

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SABAH FOREST INDUSTRIES SDN. BHD.

Report on the Financial Statements

We have audited the accompanying financial statements of M/s Sabah Forest Industries Sdn. Bhd. ("the Company"), which comprise the Balance Sheet as at March 31, 2015, the Statement of Profit and Loss, Cash Flow Statement for the nine months period then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and 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.

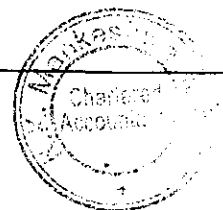
We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected

OFFICES AT :

- 243, "SHRIKA RESIDENCY" CANAL ROAD, DHARAMPETH, NAGPUR - 440 010.
- BLOCK - E, NEW R.D.A. BUILDING, BOMBAY MARKET, G.E. ROAD, RAIPUR - 492001.
- A-425, SARITA VIHAR, NEW DELHI - 110076.
- 29, KALIANDAS UDYOG BHAWAN, CENTURY BAZAR LANE, PRABHADEVI, MUMBAI - 400025
- 9, SURYA TOWERS, 3rd FLOOR, NEAR MHATRE BRIDGE, ERANDWANA, PUNE - 411004



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 financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

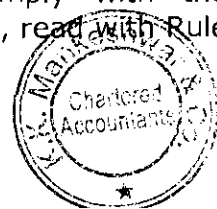
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion

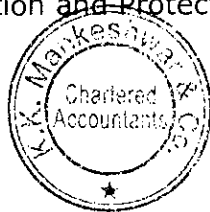
In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2015, and its loss and its cash flows for the nine months period ended on that date.

Report on Other Legal and Regulatory Requirements

1. In our opinion and to the best of our information and according to the explanations given to us, the Companies (Auditor's Report) Order, 2015 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act is not applicable to the company for the period under review.
2. As required by section 143(3) of the Act, we report that:
 - a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. the Balance Sheet, Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - d. In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.



- e. with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i) the Company does not have any pending litigations which would impact its financial position;
 - ii) the Company did not have any long-term contracts including derivatives contracts for which there were any material foreseeable losses;
 - iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.



ABHAY UPADHYE

Partner

Membership No. 049354

For and on behalf of

K.K. MANKESHWAR & CO.

Chartered Accountants

FRN – 106009W

Gurgaon, dated the

SABAH FOREST INDUSTRIES SDN.BHD
Balance Sheet as on 31st March 2015

	NOTE NO.	31.03.2015 ₹ In Lacs	30.06.2014 ₹ In Lacs
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share Capital	B-1	179,082	155,253
Reserves and Surplus	B-2	7,984	41,571
		<u>187,066</u>	<u>196,824</u>
NON - CURRENT LIABILITIES			
Long term borrowings	B-3	53,060	73,487
		<u>53,060</u>	<u>73,487</u>
CURRENT LIABILITIES			
Short term borrowings	B-4	12,423	10,740
Trade payables	B-5	26,116	28,916
Other current liabilities	B-6	28,739	30,684
		<u>67,278</u>	<u>70,340</u>
TOTAL		307,404	340,651
ASSETS			
NON - CURRENT ASSETS			
FIXED ASSETS			
Tangible assets	B-7	214,716	234,413
Capital work in progress	B-8	180	265
		<u>214,896</u>	<u>234,678</u>
Deferred tax assets (Net)	B-9	18,330	20,423
Biological Assets	B-10	46,836	48,843
		<u>65,166</u>	<u>69,266</u>
CURRENT ASSETS			
Inventories	B-11	20,234	27,696
Trade receivables	B-12	4,229	6,164
Cash and bank balances	B-13	203	71
Short term loans and advances	B-14	2,666	2,765
Other current assets	B-15	10	11
		<u>27,342</u>	<u>36,707</u>
TOTAL		307,404	340,651

Significant Accounting Policies

"A"

Notes to Financial Statements

"B"

As per our report attached

For and on behalf of Borad of Directors

ABHAY UPADHYE

Partner

Membership No. 049354

For and on behalf of

K.K. MANKESHWAR & CO.

Chartered Accountants

FRN: 106009W



Director

Director

New Delhi, dated the
26th May, 2015

SABAH FOREST INDUSTRIES SDN.BHD

Statement of Profit And Loss For The Nine Months Period Ended March 31, 2015

	NOTE	31.03.2015 ₹ In Lacs	30.06.2014 ₹ In Lacs
REVENUE			
Revenue from operations	B-16	65,136	95,142
Other Income	B-17	72	141
TOTAL		65,208	95,283
EXPENSES			
Cost of materials consumed	B-18	24,914	39,513
Changes in inventories of finished goods, work in progress and stock in trade	B-19	3,438	(2,899)
Employee benefits expenses	B-20	6,760	10,413
Finance cost	B-21	3,588	3,578
Depreciation and amortizations expenses	B-22	13,508	19,545
Other expenses	B-23	27,041	36,269
TOTAL		79,249	106,419
Profit before tax		(14,041)	(11,136)
Tax expense:			
Current tax/MAT (Including Wealth Tax)		-	-
Deferred tax		137	(2,133)
Excess provision relating to earlier years		-	-
		137	(2,133)
Profit/(Loss) after tax for the year		(14,178)	(9,003)
Earning per equity share:	B-24		
(1) Basic (In ₹)		(0.75)	(0.49)
(2) Diluted (In ₹)		(0.75)	(0.49)
Significant Accounting Policies	"A"		
Notes to Financial Statements	"B"		

As per our report attached

For and on behalf of Board of Directors

ABHAY UPADHYE

Partner

Membership No. 049354

For and on behalf of

K.K. MANKESHWAR & CO.

Chartered Accountants

FRN: 106009W



Director

Director

New Delhi, dated the

26th May, 2015

	31.03.2015 ₹ In Lacs	30.06.2014 ₹ In Lacs
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	(14,041)	(11,136)
Adjustments for:		
Depreciation & amortization expenses	13,508	19,545
Finance costs and interest	3,588	3,578
	17,095	23,123
Operating Profit before Working Capital Changes	3,055	11,987
Adjustment for Working Capital Changes :		
(Increase)/decrease in trade receivable	1,935	(896)
(Increase)/decrease in loans, advances and other current assets	99	1,700
(Increase)/decrease in inventory	7,462	(3,777)
Increase/(decrease) in liabilities and provisions	(1,972)	1,137
	7,524	4,164
Cash generated from operations	10,578	16,151
Income tax paid (net)	-	-
Net cash flow inflow from operating activities	10,578	16,151
CASH FLOW FROM INVESTING ACTIVITIES		
Increase in fixed assets, capital work-in-progress and capital advances	(22,171)	(15,424)
Net cash flow from investing activities	(22,171)	(15,424)
CASH FLOW FROM FINANCING ACTIVITIES		
Share Capital	23,829	
Increase/(decrease) in long term borrowings	(18,990)	1,217
Interest paid (Net)	(3,847)	(3,588)
Net cash flow from financing activities	992	(2,371)
Net increase/(decrease) in cash and cash equivalents	(10,601)	(1,644)
Cash and cash equivalents at beginning of reporting year	71	1,653
Impact Of Foreign Currency Translation Reserve	10,733	63
Cash and cash equivalents (closing balance)	203	71

Significant Accounting Policies

"A"

Notes to Financial Statements

"B"

As per our report attached

For and on behalf of Board of Directors

ABHAY UPAOHYE

Partner

Membership No. 049354

For and on behalf of

K.K. MANKESHWAR & CO.

Chartered Accountants

FRN: 106009W

Director



Director

New Delhi, dated the

26th May, 2015

COUNTRY OF INCORPORATION

Sabah Forest Industries Sdn. Bhd. is incorporated and operates under the applicable laws of Malaysia.

The Company is principally involved in integrated wood-based activities, sawmill, plymill and pulp and paper mill operations in Sabah, Malaysia.

The Company owns two timber licenses granted by the State Government of Sabah for the extraction of timber and tree plantation in Sabah, Malaysia.

There have been no significant changes in the nature of the principal activities of the Company during the financial year.

The registered office and principal place of business of the Company are located at Kompleks S.F.I., No. 10, Jalan Jeti, 89859 Sipitang, Sabah, Malaysia.

A. SIGNIFICANT ACCOUNTING POLICIES

1. FIXED ASSETS

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and accumulated impairment losses, if any.

Leasehold land

Leasehold land that normally has a definite economic life and where the title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. Payments made on entering into or acquiring leasehold land are accounted as prepaid land lease payments and amortized evenly over the lease terms of the land.

Prepaid land lease payments is amortized evenly over the lease period based on an annual rate of 1.64%.

2. DEPRECIATION

Depreciation is charged so as to write off the depreciable amounts of the assets over their estimated useful lives using the straight line method.

3. BIOLOGICAL ASSETS

Plantation development and planting expenditure incurred in the cultivation and reforestation of the tree plantation, including a proportion of the Company's forestry division general charges incurred in relation to the planting of trees, are deferred and charged to plantation development expenditure and classified as biological assets. This expenditure is charged to statement of profit or loss and other comprehensive income when the trees are harvested upon maturity based on the volume of logs harvested and consumed.

4. IMPAIRMENT OF ASSETS

At each Balance Sheet date, the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized in the Statement of Profit and Loss to the extent the carrying amount exceeds the recoverable amount.

5. INVENTORY VALUATION

Finished goods, consisting of paper, veneer, sawn timber, plywood and pulpsheet inventories, are stated at the lower of cost and net realizable value. Cost is determined on the weighted average method. The cost of work-in-progress and finished goods comprises the cost of raw materials, direct labour and a proportion of factory conversion costs.

Engineering spares, raw materials for paper production, fuel and lubricants and other inventories are stated at weighted average cost. Cost represents purchase price plus costs incurred in bringing the inventories to their present location and condition.

6. FOREIGN CURRENCIES

The original cost of Fixed Assets, acquired through foreign currency loans is adjusted so as to show the liabilities for these loans, at the rates of exchange prevailing on the date of the Balance Sheet or at the forward cover rates as applicable.

Transactions in foreign currencies, covering current assets and current liabilities, are accounted for at exchange rates prevailing on the dates, the transactions take place. Net gains or losses arising out of subsequent fluctuations in exchange rates are shown under a separate head in the Statement of Profit and Loss.

7. REVENUE RECOGNITION

Revenue represents gross invoiced value of uncoated wood-free printing and writing paper, sawn timber, veneer, plywood and commercial logs net of trade discounts and allowances. Revenue from sale of goods is recognized upon delivery of products and when the risks and rewards of ownership have passed to the customers.

Interest income is recognized using the effective interest method.

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

8. EMPLOYEE BENEFITS

Short-term Employee Benefits

Wages, salaries, paid annual leave, bonuses and social contributions are recognized in the year in which the associated services are rendered by employees of the Company.

Defined Contribution Plan

The Company is required by law to make monthly contributions to the Employees' Provident Fund ("EPF"), a statutory defined contribution plan for all its eligible employees based on certain prescribed rates of the employees' salaries. The Company's contributions to EPF are disclosed separately. The employees' contributions to EPF are included in salaries and wages.

9. TAXATION

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the Statement of Profit & Loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) or other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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



Deferred tax 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 realized, 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 Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

10. PROVISION AND CONTINGENCIES

The Company creates a provision when there is present obligation as a result of past events that probably require an outflow of resources and a reliable estimate can be made of the amount of obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that probably will not require an outflow of resources or where a reliable estimate of the obligation cannot be made.

11. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the costs of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in statement of profit and loss in the period in which they are incurred.

12. EARNING PER SHARE

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

13. PROVISION

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

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

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

14. CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Company.

Contingent liabilities are not recognized in the statement of financial position of the Company except for contingent liabilities assumed in a business combination of which fair value can be reliably measured.



Basis of Preparation and Translation into Indian Rupees

(i) These financial statements have been prepared for the purpose of compliance with the provisions of Section 129 of the Indian Companies Act, 2013 and have been translated to Indian Rupees (Rs.) in accordance with Accounting Standard -11 on 'The effects of Change in Foreign Exchange Rates'. The functional currency of the Company is Malaysian Ringgit and the reporting currency is Indian Rs. (INR)

(ii) The translation of foreign currency into INR has been carried out:

- For assets and liabilities (both monetary and non-monetary items) using the rate of exchange prevailing on the balance sheet date (1RM = Rs. 16.8983 as on 31st March 2015 and 1RM = Rs. 18.6989 as on 30th June 2014).
- For revenues and expenses using average exchange rates prevailing during the reporting period (1RM = Rs. 18.2314 for the year from 1st July, 2014 to 31st March 2015 and 1RM = Rs. 18.97269 for the year from 1st July, 2013 to 30th June 2014).
- Resulting exchange differences are taken into foreign currency translation reserve as required under Accounting Standard-11.

B-1 SHARE CAPITAL:

	31.03.2015	30.06.2014
	₹ In Lacs	₹ In Lacs
Authorized:		
1,054,000,000 Class A ordinary shares of RM1.00 each	100,179	100,179
10,000,000,000 Class B ordinary shares of RM0.10 each	111,685	111,685
146,000,000 deferred shares of RM1.00 each	18,131	18,131
	<u>229,995</u>	<u>229,995</u>
Issued, Subscribed and fully paid up :		
940,665,514 Class A ordinary shares of RM1.00 each	53,075	53,075
8,83,33,24,120 Class B ordinary shares of RM0.10 each	107,876	84,047
146,000,000 deferred shares of RM1.00 each	18,131	18,131
	<u>179,082</u>	<u>155,253</u>

Notes:**(i) Rights, preferences and restrictions attached to shares****a) Class A ordinary shares**

Each holder of Class A ordinary shares of RM 1.00 each is entitled to one vote per share.

b) Class B ordinary shares

Class B ordinary shares of RM 1.00 each are rank pari passu in all respects with the class A ordinary shares of the Company.

c) Deferred Shares

Deferred shares of RM1.00 each have the following limitations,

- no entitlement to dividends,
- no voting rights, and
- no rights to receive notice of meetings.

(ii) During the current financial period, the issued and paid-up ordinary share capital of the Company was increased from RM1,839,198,000 to RM1,969,998,000 by an issuance of 1,308,000,000 new Class B ordinary shares of RM0.10 each at par to its immediate holding company for the purpose of working capital. These new shares rank pari passu with the then existing Class B ordinary shares of the Company.



1.1 Reconciliation of number of Outstanding shares

EQUITY SHARES:	As on March 31, 2015		As on Jun 30, 2014	
	No. of shares	₹ In Lacs	No. of shares	₹ In Lacs
a) Class A ordinary shares				
Balance as at the beginning of the Period/year	940,665,514	53,075	940,665,514	53,075
Add:- Issued during the Period/Year		-		-
Balance as at the end of the Period/year	940,665,514	53,075	940,665,514	53,075
b) Class B ordinary shares				
Balance as at the beginning of the Period/year	7,525,324,120	84,047	7,525,324,120	84,047
Add:- Issued during the Period/Year	1,308,000,000	23,829		-
Balance as at the end of the Period/year	8,833,324,120	107,876	7,525,324,120	84,047
c) Deferred Shares				
Balance as at the beginning of the Period/year	146,000,000	18,131	146,000,000	18,131
Add:- Issued during the Period/Year		-		-
Balance as at the end of the Period/year	146,000,000	18,131	146,000,000	18,131

1.2 Shares held by holding company and Ultimate holding company:

	As at 31.03.2015	As at 30.06.2014
Ballarpur Paper Holdings B.V.		
a) Class A ordinary shares	752,532,412	752,532,412
b) Class B ordinary shares	8,833,324,120	7,525,324,120
c) Deferred shares	146,000,000	146,000,000

1.3 Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company:

NAME OF SHAREHOLDER	As on 31.03.2015		As on 30.06.2014	
	No. of shares	Holding (%)	No. of shares	Holding (%)
a) Class A ordinary shares				
Ballarpur Paper Holdings B.V.	752,532,412	80%	752,532,412	80%
b) Class B ordinary shares				
Ballarpur Paper Holdings B.V.	8,833,324,120	100%	7,525,324,120	100%
c) Deferred shares				
Ballarpur Paper Holdings B.V.	146,000,000	100%	146,000,000	100%

B-2 RESERVE AND SURPLUS

	31.03.2015	30.06.2014
	₹ In Lacs	₹ In Lacs
Foreign Currency Translation Reserve		
At the beginning of the reporting Period/Year	140,408	142,472
Adjustment during the year (net)	(19,410)	(2,064)
At the close of the reporting Period/Year	120,999	140,408
Surplus(deficit) in Statement of Profit and Loss		
Balance at the beginning of the reporting Period/Year	(98,837)	(89,834)
Add:		
Profit after Tax transferred from statement of profit and loss	(14,178)	(9,003)
Balance at the close of the reporting Period/Year	(113,015)	(98,837)
Total	7,984	41,571



B-3 LONG TERM BORROWINGS:

	31.03.2015	30.06.2014
	₹ In Lacs	₹ In Lacs
1. Secured Loans:		
From Banks	53,060	73,436
Vehicle Loan	-	51
	53,060	73,487

Notes:-

Security and terms of payment :-

3.1 TERM LOANS FROM BANKS & FINANCIAL INSTITUTIONS

The above mentioned facilities are secured by charges over the current assets, fixed assets, land and receivables of the Company, off take agreement assignment etc. and are repayable as under:

- (a) a term loan of US\$50,000,000, which is repayable by 8 equal semi-annual installments commencing from March 15, 2013;
- (b) a term loan of US\$20,000,000, which is repayable by 8 equal semi-annual installments commencing from October 20, 2013;
- (c) a term loan of US\$20,000,000, which is repayable by 8 equal semi-annual installments commencing from January 4, 2014;
- (d) a term loan of US\$25,000,000 which is repayable by 5 equal semi-annual installments commencing from September 28, 2014;
- (e) a term loan of US\$25,000,000, which is repayable by 10 equal semi-annual installments commencing from February 8, 2013;
- (f) a term loan of US\$50,000,000, which is repayable by 19 unequal quarterly installments commencing from December 28, 2013;
- (g) a term loan of US\$25,000,000, which is repayable by 24 unequal quarterly installments commencing from November 1, 2013;

3.2 VEHICLE LOANS

The hire-purchase payables are secured by charge over the asset under hire-purchase and average term for hire-purchase ranges from 3 to 7 years (2013: 3 to 7 years)



B-4 SHORT TERM BORROWINGS:

	31.03.2015	30.06.2014
	₹ In Lacs	₹ In Lacs
Secured Loans:		
From Banks	10,580	10,323
Bank Overdraft	1,843	417
Total short-term borrowings (1+2)	12,423	10,740

B-5 TRADE PAYABLES:

	31.03.2015	30.06.2014
	₹ In Lacs	₹ In Lacs
Trade Payables	26,116	28,916
TOTAL	26,116	28,916

B-6 OTHER CURRENT LIABILITIES:

	31.03.2015	30.06.2014
	₹ In Lacs	₹ In Lacs
Current maturities of long term debt	22,852	22,977
Current maturities of finance lease obligations	-	121
Interest accrued but not due on borrowings	277	537
Security deposits paid (including interest accrued thereon)	8	9
Sundry creditor-capital goods	399	2,666
Statutory dues payable	316	6
Payable to employee	182	363
Payable to related Parties	4,369	3,773
Other payables	336	232
TOTAL	28,739	30,684

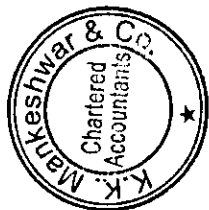


SABAH FOREST INDUSTRIES SDN. BHD
B - NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD/YEAR ENDED 31ST MARCH, 2015

Particulars	GROSS BLOCK					DEPRECIATION				NET BLOCK		
	As on July 1, 2014	Additions	Deletions	Translation Reserve	As on March 31, 2015	As on July 1, 2014	For the Period	Deletions/Write-off	Translation Reserve	As on March 31, 2015	As on March 31, 2015	As on June 30, 2014
Leasehold land	6,937	-	-	(670)	6,263	6,263	84	-	(273)	5,992	5,992	5,722
Buildings	47,360	86	-	(4,085)	38,361	76,454	1,040	-	(7,671)	13,488	13,488	15,906
Pulp and Paper Mill	407,058	13,687	-	(39,711)	376,028	197,668	8,832	-	(19,199)	193,746	193,746	209,410
Furniture, fittings and equipment	3,500	81	-	(343)	3,238	2,854	118	-	(284)	550	550	646
Motor vehicles	1,719	-	-	(166)	1,553	1,510	86	-	(154)	110	110	709
Leasehold and access roads	21,897	149	-	(2,119)	19,927	19,378	739	-	(1,970)	1,730	1,730	2,519
Total	478,466	14,003	693	(47,100)	445,369	244,054	10,899	-	(24,301)	230,653	214,716	234,412
Previous year	477,307	7,127	693	5,275	478,466	231,929	15,550	693	2,733	234,413	234,413	

Notes :

- Depreciation during the year include:
Rs. 186 lacs (previous Year Rs. 228 lacs) charged to inventories.
Rs. 42% lacs (previous Year Rs. 580 lacs) charged to biological assets.



B-8 CAPITAL WORK IN PROGRESS :

	31.03.2015	30.06.2014
	₹ In Lacs	₹ In Lacs
Plant and Machinery	180	266
	<u>180</u>	<u>266</u>

B-9 DEFERRED TAX ASSETS:

	31.03.2015	30.06.2014
	₹ In Lacs	₹ In Lacs
At the beginning of year	20,423	18,522
Transfer from Statement of Profit & Loss	(137)	2,133
Translation Reserve	(1,956)	(232)
Total	18,330	20,423

The deferred tax assets are in respect of the following:

Unabsorbed Capital Allowance	18,330	20,423
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B-10 BIOLOGICAL ASSETS:

Biological assets represent plantation development expenditure:-

	31.03.2015	30.06.2014
	₹ In Lacs	₹ In Lacs
Cost		
At beginning of year	71,496	62,769
Additions	5,986	9,914
Translation reserve	(7,323)	(1,187)
At end of year	70,159	71,496
Accumulated Amortization		
At beginning of year	22,653	18,130
Charge for the year	3,074	5,157
Translation reserve	(2,404)	(634)
At end of year	23,323	22,653
Carrying Amount	46,836	48,843

Note : During the year, amortization expense is charged to the following:

Statement of Profit and Loss	3,216	4,804
Inventories	(124)	(14)
	<u>3,092</u>	<u>4,790</u>

Included in additions to plantation development expenditure during the year are the following charges:

Employee benefits expenses:**Key management personnel:**

Salaries and other emoluments	67	88
Employees Provident Fund contributions	2	4
Depreciation of property, plant and equipment	340	487
Amortization of prepaid land lease payment	67	93
Interest on hire-purchase	3	12
Rental payable for:		
Premises	3	
Plant and machinery	3	416
	<u>485</u>	<u>1,100</u>



B-11 INVENTORIES:

	31.03.2015	30.06.2014
	₹ In Lacs	₹ In Lacs
Raw materials	3,292	5,642
Work in progress	1,219	2,935
Finished goods	397	2,119
Stores and spares	15,326	17,000
Total	20,234	27,696

Note:- Stores and spares includes goods in transit of ₹ 112/- lacs (Previous Year- ₹ 176/- lacs)

B-12 TRADE RECEIVABLES:

	31.03.2015	30.06.2014
	₹ In Lacs	₹ In Lacs
Trade receivables -exceeding six months	-	-
Trade receivables -others	4,229	6,164
Total	4,229	6,164



B-13 CASH AND BANK BALANCE :

	31.03.2015	30.06.2014
	₹ In Lacs	₹ In Lacs
Cash & cash equivalents		
Balances with banks		
In current accounts	200	69
Cash on hand	3	2
TOTAL	203	71

B-14 SHORT TERM LOANS AND ADVANCES:

	31.03.2015	30.06.2014
	₹ In Lacs	₹ In Lacs
Unsecured, considered good		
Balance with government authorities	236	600
Prepaid expenses	1,835	974
Advances to trade creditors	515	626
Advances to employees	13	8
Insurance claim receivables	-	-
Security deposits	36	181
Other advances	31	376
TOTAL	2,666	2,765

B-15 OTHER CURRENT ASSETS:

	31.03.2015	30.06.2014
	₹ In Lacs	₹ In Lacs
Current portion of unamortized expenses	10	11
TOTAL	10	11



B-16 REVENUE FROM OPERATIONS:

	31.03.2015	30.06.2014
	₹ In Lacs	₹ In Lacs
Sale of products		
Paper (including coated)	41,258	60,449
Rayon grade pulp	21,919	32,560
Others	1,959	2,133
TOTAL	65,136	95,142

B-17 OTHER INCOME:

	31.03.2015	30.06.2014
	₹ In Lacs	₹ In Lacs
Rent and license fee	72	141
TOTAL	72	141

B-18 COST OF MATERIALS CONSUMED:

	31.03.2015	30.06.2014
	₹ In Lacs	₹ In Lacs
Wood and wood species	15,364	25,218
Chemicals	7,876	11,932
Packing materials	1,674	2,363
TOTAL	24,914	39,513

B-19 CHANGES IN INVENTORIES OF FINISHED GOODS, WORK IN PROGRESS AND STOCK IN TRADE:

	31.03.2015 ₹ In Lacs	30.06.2014 ₹ In Lacs
Stocks at the beginning of the year		
Finished goods	2,119	1,191
	2,119	1,191
Work in progress	2,935	964
	2,935	964
TOTAL (A)	5,054	2,155
Stocks at the end of the year		
Finished goods	397	2,119
	397	2,119
Work in progress	1,219	2,935
	1,219	2,935
TOTAL (B)	1,616	5,054
Net (Increase)/Decrease in Stocks (A-B)	3,438	(2,899)



B-20 EMPLOYEE BENEFITS EXPENSES:

	31.03.2015	30.06.2014
	₹ In Lacs	₹ In Lacs
Salaries and wages	5,853	9,153
Contribution to provident and other funds	670	940
Staff welfare expenses	237	320
Total	6,760	10,413

B-21 FINANCE COSTS:

	31.03.2015	30.06.2014
	₹ In Lacs	₹ In Lacs
Interest expenses	3,588	4,811
Net loss / (gain) in foreign currency transaction and translation	-	(1,233)
TOTAL	3,588	3,578

B-22 DEPRECIATION AND AMORTIZATION:

	31.03.2015	30.06.2014
	₹ In Lacs	₹ In Lacs
Depreciation on tangible assets	10,292	14,741
Amortization of biological assets	3,216	4,804
TOTAL	13,508	19,545

B-23 OTHER EXPENSES:

	31.03.2015	30.06.2014
	₹ In Lacs	₹ In Lacs
Consumption of stores and spare parts	2,605	2,817
Power and fuel	13,796	19,581
Rent	1,287	2,321
Repairs to machinery	2,274	933
Repairs others	658	927
Insurance	781	1,038
Office & other expenses	880	906
Audit Fees	44	48
Selling expenses	2,434	3,288
Carriage and freight	2,185	4,320
Legal and professional charges	97	90
TOTAL	27,041	36,269

B-24 EARNINGS PER SHARE:

	31.03.2015	30.06.2014
	₹ In Lacs	₹ In Lacs
Profit Computation for both Basic and Diluted Earnings		
Net Profit after Tax as per Profit & Loss Account	(14,178)	(9,003)
Net Profit after Tax available to Equity Shareholders For Basic EPS	(14,178)	(9,003)
Adjustment for the purpose of Diluted EPS :-		
Add: Effect of potential equity shares on conversion of Foreign Currency Convertible Bonds/ Debentures		
Net Profit available to Equity Shareholders For Diluted EPS	(14,178)	(9,003)
Weighted Average number of Equity Share for Earning Per Share		
Share Computation		
A) No. of shares for Basic Earning Per Share	1,882,638,802	1,839,197,926
Adjustment for the purpose of Diluted EPS :-	-	-
B) No. of Shares for Diluted Earning Per Share	1,882,638,802	1,839,197,926
Earning Per Share		
Basic	(0.75)	(0.49)
Diluted	(0.75)	(0.49)

B-25 CONTINGENT LIABILITIES AND COMMITMENTS:

	31.03.2015	30.06.2014
	₹ In Lacs	₹ In Lacs
(to the extent not provided for)		
1) Contingent Liabilities:		
Claims against the Company not acknowledged as debts	3,959	28,650
TOTAL (A)	<u>3,959</u>	<u>28,650</u>
2) Commitments		
Estimated amount of contracts not provided for	307	790
TOTAL (B)	<u>307</u>	<u>790</u>
TOTAL (A+B)	<u>4,266</u>	<u>29,440</u>

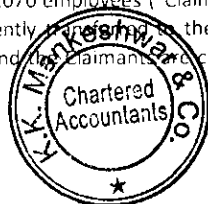
(i) Pursuant to the Share Purchase Agreement dated June 4, 2006 ("Agreement") entered between the former immediate holding company of the Company, Lion Forest Industries Berhad ("LFIB"), a public listed company incorporated in Malaysia and JP Morgan Securities (Asia Pacific) Limited ("JP Morgan Securities"), a company incorporated in Hong Kong, and a Deed of Adherence ("Deed of Adherence") with the immediate holding company, Ballarpur Paper Holdings B.V. ("BPH"), for the disposal by LFIB of its entire shareholding representing approximately 97.78% equity interest in the Company, if the Company is required to pay the plaintiffs under the legal claims in respect of termination of contracts for the extraction and sale and purchase of timber of RM128,874,000 (2014: RM128,874,000), then LFIB shall, on demand from BPH, fully indemnify BPH and the Company for all amounts paid on account on claims in respect of termination of contracts.

Pursuant to the Amended Escrow Agreement dated March 10, 2008 entered into between LFIB, JP Morgan Special Situations Asia Corporation, a company incorporated in Hong Kong, Ballarpur Industries Limited, the ultimate holding company, BPH and the Escrow Agent, HSBC (Malaysia) Trustee Berhad, a company incorporated in Malaysia, the legal claim amounts in respect of termination of contracts for the extraction and sale and purchase of timber have been deposited by BPH into an escrow account maintained with the Escrow Agent. The said amount will be released by the Escrow Agent upon confirmation from BPH that the Company is required to pay the said claims, or if BPH is satisfied that the said claims have been settled.

Included in the litigation claims in respect of the termination of contracts for the extraction and purchasing of timber are claims by UNP Plywood Sdn. Bhd. ("UNP"), a company incorporated in Malaysia, for an amount of RM128,874,000 against the Company for alleged wrongful termination of the Extraction and Purchasing of Timber Agreements dated June 28, 1993 and August 13, 1993.

On February 6, 2015, the Company and UNP have entered into an agreement to settle the mentioned legal claims. The Company has agreed to pay UNP a lump sum amount of RM85,000,000 on the said legal claims. The amount is paid from the escrow account maintained with the Escrow Agent which was previously deposited by BPH. This case is now considered fully settled and disposed off.

(ii) LFIB, has vide its letter dated December 30, 2008 confirmed to the Company that LFIB will accept responsibility and lead the conduct of the defense of the legal claims in respect of back pay labour claims from 1,070 employees ("Claimants"). The proceedings commenced on March 1, 2010 in the Labour Court in Sipitang, Sabah and the matter was subsequently transferred to the Labour Court in Kota Kinabalu, Sabah at the request of the Claimants' solicitors. The proceedings are currently underway and the Claimants are currently adducing their evidence in the Labour Court. The next hearing dates for trial have yet to be fixed by the Court.



B-26 Value of Imports calculated on CIF basis:

	31.03.2015	30.06.2014
	₹ In Lacs	₹ In Lacs
Raw Materials	4,009	7,882
Components and spare parts	2,079	4,294
Capital goods	209	1,054
Others	716	13,470
TOTAL	7,013	26,700

B-27 Earnings in foreign exchange:

	31.03.2015	30.06.2014
	₹ In Lacs	₹ In Lacs
F.O.B. Value of Exports	29,054	15,622
TOTAL	29,054	15,622



1) **Key Management Personnel**

Mr. Yogesh Agarwal

2) **List of Related Parties***

Ballarpur Industries Limited	Ultimate Holding Company
Ballarpur Paper Holdings B.V.	Immediate Holding Company
BILT Graphic Paper Products Limited	Fellow Subsidiary

3) **Details of transaction with related parties**

(Financial transactions have been carried out in the ordinary course of business and/or in discharge of contract obligation)

S.No.	Particulars	31.03.2015 ₹ In Lacs	30.06.2014 ₹ In Lacs
a)	Sale of goods, rent received & allocation of common expenses for rendering corporate service:		
	-Ultimate Holding Company		
	-Immediate Holding Company		
	-Fellow Subsidiary	21,706	34,949
b)	Purchase of Goods and Services/Services rendered:		
	-Ultimate Holding Company		
	-Immediate Holding Company		
	-Fellow Subsidiary	(2)	99
c)	Advances Received(Paid) during the year		
	-Ultimate Holding Company		(601)
	-Immediate Holding Company		
	-Fellow Subsidiary	(22,836)	(34,272)
d)	Out Standing Balances Payables/(Receivables)		
	-Ultimate Holding Company		
	-Trade Payables Others		
	-Trade Receivables Others		
	-Advances from related Parties	(316)	926
	-Immediate Holding Company		
	-Advances from related Parties	(331)	340
	-Fellow Subsidiary		
	-Trade Payables Others	(150)	
	-Trade Receivables Others	19,578	172
	-Advances from related Parties	(22,836)	2,507



Leases

(i) Finance Lease

It is the Company's policy to acquire certain of its property, plant and equipment under finance lease arrangements. The average term for finance lease ranges from 3 to 7 years (2013: 3 to 7 years). For the financial year ended June 30, 2014, the average effective interest rate is 5.55% (2013: 5.40%) per annum. Interest rates are fixed at the inception of the finance lease arrangements.

The finance lease are secured by charge over the asset under finance lease.

	2014-15		2013-14	
	Minimum payments	Present value of MLP	Minimum payments	Present value of MLP
Within one year	-	-	119	113
After one year but not more than five years	-	-	52	51
More than five years	-	-	-	-
Present value of minimum lease payments	-	-	171	164

(ii) Operating Lease

As of the end of the financial year, lease commitments in respect of rental of premises are as follows:

	Future Minimum Lease Payments	
	2014-15	2013-14
Financial years ending:		
June 30, 2015	-	3
June 30, 2016	3	-
Total	3	3

All assets other than fixed assets are realizable in the ordinary course of the business at the value which they are stated in the balance sheet.



B-31 Current period financial statements is for a period of 9 months i.e from 1st July, 2014 to 31st March, 2015. Therefore the figures of the current period are not comparable with those of the previous year.

B-32 Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification/disclosure.

The Notes referred to above form an integral part of Financial Statements.

As per our report attached

For and on behalf of Borad of Directors

ABHAY UPADHYE

Partner

Membership No. 049354

For and on behalf of

K.K. MANKESHWAR & CO.

Chartered Accountants

FRN: 106009W



Director

Director

New Delhi, dated the
26th May, 2015