 30 June for the director who act as Managing Director of the group.

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b) Non-Executive Directors

- i. For the years ended 30 June 2014 and 30 June 2013, there were two directors of Bilt Paper that had been nominated by private equity investors. These directors were not paid any emoluments by the Group.
- ii. For the years ended 30 June 2014 and 30 June 2013, 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 disclosed in the financial statements of the ultimate parent are US\$192 and US\$807 for the year ended 30 June 2014 and 30 June 2013 respectively.

c) Independent Directors

- i. Sitting fees paid to Independent Directors of the Group are US\$154 and US\$133 for the year ended 30 June 2014 and 30 June 2013 respectively.

(d) Year-end payables to related parties:

	2014	2013
(i) Immediate Holding Company		
Ballarpur International Holdings B.V.	5,151	568
(ii) Holding Company		
Ballarpur Industries Limited	2,266	1,056
(iii) Entities over which Avantha Group exercises significant influence/control		
Imerys New Quest Inda Pvt. Ltd	5,554	2,713
SMI New Quest Inda Pvt. Ltd	4,129	941
Mirabelle Trading Pte. Ltd.	16,270	8,345
Avantha Power & Infrastructure Ltd	-	27,206
Others	1,631	700
Total payables to related parties	35,001	41,529

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.

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(e) Year-end receivables from related parties:

	2014	2013
(i) Immediate Holding Company		
Ballarpur International Holdings B.V.	210	2,091
(ii) Holding Company		
Ballarpur Industries Limited	40,036	24,589
(iii) Entities over which Avantha Group exercises significant influence/control		
Avantha Holdings Limited	7,708	3,123
Avantha Power & Infrastructure Ltd	12,762	4,743
APR Sacs Limited	-	4,247
BILT Tree Tech Ltd.	1,470	17
Others	489	855
Total receivables from related parties	62,675	39,665

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. No provisions are held against receivables from related parties nil (2013: nil).

(f) Borrowings from related parties

Refer to note 21.2. for detailed information about borrowings from related parties and related equity effects at each balance sheet date.

(g) Interest income from related parties

	2014	2013
(i) Holding Company		
Ballarpur Industries Limited	10,022	-
(ii) Entities over which Avantha Group exercises significant influence/control		
Avantha Holdings Limited	6,051	-
Total interest income from related parties	16,073	-

(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.

37. Going Concern

The Group has a net current liability position as at 30 June 2014 and 30 June 2013 primarily due to increase in capital creditors, delay in capitalisation of pulp manufacturing facility at Ballarpur and increase in short term borrowings. These balances have increased due to capital expansion and current portion of long term borrowings becoming due for payment in accordance with the terms of the loan agreements. The Group is

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earning operating profits and has positive cash flows from operations. The directors believe the Group will be able to manage the cash flows for at least the next twelve months based on drawing facilities available US\$221,047 (refer note 21.6) and efficient working capital management. The Group plans to raise equity and is in negotiations with private equity investors to reduce the outstanding debt obligations.

38. 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 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 Government according to which the Ballarpur and Bhigwan units of the Indian subsidiary are eligible for incentive not exceeding US\$88,337 and US\$117,708 over a period of 9 years and 12 years respectively.

Based on sales estimates made as at 30 June 2014, the two units at Ballarpur and Bhigwan expect to receive incentive of US\$19,239 and US\$45,680 over a period of 9 years and 12 years respectively. Grant receivable accrued for the year 30 June 2014 amounts to US\$2,595 (2013: US\$2,055) and US\$3,386 (2013: US\$3,720) for Ballarpur and Bhigwan respectively. The income for incentives recognised during the year amounts to US\$649 (2013: US\$583) and US\$1,519 (2013: US\$1,362) 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:

Sales tax grant Income

	2014	2013
5% Increase In Qty/Rate	(71)	(69)
5% Decrease In Qty/Rate	71	69

Deferred Income Liability

5% Increase In Qty/Rate	72	64
5% Decrease In Qty/Rate	(72)	(64)

(b) Sales Tax Deferment Scheme

Pursuant to the expansion in earlier years, the Indian subsidiary is entitled to benefit associated with the interest free sales tax loan which is repayable after a stipulated period. Also income relating to such scheme amounted to US\$1,207 (2013: US\$1,622).

39. Group restructuring

((a) The Board of directors of BGPPL, subsidiary of the Group, approved a group restructuring plan which was approved by the shareholders of the Company during the year ended 30 June 2013. As part of the group restructuring, the business undertakings of BILT, situated at Units Sewa and Ashti engaged in the business of manufacture of copier paper were exchanged with the business undertaking of BGPPL situated at Unit Kamalapuram engaged in the business of manufacture of rayon grade pulp. The transaction resulted in a net inflow of US\$7,064 to the Group paid by BILT after necessary working capital adjustments. Since the transaction was between entities under common control, the management of the Company had applied predecessor basis of accounting to this transaction, whereby the assets and liabilities of Sewa and Ashti have been recorded at the carrying values and the difference between the carrying values of the new units and Kamalapuram as compared to the net consideration was recognised in equity.

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The assets and liabilities as of 01 October 2012 arising from acquisition and disposal were as follows:

	KAMALAPURAM	SEWA	ASHTI	Total
Property, plant and equipment	(75.909)	30.639	23.220	(22.050)
Capital work-in-progress	(3.158)	3.822	62	726
Inventories	(10.491)	6.922	8.762	5.193
Trade and other receivables	(10.569)	10.283	6.919	6.633
Trade and other payables	16.220	(13.256)	(9.777)	(6.813)
Deferred tax Assets/ (liabilities)	6.857	2.325	(3.312)	5.870
Carrying value of net assets	(77.050)	40.735	25.874	(10.441)
Tax effect on Group restructuring				(2.184)
Distribution on Group restructuring				5.533
Total purchase consideration	(77.050)	40.735	25.874	(7.092)
Purchase consideration settled in cash				(7.064)
Cash and cash equivalents settled against purchase consideration	107	(103)	(32)	(28)
Total purchase consideration	107	(103)	(32)	(7.092)

(b) (b) The Board of directors of BGPPL, subsidiary of the Group, further approved the purchase of captive power plants of Avantha Power and Infrastructure Limited (APIL, a Avantha Group Company) situated at units Ballarpur, Sewa and Bhigwan for a consideration of US\$103,888 after necessary working capital adjustments. Since the transaction was between entities under common control, the management of the Company had applied predecessor basis of accounting to this transaction, whereby the assets and liabilities of power plants of Ballarpur, Sewa and Bhigwan were recorded at the carrying values and the difference between the carrying values as compared to the net consideration was recognised in equity.

The assets and liabilities as of 01 April 2013 arising from acquisition and disposal were as follows:

	Carrying Values
Property, plant and equipment	87.177
Capital work-in-progress	173
Inventories	6.313
Trade and other receivables	8.280
Trade and other payables	(1.647)
Deferred tax liabilities	(7.445)
Carrying value of net assets	92.851
Distribution on Group restructuring	10.607
Total purchase consideration	103.458
Purchase consideration settled in cash	103.888
Cash and cash equivalents settled against purchase consideration	(430)
Total purchase consideration	103.458

(c) Cash flow related to purchase consideration of Group restructuring:

Net purchase consideration	96,824
Less: Paid up to 30 June 2013	67,179
Payable as on 30 June 2013	29,645
Less: Settled through assumption of loans	26,373
Exchange difference	3,272

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40. Discontinued operations

The Board of directors of BGPPL, subsidiary of the Group, approved a group restructuring plan which was approved by the shareholders of Bilt Paper during the year ended 30 June 2013. As part of the group restructuring, the business undertakings of Ballarpur Industries Limited, situated at Units Sewa and Ashti engaged in the business of manufacture of copier paper has been exchanged with the business undertaking of BGPPL situated at Unit Kamalapuram engaged in the business of manufacture of rayon grade pulp (which constitutes separate reportable segment). The transaction has resulted in a net inflow of US\$7,064 to the Group paid by BILT after necessary working capital adjustments. Since the transaction is between entities under common control, the management of Bilt Paper has applied predecessor basis of accounting to this transaction, whereby the assets and liabilities of Sewa and Ashti have been recorded at the carrying values and the difference between the carrying values of the new units and Kamalapuram as compared to the net consideration has been recognised in equity.

Consequently, the disposal of Kamalapuram unit (India pulp -reportable segment) has been considered as a discontinued operations and results of the same are summarised below:

	2013	2012
Revenue	23,735	100,268
Other operating income	83	988
	23,818	101,256
Raw materials and consumables used	(14,273)	(56,014)
Excise duty expenses	(1,381)	(5,180)
Employee benefit expense	(1,990)	(8,059)
Depreciation and Amortisation	-	(4,282)
Foreign exchange gains / (losses) – net	(2)	(41)
Other operating expenses	(772)	(4,359)
Operating profit	5,400	23,321
Finance income	11	38
Finance costs	-	(8)
Finance costs, net	11	30
Profit / (loss) before income tax	5,411	23,351

Cash flow from discontinued operations are as follows:

	2013	2012
Operating Activities	1,050	7,503
Investing Activities	(969)	(7,517)
Financing Activities	(0)	(8)

41. Post Balance Sheet events

Post Balance Sheet events

1. The Company proposes to raise equity through listing on Singapore stock exchange for which draft prospectus has been filed on 24 September 2014.

2. On 03 October 2014, a Subscription Agreement was entered between Bilt Paper B.V., (the Company) and International Finance Corporation (IFC) and a Policy Agreement between Avantha Holdings Limited, Ballarpur Industries Limited, Ballarpur International Holdings B.V. (collectively, the Sponsors), the Company, and IFC, wherein IFC has agreed to subscribe to 100 million fully paid common shares with the nominal value of Euro 0.01 each in the company for a consideration of US\$100 million on the terms and conditions specified therein.

Bilt Paper B.V.

All amounts in US Dollar thousands unless otherwise stated

Pursuant to above agreement the Company has received US \$ 100 million on 31 October, 2014 and has allotted 100 million fully paid common share to IFC on 31 October 2014. The funds received have been utilised to repay the existing borrowings of the Group.

On 29 October 2014, US\$ 150 million Loan Agreement was entered between Sabah Forest Industries, Malaysia and International Finance Corporation for the purposes of refinancing program and capital expenditure. The loan will be disbursed subject to fulfilment of terms and conditions specified in the "Loan Agreement" and has not been drawn down till date. The agreement also requires company to comply with certain financial covenants on semi-annually basis viz. total financial debt to EBITDA, Current ratio, Prospective debt service coverage ratio and Interest Expense Coverage Ratio and certain non-financial covenants including environmental compliances.

3. 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 by conversion from the share premium reserve with no additional consideration received.

Bilt Paper B.V.

All amounts in US Dollar thousands unless otherwise stated

Company balance sheet as at 30 June 2014

(before proposed profit appropriation)

		As at 30 June 2014	As at 30 June 2013
Assets	Note		
Non-current assets			
Investments in subsidiaries	2	502.029	541.213
Loan to subsidiary	9	95.000	95.000
		597.029	636.213
Current assets			
Loan to subsidiary	9	67.000	67.000
Trade and Other Receivables	3	8.165	6.288
Cash and cash equivalents	4	2	6
		75.167	73.294
		<u>672.196</u>	<u>709.507</u>

Bilt Paper B.V.

All amounts in US Dollar thousands unless otherwise stated

		As at 30 June 2014	As at 30 June 2013
	Note		
<i>Equity and liabilities</i>			
Equity			
Issued share capital	5	20	21
Share premium		517,395	517,395
Perpetual capital securities		191,114	191,114
Translation Reserve		(95,431)	(88,182)
Legal Reserve		68,508	84,341
Profit for the year		(14,567)	6,977
Retained Earnings		(5,045)	(376)
Other Reserves		(4,953)	(11,268)
		657,041	700,022
Current liabilities	6	15,155	9,485
Total liabilities		15,155	9,485
Total equity and liabilities		<u>672,196</u>	<u>709,507</u>

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

Bilt Paper B.V.

All amounts in US Dollar thousands unless otherwise stated

Income statement for the year ended 30 June 2014

	2014	2013
Share of profit of subsidiaries for the year	(31.328)	(18.718)
Company result for the year after taxation	16.761	25.695
Net result for the year	(14.567)	6.977

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 group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group.

They are derecognized from the date that control ceases.

The company applies the acquisition method to account for acquiring 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.

Bilt Paper B.V.

All amounts in US Dollar thousands unless otherwise stated

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 difference arising on such translation is 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:

	2014	2013
Opening balance	541 213	607 554
Share of profit of subsidiaries	(31 328)	(19 206)
Exchange differences	(6 191)	(3 381)
Gain/(loss) on fair valuation of available for sale financial assets	(9 792)	(688)
Deferred tax liabilities on available for sale financial assets	1 958	137
Cash flow hedging reserves	6 314	7 216
Post employment benefit obligations	(145)	-
Dividend tax paid	-	(972)
Repurchase of Profit Certificate	-	(33,308)
Group restructuring	-	(16,140)
Closing balance	502,029	541,213

Bilt Paper B.V.

All amounts in US Dollar thousands unless otherwise stated

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	97.78
BILT Graphic Paper Products Ltd., India	99.99

3 Trade and other receivables

Particulars	2014	2013
Receivable from Related Party	6,570	6,211
Statutory Dues Recoverable	77	77
Prepaid expenses	1,518	0
	<u>8,165</u>	<u>6,288</u>

4 Cash and cash equivalents

Particulars	2014	2013
Cash at Bank	2	6
	<u>2</u>	<u>6</u>

5 Shareholders' equity

The authorised share capital of Bilt Paper B.V. amounts to EURO 90, divided into 9,000,000 ordinary shares of € 0.01 each. Of these, 2,052,001 ordinary shares have been issued.

Movements in the number of shares in 2014/2013 were as follows:

Particulars	Ordinary shares
At 01 July 2012	2,052,001
Issue of ordinary shares	-
At 30 June 2013	2,052,001
Issue of ordinary shares during the year	-
At 30 June 2014	<u>2,052,001</u>

The breakdown of the shareholders 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 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.

Bilt Paper B.V.

All amounts in US Dollar thousands unless otherwise stated

Statements of changes in equity

	Share capital	Share premium	Results for the year	Retained earnings	Translation reserve	Legal reserve	Perpetual capital securities	Other reserves	Total equity
Balance at 30 June 2012	26	517,395	46,842	(8,282)	(74,759)	87,488	190,240	10,386	769,336
Comprehensive income									
Profit for the previous year	-	-	(46,842)	46,842	-	-	-	-	-
Profit for the year	-	-	6,977	-	-	-	-	-	6,977
Gain on change in fair valuation of biological assets	-	-	-	2,109	-	(2,109)	-	-	-
Other comprehensive income									
Currency translation differences	(5)	-	-	-	(13,423)	-	-	5	(13,423)
Loss on fair valuation of available for sale financial asset, net of tax	-	-	-	-	-	(551)	-	-	(551)
Post employment benefit obligations	-	-	-	-	-	(487)	-	-	(487)
Release of cash flow hedge reserve	-	-	-	-	-	-	-	7,216	7,216
Total other comprehensive income	(5)	-	-	-	(13,423)	(1,038)	-	7,221	(7,245)
Total comprehensive income	(5)	-	(39,865)	48,951	(13,423)	(3,147)	-	7,221	(268)
Transaction with owners									
Issue of Perpetual Capital Securities (net of transaction cost)	-	-	-	-	-	-	874	-	874
Distribution on Group restructuring	-	-	-	(16,140)	-	-	-	-	(16,140)
Dividend tax paid	-	-	-	(972)	-	-	-	-	(972)
Repurchase of Profit Certificate	-	-	-	-	-	-	-	(33,308)	(33,308)
Transfer to other reserves on repurchase of profit certificate	-	-	-	(4,433)	-	-	-	4,433	-
Distribution on perpetual capital securities	-	-	-	(19,500)	-	-	-	-	(19,500)
Total transactions with owners	-	-	-	(41,045)	-	-	874	(28,875)	(69,046)
Balance at 30 June 2013	21	517,395	6,977	(376)	(88,182)	84,341	191,114	(11,268)	700,022
Comprehensive income									
Profit for the previous year	-	-	(6,977)	6,977	-	-	-	-	-
Profit for the year	-	-	(14,567)	-	-	-	-	-	(14,567)
Gain on change in fair valuation of biological assets	-	-	-	(1,228)	-	1,228	-	-	-
Other comprehensive income									
Currency translation differences	(1)	-	-	-	(7,249)	-	-	1	(7,249)
Gain on fair valuation of available for sale financial asset, net of tax	-	-	-	-	-	(7,834)	-	-	(7,834)
Post employment benefit obligations	-	-	-	-	-	(145)	-	-	(145)
Release of cash flow hedge reserve	-	-	-	-	-	-	-	6,314	6,314
Total other comprehensive income	(1)	-	-	-	(7,249)	(7,979)	-	6,315	(8,914)
Total comprehensive income	(1)	-	(21,544)	5,749	(7,249)	(6,751)	-	6,315	(23,481)
Transfer from statutory reserve	-	-	-	3,082	-	(9,082)	-	-	-
Transaction with owners									
Distribution on perpetual capital securities	-	-	-	(19,500)	-	-	-	-	(19,500)
Total transactions with owners	-	-	-	(19,500)	-	-	-	-	(19,500)
Balance at 30 June 2014	20	517,395	(14,567)	(5,045)	(95,431)	68,508	191,114	(4,953)	657,041

Legal reserve comprise of gain arising on change in fair value of biological assets (US\$33,176), statutory reserve on debentures issued by the Group (US\$32,202), loss on fair valuation of available for sale financial assets (US\$3,794) and post-employment obligation (US\$ (663)). Such reserves together with translation and other reserves are not distributable by the company.

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.

Bilt Paper B.V.

All amounts in US Dollar thousands unless otherwise stated

6 Current liabilities

Particulars	2014	2013
Payable to Group companies	12,934	9,480
Provisions	2,221	5
	<u>15,155</u>	<u>9,485</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

Particulars	2014	2013
Ballarpur International Holdings B.V.	463	33
Ballarpur Paper Holdings B.V.	474	540
	<u>937</u>	<u>573</u>

b. Loan to subsidiary

Particulars	2014	2013
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. Year-end balances arising from investing activities:

Intercompany balances payable:

Particulars	2014	2013
Ballarpur International Holdings B.V.	-	33
Ballarpur Paper Holdings B.V.	12,934	9,447
	<u>12,934</u>	<u>9,480</u>

Bilt Paper B.V.

All amounts in US Dollar thousands unless otherwise stated

Intercompany balances receivable:

Particulars	2014	2013
Ballarpur International Holdings B V	210	-
Ballarpur Paper Holdings B V	6,360	6,211
	<u>6,570</u>	<u>6,211</u>

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: 28 November 2014

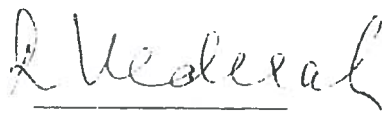
Managing Directors

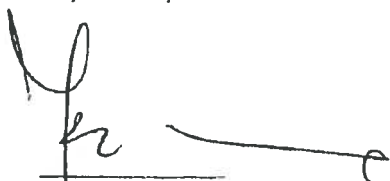

Gautam Thapar


Bhuthalingam Hariharan


Jane Fields Wicker-Miurin


Jogchum Beetsma


Rajeev Ranjan Vederah


Yogesh Agarwal


Pradeep Vasudeo Bhide

Paasheuvelweg 16,
1105BH
Amsterdam
The Netherlands

Ballarpur International Graphic Paper Holdings B.V.
Registered at the Chamber
of Commerce in Amsterdam
under number 34301128

Bilt Paper B.V.

All amounts in US Dollar thousands unless otherwise stated

Amsterdam

Date: 28 November 2014

Managing Directors

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Managing Directors

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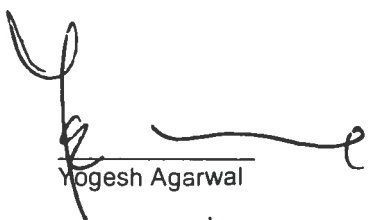
Gautam Thapar



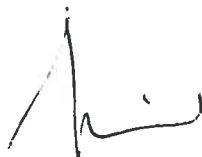
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Other information

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 Company proposes to raise equity through listing on Singapore stock exchange for which draft prospectus has been filed on 24 September 2014.
2. On 03 October 2014, a Subscription Agreement was entered between Bilt Paper B.V., (the Company) and International Finance Corporation (IFC) and a Policy Agreement between Avantha Holdings Limited, Ballarpur Industries Limited, Ballarpur International Holdings B.V. (collectively, the Sponsors), the Company, and IFC, wherein IFC has agreed to subscribe to 100 million fully paid common shares with the nominal value of Euro 0.01 each in the company for a consideration of US\$100 million on the terms and conditions specified therein. Pursuant to above agreement the Company has received US \$ 100 million on 31 October, 2014 and has allotted 100 million fully paid common share to IFC on 31 October 2014. The funds received have been utilized to repay the existing borrowings of the Group.

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3. 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 by conversion from the share premium reserve with no additional consideration received.



Independent auditor's report

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

Report on the financial statements

We have audited the accompanying financial statements for the year ending 30 June 2014 as set out on pages 10 to 91 of Bilt Paper B.V., Amsterdam, which comprise the consolidated and company statement of financial position as at 30 June 2014, the consolidated and company income statement, the consolidated and company statement of comprehensive income, changes in equity and cash flows for the year then ended and the notes, comprising a summary of significant accounting policies and other explanatory information.

Managing directors' responsibility

The managing directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the Report of the managing directors in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the managing directors are responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the managing directors, as well as evaluating the overall presentation of the financial statements.

PD/e0340476/MV/ph

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Bilt Paper B.V. as at 30 June 2014, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2: 393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the managing directors, 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 under Section 2: 392 sub 1 at b-h has been annexed. Further, we report that the report of the managing directors, to the extent we can assess, is consistent with the financial statements as required by Section 2: 391 sub 4 of the Dutch Civil Code.

Amsterdam, 2 December 2014
PricewaterhouseCoopers Accountants N.V.

A blue ink signature, appearing to be 'P.C. Dams', written over a horizontal line.

P.C Dams RA