

**To The Board of directors of
THL ZINC HOLDING BV**

Report on Financial Statements

We have audited the accompanying financial statements of “**THL ZINC HOLDING BV.**” (“the Company”), which comprise the Balance Sheet as at 31st March 2018, and the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the 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 financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act.

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, 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 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 including the Ind AS, of the state of affairs of the Company as at 31st March, 2018, and its profit including other comprehensive income, its cash flows and the statement of changes in equity for the year ended on that date.

Other Matter:-

The financial statements are prepared to assist Vedanta Limited, holding Company to prepare its consolidated financial statements as per generally accepted accounting principal in India. As a result, the financial statement may not be suitable for another purpose. Our report is intended solely for the Company and its holding Company and should not be distributed or used by parties other than for the preparation of consolidated financial statement of holding Company. We hereby provide consent that a copy may be provided to auditors of holding Company.

For **Pathak H.D. & Associates,**
Chartered Accountants
(Registration No. 107783W)

Mukesh Mehta
Partner
Membership No.: 043495

Place: Mumbai
Date: 1st May 2018

THL ZINC HOLDING BV
Balance sheet as at March 31, 2018

Particulars	Notes	As at	As at
		March 31, 2018	March 31, 2017
		USD	USD
ASSETS			
Non-current assets			
Financial Assets			
(a) Investments	2	226,191,055	226,191,055
		226,191,055	226,191,055
Current assets			
Financial Assets			
(a) Loans	3	-	-
(b) Cash and cash equivalents	4	2,846	17,368
(c) Others	5	34,722	772,498
		37,568	789,866
Total Assets		226,228,623	226,980,921
EQUITY AND LIABILITIES			
Equity			
(a) Equity Share capital	6	5,110,047	5,110,047
(b) Other Equity		(325,579,672)	(356,014,149)
		(320,469,625)	(350,904,102)
Non current liabilities			
Financial Liabilities			
(a) Borrowings	7	546,519,617	546,519,617
		546,519,617	546,519,617
Current liabilities			
Financial Liabilities			
(a) Borrowings	8	-	30,000,000
(b) Others	9	178,631	1,037,332
Current tax liabilities	10	-	328,074
		178,631	31,365,406
Total Equity and Liabilities		226,228,623	226,980,921

The accompanying notes are forming part of the financial statements

As per our report of even date

For Pathak H D & Associates

Chartered Accountants
(Registration No. : 107783W)

Mukesh Mehta

Partner
Membership No. 43495
Place : Mumbai
Date: 1st May, 2018

For and on behalf of THL Zinc Holding BV

Nitin Gupta

Place : Gurugram

THL ZINC HOLDING BV
Statement of Profit and Loss for the year ended March 31, 2018

Particulars	Notes	For the year ended	For the year ended
		March 31, 2018	March 31, 2017
		USD	USD
INCOME			
Other Income	11	31,509,900	8,785,218
		31,509,900	8,785,218
EXPENDITURE			
Finance costs	12	598,796	625,049
Other expenses	13	186,657	73,805
		785,453	698,854
Profit before exceptional item and taxation		30,724,447	8,086,364
Exceptional Item (Refer note 2)		-	(16,454,082)
Profit/ (loss) before Tax		30,724,447	(8,367,718)
Tax expense		(2,070,417)	(1,969,344)
Profit/ (loss) for the year		28,654,030	(10,337,062)
Other comprehensive income		-	-
Total comprehensive income for the year		28,654,030	(10,337,062)
Earnings/ (loss) per equity share of EUR 1 each			
(a) Basic	16	7.67	(2.77)
(a) Diluted	16	7.67	(2.77)

The accompanying notes are forming part of the financial statements

As per our report of even date

For Pathak H D & Associates
Chartered Accountants
(Registration No. : 107783W)

For and on behalf of THL Zinc Holding BV

Mukesh Mehta
Partner
Membership No. 43495
Place : Mumbai
Date: 1st May, 2018

Nitin Gupta

Place : Gurugram

THL ZINC HOLDING BV
Statement of Changes in Equity
For the year ended March 31, 2018

	<u>Issued Capital</u> USD	<u>Other Equity</u> USD	<u>Retained earnings</u> USD	<u>Total Equity</u> USD
At 1 April 2016	5,110,047	-	85,651,656	90,761,703
Provision due to merger (Refer note 3.1)		(431,328,743)	-	(431,328,743)
Loss for the year and total comprehensive income	-	-	(10,337,062)	(10,337,062)
At 31 March 2017	5,110,047	(431,328,743)	75,314,594	(350,904,102)
At 1 April 2017	5,110,047	(431,328,743)	75,314,594	(350,904,102)
Reversal of provision due to merger (Refer note 3.2)	-	1,780,447	-	1,780,447
Profit for the year and total comprehensive income	-	-	28,654,030	28,654,030
At 31 March 2018	5,110,047	(429,548,296)	103,968,624	(320,469,625)

As per our report of even date

For Pathak H D & Associates
Chartered Accountants
(Registration No. : 107783W)

For and on behalf of THL Zinc Holding BV

Mukesh Mehta
Partner
Membership No. 43495
Place : Mumbai
Date: 1st May, 2018

Nitin Gupta
Place : Gurugram

THL ZINC HOLDING BV
Cash Flow Statement
For the year ended March 31, 2018

	For the Year Ended		For the Year Ended	
	March 31, 2018	March 31, 2018	March 31, 2017	March 31, 2017
	USD	USD	USD	USD
Profit before exceptional item and taxation		30,724,447		8,086,364
Adjusted for:				
- Interest income	-		(8,737,573)	
- Preference share capital dividend income	(4,900)		(4,900)	
- Foreign exchange fluctuation	46,291		(42,897)	
- Interest on loan	593,333		600,000	
- Interest on income tax	33		8,670	
- Preference share capital dividend expense	5,117		15,159	
- Dividend income from subsidiary	(31,505,000)		-	
		(30,865,126)		(8,161,541)
		(140,679)		(75,177)
Working capital changes:				
- Change in other receivables	-			
- Change in other payables	38,847		(9,113)	
		38,847		(9,113)
Cash used in operations		(101,832)		(84,290)
Tax paid		(2,435,781)		(3,630,501)
Net cash used in operating activities		(2,537,613)		(3,714,791)
Investing activities				
Interest received	2,523,124		3,648,294	
Net cash from investing activities		2,523,124		3,648,294
Financing activities				
Repayment of short-term borrowing	-		(190)	
Interest paid on Income tax	(33)		(8,670)	
Net cash used in financing activities		(33)		(8,860)
Net decrease in cash and cash equivalents		(14,522)		(75,357)
Cash and cash equivalents at beginning of year		17,368		92,725
Cash and cash equivalents at end of year		2,846		17,368

As per our report of even date

For Pathak H D & Associates
Chartered Accountants
(Registration No. : 107783W)

For and on behalf of THL Zinc Holding BV

Mukesh Mehta
Partner
Membership No. 43495
Place : Mumbai
Date: 1st May, 2018

Nitin Gupta
Place : Gurugram

THL ZINC HOLDING BV
Notes forming part of the financial statements
as at and for the year ended March 31, 2018

1 (i) CORPORATE INFORMATION

THL Zinc Holding B.V. (the company) is a private company with limited liability ("Besloten Vennootschap"), existing under the laws of The Netherlands, incorporated on April 20, 2007. The company has its statutory seat and principal place of business in Amsterdam, The Netherlands. The principal activity of the company is Holding of Investments and Financing Activities.

The financial statements under IND AS are prepared for the purpose of preparing consolidated financial statement of holding company, Vedanta Limited. These financial statements are non-statutory accounts.

(ii) BASIS OF PREPARATION OF FIANNCIAL STATEMENTS

(a) Basis of preparation and Compliance with Ind AS

The Company had prepared its financial statements in accordance with Generally Accepted Accounting Principles (GAAP) in India and complied with the accounting standards (Previous GAAP) as notified under Section 133 of the Companies Act, 2013 read together with Rule 7 of the Companies (Accounts) Rules, 2014, to the extent applicable, and the presentation requirements of the Companies Act, 2013.

(iii) SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The principal accounting policies applied in the preparation of these financial statements are set out below. The policies have been consistently applied to all years presented, unless otherwise stated.

(b) Basis of preparation

The financial statements of the company have been prepared in accordance with IND AS notified under the Companies (Indian Accounting Standards) Rule, 2015. The financial statements under IND AS are prepared for the purpose of preparing consolidated financial statements of holding company, Vedanta Limited. These financial statements are non-statutory accounts. The financial statements have been prepared on a historical-cost basis, except for financial assets and financial liabilities held at fair value through profit or loss (FVTPL).

(c) Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements.

Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has access to resources to continue in business for the foreseeable future.

Estimates and assumptions

At the reporting date, there were no key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(iv) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in accordance and comply with IND AS. A summary of the significant accounting policies, which have been applied consistently, is set out below.

(a) Functional and presentation currency

The directors consider the USD to be the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The USD is the currency in which the Company measures its performance and reports its results, as well as the currency in which it receives capital contribution from its investors. This determination also considers the competitive environment in which the Company operates. The Company's financial statements are presented in USD.

THL ZINC HOLDING BV
Notes forming part of the financial statements
as at and for the year ended March 31, 2018

(iv) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Functional and presentation currency (continued)

Foreign currency translations

Transactions during the year, including purchases and sales of securities, income and expenses, are translated at the rate of exchange prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Foreign currency transaction gains and losses on financial instruments classified as fair value through profit or loss are included in the statement of profit and loss as part of the 'Net gain or loss on financial assets and liabilities at fair value through profit or loss'. Exchange differences on other financial instruments are included in the statement of profit and loss as 'Net foreign exchange gains/(losses)'.

(b) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is received. The specific recognition criteria described below must also be met before revenue is recognised.

Interest income

For all financial instruments measured at amortised cost, interest income is recorded using the effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the statement of profit and loss.

Dividend income

Revenue is recognised when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

(c) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit and loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(d) Expense Recognition

Expenses are accounted for in the statement of profit and loss on an accrual basis.

(e) Investment in subsidiary

A subsidiary is an entity (including special purpose entities) over which the Company has control. The Company controls an entity when the Company 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. Investments in subsidiaries are shown at cost. Where the carrying amount of the investment is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount and the difference is transferred to the statement of profit and loss and other comprehensive income. On disposal of the investments, the difference between the net disposal proceeds and the carrying amount is charged or credited to statement of profit and loss.

The Company has taken advantage of the exemption under paragraph 4(a) Indian Accounting Standard "Ind AS 110 - Consolidated Financial Statements" which dispenses it from the need for presenting consolidated financial statements for its investment in the subsidiary company as it is intermediately owned by Vedanta Limited. Vedanta Limited prepares consolidated financial statements which comply with Indian Accounting Standards and these are available for public use at www.vedantalimited.com.

THL ZINC HOLDING BV
Notes forming part of the financial statements
as at and for the year ended March 31, 2018

(iv) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial Assets - Recognition

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date that the Company commits to purchase or sell the asset. For purposes of subsequent measurement, financial assets are classified in four categories:

• Debt instruments at amortised cost

A 'debt instrument' is measured at the amortised cost if both the following conditions are met:

- a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit and loss. The losses arising from impairment are recognised in the statement of profit and loss.

• Debt instruments at fair value through other comprehensive income (FVOCI)

A 'debt instrument' is classified as FVOCI if both of the following criteria are met:

- a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
- b) The asset's contractual cash flows represent SPPI.

Debt instruments included within the FVOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income (OCI). However, the interest income, impairment losses & reversals and foreign exchange gain or loss are recognised in the statement of profit and loss. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to the statement of profit and loss. Interest earned whilst holding FVOCI debt instrument is reported as interest income using the EIR method.

• Debt instruments at fair value through profit or loss (FVTPL)

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVOCI, is classified as at FVTPL.

In addition, the Company may elect to designate a debt instrument, which otherwise meets amortized cost or FVOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). The Company has not designated any debt instrument as at FVTPL.

Debt instruments included within the FVTPL category are measured at fair value with all changes being recognized in the statement of profit and loss.

• Equity instruments

All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading and contingent consideration recognised by an acquirer in a business combination to which Ind AS 103 applies are classified as at FVTPL. For all other equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the Company decides to classify an equity instrument as at FVOCI, then all fair value changes on the instrument, excluding dividends, are recognized in OCI. There is no recycling of the amounts from OCI to the statement of profit or loss, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity. For equity instruments which are classified as FVTPL all subsequent fair value changes are recognised in the statement of profit and loss.

(ii) Financial Assets - derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

(iv) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial Instruments (Cont'd)

(iii) Impairment of financial assets

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the following financial assets:

- Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, debt securities and deposits
- Financial assets that are debt instruments and are measured as at FVOCI
- Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 18

ECL impairment loss allowance (or reversal) recognized during the year is recognized as income/ expense in the statement of profit and loss. The balance sheet presentation for various financial instruments is described below:

- Financial assets measured at amortised cost: ECL is presented as an allowance, i.e., as an integral part of the measurement of those assets in the balance sheet. Until the asset meets write-off criteria, the Company does not reduce impairment allowance from the gross carrying amount.
- Debt instruments measured at FVOCI: Since financial assets are already reflected at fair value, impairment allowance is not further reduced from its value. Rather, ECL amount is presented as 'accumulated impairment amount' in the OCI.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original EIR.

ECL impairment loss allowance (or reversal) recognized during the year is recognized as income/ expense in the statement of profit or loss. The balance sheet presentation for various financial instruments is described below:

- Financial assets measured at amortised cost: ECL is presented as an allowance, i.e., as an integral part of the measurement of those assets in the balance sheet. Until the asset meets write-off criteria, the Company does not reduce impairment allowance from the gross carrying amount.
- Debt instruments measured at FVOCI: Since financial assets are already reflected at fair value, impairment allowance is not further reduced from its value. Rather, ECL amount is presented as 'accumulated impairment amount' in the OCI.

For assessing increase in credit risk and impairment loss, the Company combines financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.

The Company does not have any purchased or originated credit-impaired (POCI) financial assets, i.e., financial assets which are credit impaired on purchase/ origination.

(iv) Financial liabilities – Recognition & Subsequent measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or as loans, borrowings and payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of financial liabilities at amortised cost, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables and borrowings including bank overdrafts and derivative financial instruments.

THL ZINC HOLDING BV
Notes forming part of the financial statements
as at and for the year ended March 31, 2018

(iv) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial Instruments (Cont'd)

Financial liabilities – Recognition & Subsequent measurement(cont'd)

The subsequent measurement of financial liabilities depends on their classification, as described below:

• **Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognized in OCI. These gains/ loss are not subsequently transferred to the statement of profit and loss. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit and loss. The Company has not designated any financial liability as at fair value through profit or loss.

• **Financial liabilities at amortised cost (Loans & Borrowings)**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in profit or loss.

(v) Financial liabilities - Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit and loss.

(vi) Equity instruments

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

(vii) Offsetting of financial instruments

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

(g) Impairment of assets

At each reporting date, the company determines whether there is objective evidence that the investment in the assets is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount and its carrying value, and then recognises the loss in the statement of profit and loss. An asset's recoverable amount is the higher of an asset's or CGU's(cash generating units) fair value less costs of disposal and its value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit and loss.

THL ZINC HOLDING BV
Notes forming part of the financial statements
as at and for the year ended March 31, 2018

(iv) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Borrowing costs

Borrowing costs are recognised in the statement of profit and loss in the period in which they are incurred.

(i) Taxation

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the financial position date in the country where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

(j) Current v/s Non-current classification

The company presents assets and liabilities in the balance sheet based on current/ non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading

Expected to be realised within twelve months after the reporting period

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(k) Related parties

Related parties are individuals and companies where the individual or company has the ability directly or indirectly, to control the other party or exercise significant influence over the other party in making operating and financial decisions, or vice versa.

(l) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

THL ZINC HOLDING BV
Notes forming part of the financial statements
as at and for the year ended March 31, 2018

Note No. 2
Non-current assets
Finance Assets - Investment

Particulars	As at March 31, 2018 USD	As at March 31, 2017 USD
Investments in Subsidiaries		
<i>At Cost</i>		
Investment		
At April 01, 2017	546,351,055	546,351,055
Provision for Impairment	(516,160,000)	(516,160,000)
At March 31, 2018	<u>30,191,055</u>	<u>30,191,055</u>
In preference shares		
<i>At Cost</i>		
Investment		
At April 01, 2017	196,000,000	196,000,000
At March 31, 2018	<u>196,000,000</u>	<u>196,000,000</u>
	<u><u>226,191,055</u></u>	<u><u>226,191,055</u></u>

(a) During the year 2016-17 the Company has provided for impairment of USD 16,454,082 for its investment held in Vedanta Lisheen Holdings Limited. Aggregate amount of provision for impairment in value of above Investment of USD 516,160,000 (March 2017 :USD 516,160,000).

(b) Details of the investments held during the year are provided below:

Company	Principal Activity	Place of operation	No of Ordinary Shares Held		Proportion of ownership		Value of Investments at cost less impairment	
			2018	2017	2018	2017	As at	As at
							March 31, 2018	March 31, 2017
							USD	USD
Equity instruments								
Vedanta Lisheen Holding Limited	Mining	Ireland	12	12	100%	100%	30,000,000	30,000,000
Lakomasko BV	Investing	Netherland	91	91	100%	100%	191,055	191,055
						Total	<u>30,191,055</u>	<u>30,191,055</u>
Preference shares -0.25% Optionally Convertible Redeemable Preference shares								
THL Zinc Limited	Investing	Mauritius	1,960,000	1,960,000			196,000,000	196,000,000
						Total	<u>196,000,000</u>	<u>196,000,000</u>

Note No. 3
Current assets
Finance Assets - Loan

Particulars	As at March 31, 2018 USD	As at March 31, 2017 USD
Loan to Twin Star Mauritius Holding Limited	-	412,828,743
Less: Provision due to merger	-	(412,828,743)
	<u>-</u>	<u>-</u>

3.1 The Company had advanced loans of USD 412,828,743 to Twin Star Mauritius Holdings Limited (TSMHL), a fellow subsidiary of the Company. TSMHL was holding shares of, Cairn India Limited ("Cairn India"), another fellow subsidiary of the Company. During the year 2016-17 the merger of Cairn India into the Company's intermediate holding company, Vedanta Limited ("Vedanta"), was substantially completed and was implemented in the month of April 2017 by allotment of shares of Vedanta to the shareholders of Cairn India. As per the terms of the Scheme of merger, Vedanta and its subsidiaries (including TSMHL) did not receive any consideration, in lieu of their holding in Cairn India which stood extinguished upon the merger being implemented. Consequently, the Company had made a provision of USD 431,328,743 against the loan (including accrued interest) it had extended to TSMHL and the effect of the same were carried through the statement of changes in equity.

3.2 During the year the company has received USD 2,523,124 from TSMHL on account of outstanding accrued interest and hence provision for impairment of USD 1,780,447 has been reversed in other equity reserve (Refer statement of changes in equity).

3.3 During the year, the Company sold the loan and interest receivable from TSMHL to Bloom Fountain Limited, another group company at USD 1.

Note No. 4
Current assets
Finance Assets - Cash and cash equivalents

Particulars	As at March 31, 2018 USD	As at March 31, 2017 USD
Balances with banks		
- in current accounts	2,846	17,368
	<u>2,846</u>	<u>17,368</u>

Note No. 5
Current assets
Finance Assets - Other

Particulars	As at March 31, 2018 USD	As at March 31, 2017 USD
THL Zinc Ltd -Preference Dividend Receivable	34,721	29,821
Accrued interest - Twin Star Mauritius Holdings Limited (refer note 3.2)	-	19,242,677
Less :Provision due to merger (refer note 3.1 & 3.2)	-	(18,500,000)
Receivable from Bloom Fountain Limited (Refer note 3.3)	1	-
	<u>34,722</u>	<u>772,498</u>

THL ZINC HOLDING BV
Notes forming part of the financial statements
as at and for the year ended March 31, 2018

Note No. 6
Equity Share Capital

Particulars	As at March 31, 2018		As at March 31, 2017	
	Number	USD	Number	USD
Authorised				
Equity Shares of EUR 1 each fully paid	20,000,000	27,341,073	20,000,000	27,341,073
0.25% Preference Shares of EUR 1 each fully paid up	25,000,000	34,180,077	25,000,000	34,180,077
Issued, Subscribed & fully Paid up				
Equity Shares of EUR 1 each fully paid	3,738,000	5,110,047	3,738,000	5,110,047
	3,738,000	5,110,047	3,738,000	5,110,047

6.1 Reconciliation of the number and amount of equity shares outstanding at the beginning and at the end of the year:

	As at March 31, 2018		As at March 31, 2017	
	Number	USD	Number	USD
Shares outstanding at the beginning of the year	3,738,000	5,110,047	3,738,000	5,110,047
Shares outstanding at the end of the year	3,738,000	5,110,047	3,738,000	5,110,047

6.2 Details of shares held by Holding Company

	As at March 31, 2018	As at March 31, 2017
Equity shares are held by Vedanta Limited (earlier known as Sesa Sterlite Ltd)	3,738,000	3,738,000
Percentage of holding	100%	100%

6.3 Other disclosures relating to Equity Shares

The Company has one class of equity shares having a par value of EUR 1 per share. Each equity shareholder is eligible for one vote per share held. Each equity shareholder is entitled to dividends as and when the Company declares and pays dividend after obtaining shareholders approval. In the event of liquidation of Company, the holders of equity shares will be entitled to receive any of the remaining assets of the company, after distribution of all preferential amounts, in proportion to their shareholding.

Note No. 7
Non Current liabilities
Financial Liabilities - Borrowings

Particulars	As at March 31, 2018 USD	As at March 31, 2017 USD
0.25% Preference Shares of EUR 1 each fully paid up - Vedanta Limited	546,519,617	546,519,617
	546,519,617	546,519,617

7.1 OPTIONALLY CONVERTIBLE REDEEMABLE PREFERENCE SHARES ("OCRPS")

- (i) The Company has issued 5.5 Million, 0.25% Optionally Convertible Redeemable Preference Shares of Euro 1 each to Vedanta Ltd. Each OCRPS can be converted at the option of the investor in to variable number of equity shares and can be redeemable at the option of the Company at any time.
- (ii) In accordance with IND AS 32 Financial Instruments: Presentation, the Optionally Convertible Redeemable Preference Shares (OCRPS) have been classified as a liability. The directors confirm that the Optionally Convertible Redeemable Preference Shares ("OCRPS") will not be redeemed within the next twelve months.

Note No. 8
Current liabilities
Financial Liabilities - Borrowings

Particulars	As at March 31, 2018 USD	As at March 31, 2017 USD
Loan from Lisheen Milling Limited	-	30,000,000
	-	30,000,000

8.1 During the current year, loan from Lisheen Milling Limited for USD 30,000,000 and interest thereon for USD 1,505,000 has been assigned to Vedanta Lisheen Holding Limited. The total amount of USD 31,505,000 payable to Vedanta Lisheen Holding Limited has been set off in the current year itself with the dividend income of the same amount declared by Vedanta Lisheen Holdings Limited recognised in the statement of profit and loss.

Note No. 9
Current liabilities
Financial Liabilities - Other

Particulars	As at March 31, 2018 USD	As at March 31, 2017 USD
Interest Payable on Lisheen Loan*	-	911,667
Dividend payable	104,219	90,099
Due to Related Party- Monte Cello BV	13,876	13,876
Due to Related Party- Lakomasko BV	48,814	-
Other payables	11,722	21,689
	178,631	1,037,332

* Refer note no. 8.1

THL ZINC HOLDING BV
Notes forming part of the financial statements
as at and for the year ended March 31, 2018

Note No. 10
Current Tax liabilities

Particulars	As at 31.03.2017 USD	As at 31.03.2016 USD	As at March 31, 2018 USD	As at March 31, 2017 USD
Current tax			-	328,074
			<u>-</u>	<u>328,074</u>

Note No. 11
Other income

Particulars	Year ended March 31, 2018 USD	Year ended March 31, 2017 USD
Interest income		
(a) Fixed Deposits	-	25
(b) Loan	-	8,737,548
Preference shares capital dividend	4,900	4,900
Dividend Income from subsidiary*	31,505,000	-
Net Gain on foreign Currency transactions and Translation	-	42,745
	<u>31,509,900</u>	<u>8,785,218</u>

* Refer note no. 8.1

Note No. 12
Finance Cost

Particulars	Year ended March 31, 2018 USD	Year ended March 31, 2017 USD
Interest on Lisheen Loan*	593,333	600,000
Preference Share Capital dividend	5,117	15,159
Interest on income tax	33	8,670
Bank charges	313	1,220
	<u>598,796</u>	<u>625,049</u>

* Refer note no. 8.1

Note No. 13
Other Expenses

Particulars	Year ended March 31, 2018 USD	Year ended March 31, 2017 USD
Legal and Professional fees	135,785	66,680
Audit fees	3,300	7,125
Net loss on foreign Currency transactions and Translation	47,572	-
	<u>186,657</u>	<u>73,805</u>

Note No. 14
TAXATION

(i) Tax expense

	Year ended March 31, 2018 USD	Year ended March 31, 2017 USD
Current tax	(2,070,417)	(1,969,344)
	<u>(2,070,417)</u>	<u>(1,969,344)</u>

(ii) Tax reconciliation

Profit before exceptional item and taxation	30,724,447	8,086,364
Income Tax as per slabs	7,681,112	1,985,531
Add: Tax on notional income	2,242,791	-
Add: Disallowed expenses	1,294	3,769
Less: Exempt Dividend Income	(7,876,250)	
Add- Previous year tax expense /(credit)	21,470	(19,956)
Income tax expense recognised in profit and loss	<u>2,070,417</u>	<u>1,969,344</u>

THL ZINC HOLDING BV
Notes forming part of the financial statements
as at and for the year ended March 31, 2018

Note No. 15

FINANCIAL INSTRUMENTS

Significant accounting policies

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial assets, financial liabilities and equity instrument are disclosed in the financial statements.

Fair values

The carrying amounts of other receivables, cash at bank, borrowings and other payables approximate their fair values.

Categories of financial instruments

	<u>2018</u> USD	<u>2017</u> USD
Financial assets		
Loan and receivables (including cash and short-term deposits)	<u>37,568</u>	<u>789,866</u>
Financial liabilities		
Optionally Convertible Redeemable Preference Shares	<u>546,519,617</u>	546,519,617
Loans and payables	<u>178,631</u>	<u>31,037,332</u>
	<u>546,698,248</u>	<u>577,556,949</u>

Strategy in using financial instruments

The Company's activities expose it to a variety of financial risks: Market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

THL ZINC HOLDING BV
Notes forming part of the financial statements
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15 FINANCIAL INSTRUMENTS (CONT'D)

Strategy in using financial instruments (cont'd)

(a) Market Risk Management

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

(b) Interest Rate Risk Management

Interest rate risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in market interest rates. Any excess cash and cash equivalents of the Company are invested in short-term time deposits and liquid funds. The following table details the Company's exposure to interest rate risk. The total interest sensitivity gap represents the net notional amounts of all interest sensitive financial instruments.

31 March 2018	Up to 1 year	More than 1 year	Total
	USD	USD	USD
Financial Assets			
Non-interest bearing	37,568	-	37,568
Fixed interest bearing	-	-	-
Variable interest bearing	-	-	-
Total assets	37,568	-	37,568
Financial Liabilities			
Non-interest bearing	178,631	-	178,631
Fixed interest bearing	-	546,519,617	546,519,617
Variable interest bearing	-	-	-
Total liabilities	178,631	546,519,617	546,698,248
31 March 2017	Up to 1 year	More than 1 year	Total
	USD	USD	USD
Financial Assets			
Non-interest bearing	789,866	-	789,866
Fixed interest	-	-	-
Variable interest bearing	-	-	-
Total assets	789,866	-	789,866
Financial Liabilities			
Non-interest bearing	1,037,332	-	1,037,332
Fixed interest	30,000,000	546,519,617	576,519,617
Variable interest bearing	-	-	-
Total liabilities	31,037,332	546,519,617	577,556,949

As at March 31, 2018 and March 31, 2017, the Company does not have any exposure to variable rate financial assets and liabilities, hence no interest rate risk.

THL ZINC HOLDING BV
Notes forming part of the financial statements
as at and for the year ended March 31, 2018

15 FINANCIAL INSTRUMENTS (CONT'D)

(c) Currency Risk Management

The Company is not exposed to the risk that may change in a manner which has material effect on the reported values of the Company's assets which are denominated in other foreign currencies at reporting period.

Currency profile

The currency profile of the Company's financial assets and liabilities is summarised as follows:

	Financial assets 2018	Financial liabilities 2018	Financial assets 2017	Financial liabilities 2017
Euro	86	153,033	4,800	90,099
United States Dollar	<u>37,482</u>	<u>546,545,215</u>	<u>785,066</u>	<u>577,466,850</u>

For the year ended 31 March 2018 and 31 March 2017, the Company does not have any material exposure to foreign currencies. Therefore, sensitivity relative to foreign currencies has not been disclosed.

(d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of the financial assets and liabilities. The table below illustrates the aged analysis of the Company's financial liabilities.

31 March 2018

	Up to 1 year USD	More than 1 year USD	Total USD
Liabilities			
Other payables	178,631	-	178,631
Optionally Convertible Redeemable Preference Shares	-	546,519,617	546,519,617
Total	<u>178,631</u>	<u>546,519,617</u>	<u>546,698,248</u>

31 March 2017

	Up to 1 year USD	More than 1 year USD	Total USD
Liabilities			
Other payables	1,037,332	-	1,037,332
Optionally Convertible Redeemable Preference Shares	-	546,519,617	546,519,617
Short term borrowings	30,000,000	-	30,000,000
Total	<u>31,037,332</u>	<u>546,519,617</u>	<u>577,556,949</u>

The directors confirm that the Optionally Convertible Redeemable Preference Shares ("OCRPS") will not be redeemed within the next twelve months.

THL ZINC HOLDING BV
Notes forming part of the financial statements
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15 FINANCIAL INSTRUMENTS (CONT'D)

(e) Capital risk management

For the purpose of the Company's capital management, capital includes issued capital, convertible preference shares, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Company's capital management is to maximise the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital. The Company includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and short-term deposits, excluding discontinued operations.

The capital structure of the Company consists of stated capital, retained earnings and net debt.

Gearing ratio

The gearing ratio at the year end was as follows:

	<u>2018</u> USD	<u>2017</u> USD
Debt (i)	546,519,617	576,519,617
Cash and short-term deposits	<u>2,846</u>	<u>17,368</u>
Net debt	<u>546,516,771</u>	<u>576,502,249</u>
Equity (ii)	<u>(320,469,625)</u>	<u>(350,904,102)</u>
Net debt to equity ratio (times)	NA	NA

(i) Debt includes Optionally Convertible Redeemable Preference Shares of USD 546,519,617 (2017: USD 546,519,617), loan from Lisheen Milling Limited amounting to USD Nil (2017: USD 30,000,000)

(ii) Equity includes capital and all reserves of the Company.

16 Earnings/ (loss) Per Share (EPS)

<u>Particulars</u>	<u>For the year ended 31 March, 2018</u>	<u>For the year ended 31 March, 2017</u>
	USD	USD
Net Profit/ (Loss) after tax attributable to equity shareholders for Basic and Diluted	28,654,030	(10,337,062)
Weighted average Number of equity Shares	3,738,000	3,738,000
Par Value per Share (EUR)	1	1
Earning/(Loss) Per Share - Basic and diluted	<u>7.67</u>	<u>(2.77)</u>

Optionally Convertible Redeemable Preference Shares will be converted at the option of the shareholder into variable number of shares based on the fair value as on date of conversion. No of shares to be issued on exercise of conversion option is not certain and hence the same has not been considered for the computation of Diluted Earning per share.

<u>Particulars</u>	<u>For the year ended 31 March, 2018</u>	<u>For the year ended 31 March, 2017</u>
	USD	USD

17 Contingent liabilities

Contingent liabilities and commitments (to the extent not provided for)

(a) Claims against the company not acknowledged as debt	NIL	NIL
(b) Guarantees	NIL	NIL
(c) Other money for which the company is contingently liable	NIL	NIL

18 There is no separate reportable segment hence information as defined in IND AS 108 "Segment Reporting" is not given.

Note No. 19**Related party transactions****Names of related parties and description of relation:**

Ultimate Holding Company	Vedanta Resources Plc.
Immediate Holding company	Vedanta Limited
Subsidiaries	Lakomasko BV Vedanta Lisheen Holdings Limited
Fellow Subsidiaries	Twinstar Mauritius Holdings Limited (refer note 3.3) THL Zinc Limited Monte Cello BV Lisheen Milling Limited Bloom Fountain Limited

Note: Related parties have been identified by the management

(in USD)

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
<u>1. Twin Star Mauritius Holdings Limited (TSMHL) (Refer note 3.3)</u>		
Interest Income	-	8,737,548
Interest received	2,523,124	3,648,269
Interest Receivable	-	742,677
Provision due to merger -Loan & Interest Receivables		431,328,743
<u>2. Bloom Fountain Limited (Refer note 3.3)</u>		
Sale of loan alongwith interest receivable from TSMHL	1	-
Receivable	1	-
<u>3. Monte Cello BV</u>		
Reimbursement of Expenses	-	197
Payable	13,876	13,876
<u>4. Lakomasko BV</u>		
Investment	191,055	191,055
Reimbursement of Expenses	48,814	-
Payable	48,814	-
<u>5. Vedanta Lisheen Holdings Limited</u>		
Investment	546,160,000	546,160,000
Impairment provision on Investment	(516,160,000)	(516,160,000)
Impairment during the year	-	(16,454,082)
Assignment of Lisheen Milling Limited loan to VLHL (refer note 8.1)	30,000,000	-
Assignment of Lisheen Milling Limited interest payable to VLHL (refer note 8.1)	1,505,000	-
Dividend Income	31,505,000	-
<u>6. Vedanta Limited</u>		
Dividend Expense	5,117	15,159
Dividend Payable	104,219	90,099
<u>7. THL Zinc Ltd</u>		
Investment in Preference Shares	196,000,000	196,000,000
Dividend Income	4,900	4,900
Dividend Receivable	34,721	29,821
<u>8. Lisheen Milling Limited</u>		
Interest Expense	593,333	600,000
Interest Payable (refer note 8.1)	-	911,667
Loan Payable (refer note 8.1)	-	30,000,000

Note No. 20**Letter of Support**

The intermediate holding company, Vedanta Limited, has provided the Company with a letter of financial support where it confirms that it will provide the necessary financial support and financing arrangements to enable the Company to meet all its external and group company liabilities, as and when they fall due, over the next twelve months.

Note No. 21**Events after the reporting period**

There have been no material events after the reporting date which would require disclosure or adjustment to these financial statements.

For Pathak H D & Associates

Chartered Accountants
(Registration No. : 107783W)

For and on behalf of THL Zinc Holding BV**Mukesh Mehta**

Partner
Membership No. 43495
Place : Mumbai
Date: 1st May, 2018

Nitin Gupta

Place : Gurugram