

**INDEPENDENT AUDITORS' 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, 2016, the Statement of Profit and Loss, Cash Flow Statement for the year 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 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. 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, 2016, and its loss and its cash flows for the year 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, 2016 ("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.

**ASHWIN MANKESHWAR**  
Partner  
Membership No. 046219  
For and on behalf of  
**K.K. MANKESHWAR & CO.,**  
Chartered Accountants  
FRN - 106009W



Gurgaon, dated the  
27<sup>th</sup> May, 2016

SABAH FOREST INDUSTRIES SDN.BHD  
Balance Sheet as on 31st March 2016

	NOTE NO.	31.03.2016 Rs.In Lacs	31.03.2015 Rs.In Lacs
<b>EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share Capital	B-1	179,082	179,082
Reserves and Surplus	B-2	(18,975)	7,985
		<u>160,107</u>	<u>187,067</u>
<b>NON - CURRENT LIABILITIES</b>			
Long term borrowings	B-3	29,125	53,060
		<u>29,125</u>	<u>53,060</u>
<b>CURRENT LIABILITIES</b>			
Short term borrowings	B-4	10,161	12,423
Trade payables	B-5	28,253	26,116
Other current liabilities	B-6	68,251	28,739
		<u>106,665</u>	<u>67,278</u>
<b>TOTAL</b>		<b>295,897</b>	<b>307,404</b>
<b>ASSETS</b>			
<b>NON - CURRENT ASSETS</b>			
<b>FIXED ASSETS</b>			
Tangible assets	B-7	208,276	214,716
Capital work in progress	B-8	76	180
		<u>208,352</u>	<u>214,896</u>
Deferred tax assets (Net)	B-9	18,312	18,330
Biological Assets	B-10	49,751	46,836
		<u>68,063</u>	<u>65,166</u>
<b>CURRENT ASSETS</b>			
Inventories	B-11	16,456	20,234
Trade receivables	B-12	1,708	4,229
Cash and bank balances	B-13	181	203
Short term loans and advances	B-14	1,137	2,666
Other current assets	B-15	-	10
		<u>19,482</u>	<u>27,342</u>
<b>TOTAL</b>		<b>295,897</b>	<b>307,404</b>
Significant Accounting Policies	"A"		
Notes to Financial Statements	"B"		

As per our report attached

For and on behalf of Board of Directors

**ASHWIN MANKESHWAR**  
Partner  
Membership No. 046219  
For and on behalf of  
**K.K. MANKESHWAR & CO.**  
Chartered Accountants  
FRN: 106009W



Director  
Director

New Delhi, dated the  
27th May, 2016

**SABAH FOREST INDUSTRIES SDN.BHD**

Statement of Profit And Loss for the Year Ended March 31, 2016



	NOTE	31.03.2016 Rs.In Lacs	31.03.2015 Rs.In Lacs
<b>REVENUE</b>			
Revenue from operations	B-16	48,628	65,136
Other Income	B-17	60	72
<b>TOTAL</b>		<b>48,688</b>	<b>65,208</b>
<b>EXPENSES</b>			
Cost of materials consumed	B-18	20,028	24,914
Changes in inventories of finished goods, work in progress and stock in trade	B-19	1,318	3,438
Employee benefits expenses	B-20	8,370	6,760
Finance cost	B-21	6,230	3,588
Depreciation and amortizations expenses	B-22	14,315	13,508
Other expenses	B-23	24,930	27,041
<b>TOTAL</b>		<b>75,191</b>	<b>79,249</b>
<b>Profit before tax</b>		<b>(26,503)</b>	<b>(14,040)</b>
<b>Tax expense:</b>			
Deferred tax		94	137
		<b>94</b>	<b>137</b>
<b>Profit/(Loss) after tax for the year</b>		<b>(26,597)</b>	<b>(14,177)</b>
Earning per equity share:	B-24		
		(1.35)	(0.75)
(2) Diluted (In Rs. )		(1.35)	(0.75)
Significant Accounting Policies	"A"		
Notes to Financial Statements	"B"		

As per our report attached

For and on behalf of Borad of Directors

**ASHWIN MANKESHWAR**  
Partner  
Membership No. 046219  
For and on behalf of  
**K.K. MANKESHWAR & CO.**  
Chartered Accountants  
FRN: 106009W



Director   
Director 

New Delhi, dated the  
27th May, 2016

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	31.03.2016 Rs. In Lacs	31.03.2015 Rs. In Lacs
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before tax	(26,503)	(14,041)
Adjustments for:		
(Profit) / Loss on sale of Assets (net)	-	-
Unspent Liabilities and Excess Provisions of earlier years written back	-	-
Depreciation & amortization expenses	14,315	13,508
Finance costs and Interest	6,230	3,588
	<b>20,545</b>	<b>17,095</b>
<b>Operating Profit before Working Capital Changes</b>	<b>(5,958)</b>	<b>3,055</b>
<b>Adjustment for Working Capital Changes :</b>		
(Increase)/decrease in trade receivable	2,522	1,935
(Increase)/decrease in loans, advances and other current assets	1,543	99
(Increase)/decrease in inventory	3,777	7,462
Increase/(decrease) in liabilities and provisions	34,449	(1,972)
	<b>42,291</b>	<b>7,524</b>
<b>Cash generated from operations</b>	<b>36,332</b>	<b>10,578</b>
Income tax paid (net)	-	-
<b>Net cash flow inflow from operating activities</b>	<b>36,332</b>	<b>10,578</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Increase in fixed assets, capital work-in-progress and capital advances	(9,889)	(22,171)
<b>Net cash flow from investing activities</b>	<b>(9,889)</b>	<b>(22,171)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Share Capital	-	23,829
Increase/(decrease) in long-term borrowings	(19,594)	(18,990)
Interest paid (Net)	(5,591)	(3,847)
<b>Net cash flow from financing activities</b>	<b>(25,185)</b>	<b>992</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,258</b>	<b>(10,601)</b>
Cash and cash equivalents at beginning of reporting year	203	71
Impact Of Foreign Currency Translation Reserve	(1,280)	10,733
<b>Cash and cash equivalents (closing balance)</b>	<b>181</b>	<b>203</b>

Significant Accounting Policies  
Notes to Financial Statements

"A"

"B"

As per our report attached

**ASHWIN MANKESHWAR**  
Partner  
Membership No. 046219  
For and on behalf of  
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Chartered Accountants  
FRN: 106009W



For and on behalf of Borad of Directors

Director  
Director

New Delhi, dated the  
27th May, 2016

## 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. 16.9641 as on 31st March 2016 and 1RM = Rs. 16.8983 as on 31st March 2015).
- For revenues and expenses using average exchange rates prevailing during the reporting period (1RM = Rs. 16.2653 for the year from 1st April, 2015 to 31st March 2016 and 1RM = Rs. 18.2314 for the year from 1st April, 2014 to 31st March 2015).
- Resulting exchange differences are taken into foreign currency translation reserve as required under Accounting Standard-11.

**B-1 SHARE CAPITAL:**

	31.03.2016	31.03.2015
	Rs.In Lacs	Rs.In Lacs
<b>Authorized:</b>		
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
	229,995	229,995
<b>Issued, Subscribed and fully paid up :</b>		
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	107,876
146,000,000 deferred shares of RM1.00 each	18,131	18,131
	179,082	179,082

**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.



### 1.1 Reconciliation of number of Outstanding shares

EQUITY SHARES:	As on March 31, 2016		As on March 31, 2015	
	No. of shares	Rs.In Lacs	No. of shares	Rs.In Lacs
<b>a) Class A ordinary shares</b>				
Balance as at the beginning of the Period/year	940,665,514	53,075	940,665,514	53,075
Balance as at the end of the Period/year	940,665,514	53,075	940,665,514	53,075
<b>b) Class B ordinary shares</b>				
Balance as at the beginning of the Period/year	8,833,324,120	107,876	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	8,833,324,120	107,876
<b>c) Deferred Shares</b>				
Balance as at the beginning of the Period/year	146,000,000	18,131	146,000,000	18,131
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 31.03.2016	As at 31.03.2015
<b>Ballarpur Paper Holdings B.V.</b>		
a) Class A ordinary shares	752,532,412	752,532,412
b) Class B ordinary shares	8,833,324,120	8,833,324,120
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 31.03.2016		As on 31.03.2015	
	No. of shares	Holding ( % )	No. of shares	Holding ( % )
<b>a) Class A ordinary shares</b>				
Ballarpur Paper Holdings B.V.	752,532,412	80%	752,532,412	80%
<b>b) Class B ordinary shares</b>				
Ballarpur Paper Holdings B.V.	8,833,324,120	100%	8,833,324,120	100%
<b>c) Deferred shares</b>				
Ballarpur Paper Holdings B.V.	146,000,000	100%	146,000,000	100%

### B-2 RESERVE AND SURPLUS

	31.03.2016	31.03.2015
	Rs.In Lacs	Rs.In Lacs
<b>Foreign Currency Translation Reserve</b>		
At the beginning of the reporting Period/Year	120,999	140,408
Adjustment during the year (net)	(362)	(19,410)
At the close of the reporting Period/Year	<b>120,637</b>	<b>120,999</b>
<b>Surplus(deficit) in Statement of Profit and Loss</b>		
Balance at the beginning of the reporting Period/Year	(113,015)	(98,837)
Add:		
Profit after Tax transferred from statement of profit and loss	(26,597)	(14,177)
Balance at the close of the reporting Period/Year	<b>(139,612)</b>	<b>(113,014)</b>
<b>Total</b>	<b>(18,975)</b>	<b>7,985</b>



**B-3 LONG TERM BORROWINGS:**

	31.03.2016	31.03.2015
	Rs. In Lacs	Rs. In Lacs
<b>1. Secured Loans:</b>		
From Banks	29,125	53,060
<b>TOTAL</b>	<b>29,125</b>	<b>53,060</b>

**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:**

	31.03.2016	31.03.2015
	Rs. In Lacs	Rs. In Lacs
<b>Secured Loans:</b>		
From Banks	7,982	10,580
Bank Overdraft	2,179	1,843
<b>TOTAL</b>	<b>10,161</b>	<b>12,423</b>

**B-5 TRADE PAYABLES:**

	31.03.2016	31.03.2015
	Rs. In Lacs	Rs. In Lacs
Trade Payables	28,253	26,116
<b>TOTAL</b>	<b>28,253</b>	<b>26,116</b>

**B-6 OTHER CURRENT LIABILITIES:**

	31.03.2016	31.03.2015
	Rs. In Lacs	Rs. In Lacs
Current maturities of long term debt	29,456	22,852
Interest accrued but not due on borrowings	917	277
Security deposits paid (including interest accrued thereon)	5	8
Advance received from customers	164	-
Sundry creditor-capital goods	354	399
Statutory dues payable	45	316
Payable to employee	289	182
Payable to related Parties	36,710	4,369
Other payables	311	336
<b>TOTAL</b>	<b>68,251</b>	<b>28,739</b>



SABAH FOREST INDUSTRIES SDN.BHD

B-Notes to the Financial Statements for the Year Ended March 31, 2016

B-7 Fixed Assets

Rs. In lacs

Particulars	GROSS BLOCK				DEPRECIATION					NET BLOCK		
	As on April 1, 2015	Additions	Deletions Write-off	Translation Reserve	As on March 31, 2016	As on April 1, 2015	For the Period	Deletions/ Write-off	Translation Reserve	As on March 31, 2016	As on March 31, 2016	As on March 31, 2015
Leasehold Land	6,263	-	-	26	6,289	1,171	100	-	9	1,280	5,009	5,092
Building	38,361	106	-	154	38,621	24,872	1,220	-	151	26,243	12,378	13,489
Pulp and Paper Mill	376,028	5,124	1	1,684	382,835	182,282	10,323	0	1,153	193,758	189,077	193,746
Furniture, fittings and equipment	3,238	53	-	15	3,306	2,688	111	-	14	2,813	493	550
Motor vehicles	1,553	-	-	6	1,559	1,443	65	-	8	1,516	43	110
Jetty and access roads	19,927	104	-	82	20,113	18,197	546	-	94	18,837	1,276	1,730
<b>Total</b>	<b>445,370</b>	<b>5,387</b>	<b>1</b>	<b>1,967</b>	<b>452,723</b>	<b>230,653</b>	<b>12,365</b>	<b>0</b>	<b>1,429</b>	<b>244,447</b>	<b>208,276</b>	<b>214,717</b>
Previous year	478,466	14,003	-	(47,099)	445,370	244,054	10,899	-	(24,301)	230,653	214,717	

Notes :

1. Depreciation during the year include

- Rs. 263 lacs (previous Year Rs. 184 lacs) charged to Inventories.
- Rs. 392 lacs (previous Year Rs. 424 lacs) charged to biological assets.



**B-8 CAPITAL WORK IN PROGRESS :**

	31.03.2016 Rs.In Lacs	31.03.2015 Rs.In Lacs
Plant and Machinery	76	180
	<u>76</u>	<u>180</u>

**B-9 DEFERRED TAX ASSETS:**

	31.03.2016 Rs.In Lacs	31.03.2015 Rs.In Lacs
At the beginning of year	18,330	20,423
Transfer from Statement of Profit & Loss	(94)	(137)
Translation Reserve	76	(1,956)
<b>Total</b>	<b>18,312</b>	<b>18,330</b>

The deferred tax assets are in respect of the following:

Unabsorbed Capital Allowance	18,312	18,330
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**B-10 BIOLOGICAL ASSETS:**

Biological assets represent plantation development expenditure:-

	31.03.2016 Rs.In Lacs	31.03.2015 Rs.In Lacs
<b>Cost</b>		
At beginning of year	70,159	71,496
Additions	4,930	5,986
Translation reserve	485	(7,323)
<b>At end of year</b>	<b>75,574</b>	<b>70,159</b>
<b>Accumulated Amortization</b>		
At beginning of year	23,323	22,653
Charge for the year	2,313	3,074
Translation reserve	187	(2,404)
<b>At end of year</b>	<b>25,823</b>	<b>23,323</b>
<b>Carrying Amount</b>	<b>49,751</b>	<b>46,836</b>

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

Statement of Profit and Loss	2,605	3,216
Inventories	(294)	(124)
	<u>2,311</u>	<u>3,092</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	61	67
Employees Provident Fund contributions	-	2
Depreciation of property, plant and equipment	376	340
Amortization of prepaid land lease payment	79	67
Interest on hire-purchase	-	3
<b>Rental payable for:</b>		
Premises	1	3
Plant and machinery	71	247
	<u>588</u>	<u>729</u>



**B-11 INVENTORIES:**

	31.03.2016 Rs.In Lacs	31.03.2015 Rs.In Lacs
Raw materials	1,249	3,292
Work in progress	131	1,219
Finished goods	167	397
Stores and spares	14,902	15,326
Stock in trade	7	-
<b>TOTAL</b>	<b>16,456</b>	<b>20,234</b>

Note:- Stores and spares includes goods in transit of Rs.6/- lacs (Previous Year- Rs. 112/- lacs)

1,317

**B-12 TRADE RECEIVABLES:**

	31.03.2016 Rs.In Lacs	31.03.2015 Rs.In Lacs
Trade receivables -exceeding six months	-	-
Trade receivables -others	1,708	4,229
<b>TOTAL</b>	<b>1,708</b>	<b>4,229</b>

**B-13 CASH AND BANK BALANCE :**

	31.03.2016 Rs.In Lacs	31.03.2015 Rs.In Lacs
<b>Cash &amp; cash equivalents</b>		
<b>Balances with banks</b>		
In current accounts	178	200
Cash on hand	3	3
<b>TOTAL</b>	<b>181</b>	<b>203</b>

**B-14 SHORT TERM LOANS AND ADVANCES:**

	31.03.2016 Rs.In Lacs	31.03.2015 Rs.In Lacs
<b>Unsecured, considered good</b>		
Balance with government authorities	73	236
Prepaid expenses	904	1,835
Advances to trade creditors	127	515
Advances to employees	3	13
Insurance claim receivables	-	-
Security deposits	30	36
Other advances	0	31
<b>TOTAL</b>	<b>1,137</b>	<b>2,666</b>

**B-15 OTHER CURRENT ASSETS:**

	31.03.2016 Rs.In Lacs	31.03.2015 Rs.In Lacs
Current portion of unamortized expenses	-	10
<b>TOTAL</b>	<b>-</b>	<b>10</b>



**B-16 REVENUE FROM OPERATIONS:**

	31.03.2016	31.03.2015
	Rs.In Lacs	Rs.In Lacs
<b>Sale of products</b>		
Paper (including coated )	35,164	41,258
Rayon grade pulp	11,738	21,919
Others	1,726	1,959
<b>TOTAL</b>	<b>48,628</b>	<b>65,136</b>

**B-17 OTHER INCOME:**

	31.03.2016	31.03.2015
	Rs.In Lacs	Rs.In Lacs
Rent and license fee	60	72
<b>TOTAL</b>	<b>60</b>	<b>72</b>

**B-18 COST OF MATERIALS CONSUMED:**

	31.03.2016	31.03.2015
	Rs.In Lacs	Rs.In Lacs
Wood and wood species	11,765	15,364
Chemicals	7,107	7,876
Packing materials	1,156	1,674
<b>TOTAL</b>	<b>20,028</b>	<b>24,914</b>

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

	31.03.2016	31.03.2015
	Rs.In Lacs	Rs.In Lacs
<b>Stocks at the beginning of the year</b>		
Finished goods	397	2,119
	<b>397</b>	<b>2,119</b>
Work in progress	1,219	2,935
	<b>1,219</b>	<b>2,935</b>
<b>TOTAL (A)</b>	<b>1,616</b>	<b>5,054</b>
<b>Stocks at the end of the year</b>		
Finished goods	167	397
	<b>167</b>	<b>397</b>
Work in progress	131	1,219
	<b>131</b>	<b>1,219</b>
<b>TOTAL (B )</b>	<b>298</b>	<b>1,616</b>
<b>Net (Increase)/Decrease in Stocks (A-B)</b>	<b>1,318</b>	<b>3,438</b>



**B-20 EMPLOYEE BENEFITS EXPENSES:**

	31.03.2016	31.03.2015
	Rs. In Lacs	Rs. In Lacs
Salaries and wages	7,309	5,853
Contribution to provident and other funds	769	670
Staff welfare expenses	292	238
<b>TOTAL</b>	<b>8,370</b>	<b>6,760</b>

**B-21 FINANCE COSTS:**

	31.03.2016	31.03.2015
	Rs. In Lacs	Rs. In Lacs
Interest expenses	6,230	3,588
Net loss / (gain) in foreign currency transaction and translation	(0)	-
<b>TOTAL</b>	<b>6,230</b>	<b>3,588</b>

**B-22 DEPRECIATION AND AMORTIZATION:**

	31.03.2016	31.03.2015
	Rs. In Lacs	Rs. In Lacs
Depreciation on tangible assets	11,710	10,292
Amortization of biological assets	2,605	3,216
<b>TOTAL</b>	<b>14,315</b>	<b>13,508</b>

**B-23 OTHER EXPENSES:**

	31.03.2016	31.03.2015
	Rs. In Lacs	Rs. In Lacs
Consumption of stores and spare parts	2,619	2,605
Power and fuel	13,896	13,796
Rent	1,309	1,287
Repairs to machinery	878	2,274
Repairs others	610	658
Insurance	1,017	781
Office & other expenses	1,340	880
Audit Fees	63	44
Selling expenses	1,474	2,434
Carriage and freight	1,619	2,185
Legal and professional charges	105	97
<b>TOTAL</b>	<b>24,930</b>	<b>27,041</b>





**B-24 EARNINGS PER SHARE:**

	31.03.2016 Rs.In Lacs	31.03.2015 Rs.In Lacs
Profit Computation for both Basic and Diluted Earnings		
Net Profit after Tax as per Profit & Loss Account	(26,597)	(14,177)
Net Profit after Tax available to Equity Shareholders For Basic EPS	(26,597)	(14,177)
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	(26,597)	(14,177)
<b>Weighted Average number of Equity Share for Earning Per Share</b>		
<b>Share Computation</b>		
A) No. of shares for Basic Earning Per Share	1,969,997,926	1,882,638,802
Adjustment for the purpose of Diluted EPS :-	-	-
B) No. of Shares for Diluted Earning Per Share	1,969,997,926	1,882,638,802
Earning Per Share		
Basic	(1.35)	(0.75)
Diluted	(1.35)	(0.75)

**B-25 CONTINGENT LIABILITIES AND COMMITMENTS:**

	31.03.2016 Rs.In Lacs	31.03.2015 Rs.In Lacs
(to the extent not provided for)		
<b>1) Contingent Liabilities:</b>		
Claims against the Company not acknowledged as debts	6,607	3,959
Guarantees	-	-
<b>TOTAL (A)</b>	<u>6,607</u>	<u>3,959</u>
<b>2) Commitments</b>		
Estimated amount of contracts not provided for	-	307
<b>TOTAL (B)</b>	<u>-</u>	<u>307</u>
<b>TOTAL (A+B)</b>	<u>6,607</u>	<u>4,266</u>

(I) The former immediate holding company of the Company, Lion Forest Industries Berhad ("LFIB"), a public listed company incorporated in Malaysia, has vide its letter dated December 30, 2008 confirmed to the Company that LFIB will accept responsibility and lead the conduct of the defence 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.

(II) During the financial year, a total of 11 suppliers have taken legal actions against the Company during the year for reasons being failing, refusing and/or neglecting to make payments in regards to suppliers that have been supplied or contracted works that have been completed. The proceedings are currently underway and the Claimants are currently adducing their evidence in Court and therefore have yet to receive fixed decisions by the Court.



**B-26 Value of Imports calculated on CIF basis:**

	31.03.2016	31.03.2015
	Rs.In Lacs	Rs.In Lacs
Raw Materials	3,577	4,009
Components and spare parts	4,668	2,079
Capital goods	81	209
Others	895	716
<b>TOTAL</b>	<b>9,221</b>	<b>7,013</b>

**B-27 Earnings in foreign exchange:**

	31.03.2016	31.03.2015
	Rs.In Lacs	Rs.In Lacs
F.O.B. Value of Exports	21,134	29,054
<b>TOTAL</b>	<b>21,134</b>	<b>29,054</b>



**Information on Related Parties as required by Accounting Standard-AS 18 "Related Party Disclosures":**

a) Name of the Related Parties with whom transactions were carried out during the year and nature of relationship

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
Crompton Greaves Limited	Other Related Parties
Mirabelle Trading Pvt. Limited	Other Related Parties
MTP New Ocean Mauritius Ltd.	Other Related Parties

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	31.03.2016 Rs.In Lacs	31.03.2015 Rs.In Lacs
a)	<b>Sale of goods, rent received &amp; allocation of common expenses for rendering corporate service:</b>		
	-Ultimate Holding Company	-	-
	-Immediate Holding Company		
	-Fellow Subsidiary	13,095	21,706
	-Other Related parties (Crompton Greaves Limited)	-	-
	-Other Related parties (Mirabelle Trading Pvt Limited)	-	-
b)	<b>Purchase of Goods and Services/Services rendered:</b>		
	-Ultimate Holding Company		
	-Immediate Holding Company		
	-Fellow Subsidiary	-	2
	-Other Related parties (MTP New Oceans Mauritius Limited)	195	-
c)	<b>Advances Received(Paid) during the year</b>		
	-Ultimate Holding Company	3,340	-
	-Immediate Holding Company	968	
	-Fellow Subsidiary	21,439	(22,836)
e)	<b>Royalty paid/payable</b>		
	-Other Related Party (Avantha Holdings Limited)	65	-
d)	<b>Out Standing Balances Payables/(Receivables)</b>		
	<b>-Ultimate Holding Company</b>		
	-Trade Payables Others		
	-Trade Receivables Others		
	-Advances from related Parties	(3,778)	(316)
	<b>-Immediate Holding Company</b>		
	-Advances from related Parties	(1,318)	(331)
	<b>-Fellow Subsidiary</b>		
	-Trade Payables Others	-	(150)
	-Trade Receivables Others	-	18,578
	-Advances from related Parties	(29,512)	(22,836)
	<b>-Other Related Parties</b>		
	-Mirabelle trading Pvt Limited	(702)	
	-Avantha Holding Limited	(780)	
	-MTP NEW Ocean Mauritius Limited	(621)	



**Leases****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	
	2015-16	2014-15
Financial years ending:		
March 31, 2016	-	3
March 31, 2017	3	-
<b>Total</b>	<b>3</b>	<b>3</b>

**B-30**

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**

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 Board of Directors**

**ASHWIN MANKESHWAR**  
*Partner*  
 Membership No. 046219  
 For and on behalf of  
**K.K. MANKESHWAR & CO.**  
*Chartered Accountants*  
 FRN: 106009W



Director

Director

*(Handwritten signature)*

*(Handwritten signature)*

New Delhi, dated the  
 27th May, 2016

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