

THL ZINC LTD

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

**THL ZINC LTD**

**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

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**THL ZINC LTD****CORPORATE DATA**

		Date of appointment	Date of resignation
<b>DIRECTORS:</b>	Gyaneshwarnath Gowrea	13-Aug-10	-
	Din Dayal Jalan	02-Sep-10	-
	Youmeshwar Ramdhony	06-Jan-15	30-Jun-15
	Doomraj Sooneelall	30-Jun-15	-
<b>ADMINISTRATOR AND SECRETARY:</b>	CIM CORPORATE SERVICES LTD Les Cascades Building Edith Cavell Street Port Louis Mauritius		
<b>REGISTERED OFFICE:</b>	C/o CIM CORPORATE SERVICES LTD Les Cascades Building Edith Cavell Street Port Louis Mauritius		
<b>BANKERS:</b>	Standard Chartered Bank (Mauritius) Limited Units 6A and 6B 6th Floor, Standard Chartered Tower, 19-21, Bank Street, Cyberville Ebène Mauritius		
<b>AUDITOR:</b>	Deloitte 7th Floor, Standard Chartered Tower, 19-21, Bank Street, Cyberville Ebène Mauritius		

## **THL ZINC LTD**

### **COMMENTARY OF THE DIRECTORS**

The directors present their commentary, together with the audited financial statements of THL Zinc Ltd (the "Company") for the year ended 31 March 2016.

#### **PRINCIPAL ACTIVITY**

The principal activity of the Company is investment holding.

#### **RESULTS AND DIVIDEND**

The Company's profit for the year ended 31 March 2016 is USD 9,385,194 (2015: USD 55,609,339).

The directors do not recommend the payment of dividend for the year ended 31 March 2016 (2015: NIL).

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

Company law requires the directors to prepare financial statements for each financial year, which present fairly the financial position, financial performance, changes in equity and cash flows of the Company. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue business in the foreseeable future.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Mauritius Companies Act 2001.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **AUDITOR**

In the auditors rotation process, scheduled in the next Annual Meeting, the existing auditors, Deloitte Mauritius shall be replaced by a new auditor for audit of the next financial year.

THL Zinc Ltd

**SECRETARY'S CERTIFICATE**

We certify to the best of our knowledge and belief that THL Zinc Ltd (the Company) has filed with the Registrar of Companies, all such returns as are required of the Company under the Companies Act 2001 for the year ended 31 March 2016.



Authorised signatory

Date: 27 APR 2016

**CIM CORPORATE SERVICES LTD**

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## **Independent auditor's report to the shareholder of THL ZINC LTD**

This report is made solely to the company's shareholder, as a body, in accordance with section 205 of the Mauritius Companies Act 2001. Our audit work has been undertaken so that we might state to the company's shareholder those matters we are required to state to the shareholder in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholder as a body, for our audit work, for this report, or for the opinions we have formed.

### **Report on the Financial Statements**

We have audited the financial statements of **THL Zinc Ltd** on pages 5 to 23 which comprise the statement of financial position at 31 March 2016 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

#### *Directors' responsibilities for the financial statements*

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritius Companies Act 2001 in so far as applicable to Category 1 Global Business Licence companies. They are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

#### *Opinion*

In our opinion, the financial statements on pages 5 to 23 give a true and fair view of the financial position of **THL Zinc Ltd** as at 31 March 2016 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the requirements of the Mauritius Companies Act 2001 in so far as applicable to Category 1 Global Business Licence companies.


### **Report on other legal requirements**

In accordance with the requirements of the Mauritius Companies Act 2001, we report as follows:

- we have no relationship with, or interests in, the company other than in our capacity as auditors;
- we have obtained all information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by the company as far as it appears from our examination of those records.

  
**Deloitte**  
**Chartered Accountants**

24 May 2016

  
**Pradeep Malik, FCA**  
**Licensed by FRC**



**THL ZINC LTD**  
**STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2016**

	<u>Notes</u>	<u>2016</u> USD	<u>2015</u> USD
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments in subsidiaries	5	517,893,617	517,893,617
Loan receivable	6	465,233,913	1,249,910,000
<b>Total non-current assets</b>		<u>983,127,530</u>	<u>1,767,803,617</u>
<b>Current assets</b>			
Loan receivable	6	1,249,910,000	464,392,524
Income tax receivable	7	6,270,780	-
Other receivables	8	10,725,183	10,339,272
Cash and cash equivalents		10,847	47,605
<b>Total current assets</b>		<u>1,266,916,810</u>	<u>474,779,401</u>
<b>TOTAL ASSETS</b>		<u>2,250,044,340</u>	<u>2,242,583,018</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Stated capital	9	9,001,000	9,001,000
Retained earnings		91,511,975	82,126,781
<b>Total equity</b>		<u>100,512,975</u>	<u>91,127,781</u>
<b>Non current liabilities</b>			
Optionally Convertible Redeemable Preference Shares	10	896,000,000	896,000,000
Borrowings	11	-	1,250,000,000
		896,000,000	2,146,000,000
<b>Current liabilities</b>			
Borrowings	11	1,250,000,000	-
Other payables	12	3,490,740	3,654,412
Current tax liability		40,625	1,800,825
		<u>1,253,531,365</u>	<u>5,455,237</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>2,250,044,340</u>	<u>2,242,583,018</u>

These financial statements have been approved by the Board of Directors and authorised for issue on ..... 27 APR 2016 .....

  
 Director

  
 Director

The notes on pages 9 to 23 form an integral part of these financial statements  
 Independent Auditor's report on page 4



**THL ZINC LTD****STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 MARCH 2016**

	<u>Notes</u>	<u>2016</u> USD	<u>2015</u> USD
Income	14	44,258,962	92,084,269
Expenses		(19,213)	(16,800)
Finance costs	15	<u>(42,885,535)</u>	<u>(32,032,710)</u>
Profit before taxation	16	1,354,214	60,034,759
Tax Credit / (Expense)	17	<u>8,030,980</u>	<u>(4,425,420)</u>
Profit for the year		<u>9,385,194</u>	<u>55,609,339</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u><u>9,385,194</u></u>	<u><u>55,609,339</u></u>

The notes on pages 9 to 23 form an integral part of these financial statements  
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**THL ZINC LTD**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 MARCH 2016**

	<b><u>Stated Capital</u></b> USD	<b><u>Retained earnings</u></b> USD	<b><u>Total Equity</u></b> USD
At 1 April 2014	9,001,000	26,517,442	35,518,442
Profit for the year and total comprehensive income	-	55,609,339	55,609,339
At 31 March 2015	<u>9,001,000</u>	<u>82,126,781</u>	<u>91,127,781</u>
At 1 April 2015	9,001,000	82,126,781	91,127,781
Profit for the year and total comprehensive income	-	9,385,194	9,385,194
At 31 March 2016	<u>9,001,000</u>	<u>91,511,975</u>	<u>100,512,975</u>

The notes on pages 9 to 23 form an integral part of these financial statements  
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**THL ZINC LTD**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

	<u>Note</u>	<u>2016</u> USD	<u>2015</u> USD
<b>Operating activities</b>			
Net cash (used in) / generated from operating activities	13	<u>(8,463)</u>	<u>48,550,443</u>
<b>Investing activities</b>			
Loan to related company		(841,389)	(1,322,071,000)
Interest received		<u>43,873,051</u>	<u>31,694,308</u>
Net cash generated from / (used in) investing activities		<u>43,031,662</u>	<u>(1,290,376,692)</u>
<b>Financing activities</b>			
Loan from related company		-	1,250,000,000
Interest paid		<u>(43,059,957)</u>	<u>(28,739,690)</u>
Net cash (used in) / generated from financing activities		<u>(43,059,957)</u>	<u>1,221,260,310</u>
<b>Net decrease in cash and cash equivalents</b>		<b>(36,758)</b>	<b>(20,565,939)</b>
<b>Cash and cash equivalents at beginning of year</b>		<u>47,605</u>	<u>20,613,544</u>
<b>Cash and cash equivalents at end of year</b>		<u>10,847</u>	<u>47,605</u>

The notes on pages 9 to 23 form an integral part of these financial statements  
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**THL ZINC LTD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**1. REPORTING ENTITY AND BUSINESS ACTIVITY**

THL Zinc Ltd (the "Company") was incorporated in Mauritius, under the Mauritius Companies Act 2001, on 15 April 2008 as a private company. The Company was set up as a Category 2 Global Business Licence company and pursuant to a shareholder resolution of 19 August 2010, the Company changed its legal regime to a Category 1 Global Business Licence company. The Company's registered office address is c/o CIM CORPORATE SERVICES LTD, Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius. The Company's principal activity is investment holding.

**2. BASIS OF PREPARATION**

**(a) Statement of compliance**

The financial statements are prepared in accordance with and comply with the International Financial Reporting Standards ("IFRS").

**(b) Basis of preparation**

The financial statements have been prepared under the historical cost convention. The financial statements have been prepared on a going concern basis which assumes that the Company will continue in operational existence in the foreseeable future.

**(c) Functional and presentation currency**

The financial statements of the Company are expressed in the United States Dollars ("USD"). The Company's functional currency is USD, the currency of the primary economic environment in which the Company operates.

**(d) Use of estimates and judgements**

The preparation of financial statements in accordance with IFRS requires the directors and management to exercise judgement in the process of applying the accounting policies. It also requires the use of accounting estimates and assumptions that may affect the reported amounts and disclosures in the financial statements. Judgements and estimates are continuously evaluated and are based on historical experience and other factors, including expectations and assumptions concerning future events that are believed to be reasonable under the circumstances. The actual results could, by definition therefore, often differ from the related accounting estimates.

Where applicable, the notes to the financial statements set out areas where management has applied a higher degree of judgement that have a significant effect on the amounts recognised in the financial statements, or estimations and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**Impairment of investments**

Determining whether investments in unquoted companies are impaired requires an estimation of the value in use of these investments. The value in use calculation requires the directors to estimate the future cash flows expected to arise from these investments and a suitable discount rate in order to calculate present value. The actual results could, however, differ from the estimates.

**Determination of functional currency**

The determination of functional currency of the Company is critical since recording of transactions and exchange differences arising are dependent on the functional currency selected. The directors have determined that the functional currency of the Company is the United States Dollars (USD) as the transactions are in USD.

**THL ZINC LTD**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)**

In the current year, the Company has applied all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 April 2015.

**3.1 New and Revised Standards applied with no material effect on the financial statements**

The following relevant revised Standards have been applied in these financial statements. Their application has not had any material impact on the amounts reported for current and prior years but may affect the accounting for future transactions or arrangements.

IAS 24	Related Party Disclosures - Amendments resulting from Annual Improvements 2010-2012 Cycle (management entities)
IFRS 13	Fair Value Measurement - Amendments resulting from Annual Improvements 2011-2013 Cycle (scope of the portfolio exception in paragraph 52)

**3.2 Relevant new and revised Standards in issue not yet effective**

At the date of authorisation of these financial statements, the following relevant new and revised Standards were in issue but effective on annual periods beginning on or after the respective dates as indicated:

IAS 1	Presentation of Financial Statements - Amendments resulting from the disclosure initiative (effective 1 January 2016)
IAS 7	Statement of Cash flows - amendments as a result of Disclosure Initiative (effective 1 January 2017).
IAS 12	Income Taxes - Amendments regarding the recognition of deferred tax assets for unrealised losses (effective 1 January 2017)
IAS 27	Separate Financial Statements - Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements (effective 1 January 2016)
IAS 39	Financial Instruments: Recognition and Measurement - Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the "own use" scope exception (effective 1 January 2018).
IFRS 7	Financial Instruments: Disclosures - Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures (effective 1 January 2018)
IFRS 7	Financial Instruments: Disclosures - Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9 (effective 1 January 2018)
IFRS 7	Financial Instruments: Disclosures - Amendments resulting from September 2014 annual improvement to IFRS (effective 1 January 2016)
IFRS 9	Financial Instruments - Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition (effective 1 January 2018)
IFRS 10	Consolidated Financial Statements - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture. (Effective date has been deferred indefinitely)

**THL ZINC LTD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONT'D)**

**3.2 New and revised Standards in issue but not yet effective (cont'd)**

- IFRS 10 Consolidated Financial Statements - Amendments regarding the application of the consolidated exception (effective 1 January 2016)  
 IFRS 12 Disclosures of Interests in Other Entities - Amendments regarding the application of consolidation exception (effective 1 January 2016)

The directors do not expect that the application of the standards and interpretations listed above will have a material impact on the financial statements of the Company in future periods.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A summary of the most significant accounting policies, which have been applied consistently, is set out below.

(a) Foreign currency transaction

*Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income.

(b) Revenue recognition

Revenues earned by the Company are recognised on the following basis:-

*Interest income*

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

*Dividend income*

Dividend income from investments is recognised when the shareholder's right to receive payment has been established, provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

(c) Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, and 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. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

(d) Investments in subsidiaries

Investments in subsidiaries are stated at cost less impairment. Any impairment in the value of the investment is recognised by reducing the carrying amount of the investment to its recoverable amount and charging the difference to the statement of profit or loss and other comprehensive income.

**THL ZINC LTD**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED 31 MARCH 2016**

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(d) Investments in subsidiaries (cont'd)

On disposal of an investment the difference between the net disposal proceeds and the carrying amount is charged or credited to the statement of profit or loss and other comprehensive income.

The Company has taken advantage of paragraph 4(a) of International Financial Reporting Standard "IFRS 10 - Consolidated Financial Statements", which dispenses it from the need to present consolidated financial statements. The Company is wholly owned by Vedanta Resources Plc. which prepares group accounts that comply with International Financial Reporting Standards and these are available for public use from the company secretary, Vedanta Resources Plc, 5th Floor, 6 St Andrew Street, London, EC4A 3AE and at [www.vedantaresources.com](http://www.vedantaresources.com).

(e) Financial instruments

(i) *Financial assets*

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

*Loans and receivables*

Loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are subsequently measured at amortised cost less impairment.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

*Impairment of financial assets*

The Company's financial assets are assessed for indicators of impairment at the end of each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.



**THL ZINC LTD**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(e) Financial instruments (cont'd)

(i) *Financial assets (cont'd)*

*Derecognition of financial assets*

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

(ii) *Financial liabilities and equity instruments issued by the Company.*

**Classification as debt or equity**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

**Equity instruments**

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

**Compound instruments**

The component parts of compound instruments issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

**THL ZINC LTD**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED 31 MARCH 2016**

4. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(e) Financial instruments (cont'd)

(ii) *Financial liabilities and equity instruments issued by the Company (Cont'd).*

**Compound instruments (cont'd)**

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to stated capital. When the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the compound instruments are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method.

**Financial liabilities**

Financial liabilities are classified as 'other financial liabilities'.

**Other financial liabilities**

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

**Derecognition of financial liabilities**

The Company derecognises financial liabilities when, the Company's obligations are discharged, cancelled or they expire.

(f) Impairment of assets

At each reporting date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any, and the carrying amount of the asset is reduced to its recoverable amount.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of profit or loss and other comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

(g) Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

**THL ZINC LTD**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(h) Taxation

Income tax expense represents the sum of the tax currently payable and deferred 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 or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is provided on the comprehensive basis using the liability method. Deferred tax liabilities are recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 offset when they relate to income taxes levied by the same taxation authority and the relevant entity intends to settle its current tax assets and liabilities on a net basis.

(i) 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.

(j) Cash and cash equivalents

Cash comprises cash at bank and term deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

**5. INVESTMENTS IN SUBSIDIARIES**

<i>At Cost</i>	<u>2016</u>	<u>2015</u>
	USD	USD
At 01 April	517,893,617	739,682,797
Provision for impairment	-	(221,789,180)
At 1 April and 31 March	<u>517,893,617</u>	<u>517,893,617</u>

(a) The directors have assessed the investments in the subsidiaries for indicators of impairment and conclude that no further impairment is required.

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

Company	Country of Incorporation	Types of Shares	No of Shares Held		% Holding		Value of Investments at cost less impairment	
			2016	2015	2016	2015	2016	2015
					2016	2015	USD	USD
THL Zinc Namibia Holdings Proprietary Ltd	Namibia	Ordinary	820	820	100%	100%	266,500,000	266,500,000
Black Mountain Mining Proprietary Ltd	South Africa	Ordinary	740	740	74%	74%	251,393,603	251,393,603
Pecvest 17 Proprietary Ltd	South Africa	Ordinary	100	100	100%	100%	14	14
					Total		<u>517,893,617</u>	<u>517,893,617</u>

**6. LOAN RECEIVABLE**

Non current	<u>2016</u>	<u>2015</u>
	USD	USD
Loan to related parties		
Twin Star Mauritius Holdings Ltd.	462,092,494	1,249,910,000
Bloom Fountain Limited	3,141,419	-
At 31 March	<u>465,233,913</u>	<u>1,249,910,000</u>

**THL ZINC LTD**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**6 LOAN RECEIVABLE (Cont'd)**

<b>Current</b>	<b>2016</b>	<b>2015</b>
Loan to related parties	USD	USD
Twin Star Mauritius Holdings Ltd.	1,249,910,000	462,092,524
Bloom Fountain Limited	-	2,300,000
At 31 March	<u>1,249,910,000</u>	<u>464,392,524</u>

Pursuant to a Memorandum of Understanding (MOU) dated 3 September 2013 signed between Vedanta Resources Jersey II Ltd. (VRJ2), the Company and Twin Star Mauritius Holdings Ltd. (TSMHL), loans provided by the Company to Welter Trading Ltd., Twin Star Holdings Ltd. and Vedanta Resources Holdings Ltd. amounting to USD 339,207,494 have been assigned to Vedanta Resources Jersey II Ltd in exchange for equivalent amount of TSMHL receivables to VRJ2, consequently TSMHL has become new borrower for the Company. The rate of interest on this loan is 0.26% p.a. As at 31 March 2016, TSMHL owed the Company an amount of USD 339,207,494 (2015: USD 339,207,494) and accrued interest of USD 4,777,641 (2015: USD 4,405,701). During the year, the maturity of the loan was further extended to 2 September 2017.

On 6 Dec 2013, the Company has entered into an agreement to provide a loan facility of USD 65,000,000 to TSMHL for a period of 12 months. The rate of interest on this loan is 0.26% p.a. During the year, the maturity of the loan was further extended to 5 December 2017. The total amount disbursed under this facility as at 31 March 2016 was USD 65,000,000 (2015: USD 65,000,000) and accrued interest of USD 1,904,484 (2015: USD 1,735,484). The loan is unsecured in nature.

Pursuant to a board meeting of 19 May 2014, the Company has provided a loan of USD 1,249,910,000 to Twin Star Mauritius Holdings Ltd., repayable after two years and which bears interest rate at LIBOR plus 3.01% per annum. The loan is unsecured in nature. As the loan is repayable in 2016, the same has been reclassified from non-current borrowings to current borrowings. As at 31 March 2016, TSMHL owed the Company an amount of USD 1,249,910,000 (2015: USD 1,249,910,000) and accrued interest of USD 3,632,560 (2015: USD 4,011,567).

On 23 May 2014, the Company has entered into an agreement to provide a loan facility of USD 80,000,000 to TSMHL for a period of 12 months. During the year, the maturity of the loan was extended to 22 May 2017. The total amount disbursed under this facility as at 31 March 2016 was USD 57,885,000 (2015 : USD 57,885,000) and accrued interest of USD 323,197 (2015: USD 172,696). The loan is unsecured in nature.

In 2014-15, the Company has entered into an agreement to provide a loan facility of USD 3,000,000 to Bloom Fountain Limited ("Bloom") for a period of 12 months at an interest rate of 2.6% per annum. On 1 February 2016, the amount under the facility was increased to USD 3,600,000 and maturity was amended to 28 February 2018. The total amount disbursed under this facility as at 31 March 2016 was USD 3,141,419 (31 March 2015 : USD 2,300,000) and accrued interest of USD 87,301 (2015: USD 13,823). The loan is unsecured in nature.

Both Bloom and the Company have the same holding company, Vedanta Limited, which has injected USD 950 million in Bloom, post the year end on 13 April 2016 and 22 April 2016, which will enable Bloom Fountain to repay the above loan. Hence, the Directors confirm that this loan and its interest amount will be recoverable from Bloom.

Vedanta Limited (formerly known as Sesa Sterlite Limited) is the intermediate holding company of Twin Star Mauritius Holdings Ltd ("TSMHL"). Vedanta Limited has provided a letter of support to confirm that they will provide the necessary financial support to TSMHL to enable it to meet its obligations as and when they fall due for a period of twelve months as from the reporting date. The directors of TSMHL are of the opinion that this support will be forthcoming over the next twelve months. Therefore the Directors of the Company are of the opinion that the loan receivable is recoverable from TSMHL.

**7 INCOME TAX RECEIVABLE**

	<b>2016</b>	<b>2015</b>
Income tax refund receivable	USD	USD
	6,270,780	-
	<u>6,270,780</u>	<u>-</u>

During the year, the Company reassessed its tax position and took benefit of the tax parity clause available in the treaty between Mauritius and its subsidiary in Namibia, THL Zinc Namibia Holdings Pty Ltd. Accordingly, it filed revised returns for year ending 31 March 2012 to 31 March 2014 and claimed refund of taxes paid in previous years of USD 6,270,780 and tax liability of FY 2014-15 of USD 1,800,825 was also not paid. The tax return are currently being reviewed by the Tax Authorities. However, the directors are of the view that this amount will be refunded in due course.

**8 OTHER RECEIVABLES**

	<b>2016</b>	<b>2015</b>
Accrued interest - Twin Star Mauritius Holding Limited	USD	USD
Accrued interest - Bloom Fountain Limited	10,637,882	10,325,449
	87,301	13,823
	<u>10,725,183</u>	<u>10,339,272</u>

**THL ZINC LTD**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**9 STATED CAPITAL**

	<u>2016</u>	<u>2015</u>
	USD	USD
Ordinary shares		
<u>Issued and Fully Paid</u>		
At 1 April and 31 March	<u>9,001,000</u>	<u>9,001,000</u>

The shares in the capital of the Company comprise of 1,000 ordinary shares of no par and 90,000 ordinary shares of par value USD 100, issued to THL Zinc Ventures Ltd. The ordinary share carries voting rights and right to dividend.

**10 OPTIONALLY CONVERTIBLE REDEEMABLE PREFERENCE SHARES ("OCRPS")**

- (i) The Company has issued 7 Million, 0.25% Optionally Convertible Redeemable Preference Shares (OCRPS) of USD 1 each with a premium of USD 99 each to THL Zinc Ventures Ltd. Each OCRPS can be converted at the option of the investor into a variable number of equity shares and can be redeemed at the option of the Company.
- (ii) The Company has issued 2.4 Million, 0.25% Optionally Convertible Redeemable Preference Shares (OCRPS) of USD 1 each with a premium of USD 99 each to THL Zinc Holding BV. Each OCRPS can be converted at the option of the investor into a variable number of equity shares and can be redeemed at the option of the Company. In 2011-12, 440,000 shares were redeemed by the Company.

In accordance with paragraph 16 of IAS 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.

**11 BORROWINGS**

	<u>2016</u>	<u>2015</u>
	USD	USD
<b>Non-Current</b>		
At 1 April	1,250,000,000	-
Loan from Cairn India Holdings Limited	-	1,250,000,000
Reclassified to current borrowings	<u>(1,250,000,000)</u>	<u>-</u>
At 31 March	<u>-</u>	<u>1,250,000,000</u>

Pursuant to a board meeting of 19 May 2014, the Company entered into a loan agreement with Cairn India Holdings Limited, a related subsidiary company for an amount of USD 1,250,000,000 repayable in May 2016 at interest rate of LIBOR + 300 bps per annum. The loan is unsecured in nature.

	<u>2016</u>	<u>2015</u>
	USD	USD
<b>Current</b>		
Reclassified from non-current borrowings	<u>1,250,000,000</u>	<u>-</u>
At 31 March	<u>1,250,000,000</u>	<u>-</u>

**12 OTHER PAYABLES**

	<u>2016</u>	<u>2015</u>
	USD	USD
Audit fees	7,848	7,475
Interest on Optionally Convertible Redeemable Preference Shares	118,245	95,788
Amount due to THL Zinc Ventures Ltd	372,999	372,999
Amount due to Vedanta Resources Plc	11,816	-
Interest payable to Cairn India Holdings Limited	2,976,582	3,174,450
Other payables	<u>3,250</u>	<u>3,700</u>
At 31 March	<u>3,490,740</u>	<u>3,654,412</u>

The amount due to Cairn India Holdings Limited, THL Zinc Ventures Limited and Vedanta Resources Plc is unsecured, interest free and repayable on demand.

**13 NET CASH (USED IN) / GENERATED FROM OPERATING ACTIVITIES**

	<u>2016</u>	<u>2015</u>
	USD	USD
Profit before taxation	1,354,214	60,034,759
<i>Adjusted for:</i>		
- Interest income	(44,258,962)	(39,592,346)
- Interest expense	<u>42,884,546</u>	<u>31,936,536</u>
<b>Operating (loss)/profit before working capital changes</b>	<b>(20,202)</b>	<b>52,378,949</b>
<b>Working capital changes:</b>		
- Change in other payables	<u>11,739</u>	<u>3,700</u>
Cash (used in)/generated from operations	<u>(8,463)</u>	<u>52,382,649</u>
Tax paid	-	(3,832,206)
Net cash (used in)/generated from operating activities	<u>(8,463)</u>	<u>48,550,443</u>

**THL ZINC LTD**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED 31 MARCH 2016**

14 INCOME

	<u>2016</u> USD	<u>2015</u> USD
Dividend income	-	52,491,923
Interest income	44,258,962	39,592,346
	<u>44,258,962</u>	<u>92,084,269</u>

15 FINANCE COSTS

	<u>2016</u> USD	<u>2015</u> USD
Interest on preference shares	22,457	22,396
Interest expense to Cairn India Holdings Limited	42,862,089	31,914,140
Bank charges	989	1,638
Exchange loss	-	94,536
	<u>42,885,535</u>	<u>32,032,710</u>

16 PROFIT BEFORE TAXATION

The profit before taxation for the year is arrived at after charging:

	<u>2016</u> USD	<u>2015</u> USD
Audit fees	7,848	7,475

17 TAXATION

The Company is a "Category 1 Global Business Licence Company" for the purpose of the Financial Services Act 2007. The profit of the Company, as adjusted for income tax purposes, is subject to income tax at the rate of 15% (2015: 15%). It is, however, entitled to a tax credit equivalent to the higher of the foreign taxes paid and 80% (2015: 80%) of the Mauritius Tax on its foreign source income.

Interest income earned by the Company from its bank in Mauritius is exempt from tax and there is no tax on capital gains on investments in Mauritius.

The directors have in accordance with the Company's accounting policy not recognised any deferred tax asset in that respect as the probability of taxable profit arising in future is remote.

(i) Tax expense

	<u>2016</u> USD	<u>2015</u> USD
Current tax	40,625	1,800,825
Withholding tax	-	2,624,595
Reversal of tax provision of earlier years	(8,071,605)	-
	<u>(8,030,980)</u>	<u>4,425,420</u>

(ii) Tax reconciliation

	<u>2016</u> USD	<u>2015</u> USD
Profit before taxation	1,354,214	60,034,759
Tax at statutory rate of 15%	203,133	9,005,214
Less: exempt income	(8)	(1,095)
Foreign tax credit	(162,500)	(7,203,294)
Reversal of tax provision of earlier years	(8,071,605)	-
Withholding tax	-	2,624,595
	<u>(8,030,980)</u>	<u>4,425,420</u>



**THL ZINC LTD****NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED 31 MARCH 2016****18 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 note 4 to 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>2016</u> USD	<u>2015</u> USD
<b>Financial assets</b>		
Loan and receivables (including cash and cash equivalents)	<u>1,725,879,943</u>	<u>1,724,689,401</u>
<b>Financial liabilities</b>		
Optionally Convertible Redeemable Preference Shares	896,000,000	896,000,000
Loans and payables	<u>1,253,490,740</u>	<u>1,253,654,412</u>
	<u>2,149,490,740</u>	<u>2,149,654,412</u>

**19 FINANCIAL RISK MANAGEMENT****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 LTD****NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED 31 MARCH 2016****19 FINANCIAL RISK MANAGEMENT (CONT'D)****Strategy in using financial instruments (cont'd)****(a) Market Risk Management**

Market risk is the risk that changes in market prices, foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

**(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 2016**

	Up to 1 year	More than 1 year	Total
	USD	USD	USD
<b>Financial Assets</b>			
Non-interest bearing	10,736,030	-	10,736,030
Fixed interest bearing	-	465,233,913	465,233,913
Variable interest bearing	1,249,910,000	-	1,249,910,000
<b>Total assets</b>	<b>1,260,646,030</b>	<b>465,233,913</b>	<b>1,725,879,943</b>
<b>Financial Liabilities</b>			
Non-interest bearing	3,490,740	-	3,490,740
Fixed interest bearing	-	896,000,000	896,000,000
Variable interest bearing	1,250,000,000	-	1,250,000,000
<b>Total liabilities</b>	<b>1,253,490,740</b>	<b>896,000,000</b>	<b>2,149,490,740</b>

**31 March 2015**

	Up to 1 year	More than 1 year	Total
	USD	USD	USD
<b>Financial Assets</b>			
Non-interest bearing	10,386,877	-	10,386,877
Fixed interest bearing	464,392,524	-	464,392,524
Variable interest bearing	-	1,249,910,000	1,249,910,000
<b>Total assets</b>	<b>474,779,401</b>	<b>1,249,910,000</b>	<b>1,724,689,401</b>
<b>Financial Liabilities</b>			
Non-interest bearing	3,654,412	-	3,654,412
Fixed interest bearing	-	896,000,000	896,000,000
Variable interest bearing	-	1,250,000,000	1,250,000,000
<b>Total liabilities</b>	<b>3,654,412</b>	<b>1,250,000,000</b>	<b>2,149,654,412</b>

The Optionally Convertible Redeemable Preference Shares are not sensitive to movement in interest rates.

**Interest Rate Sensitivity**

A 100 basis point is the sensitivity rate used internally by key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the net loss for the year ended 31 March 2016 would increase / decrease by USD 900 (2015: USD 900) on account of financial assets.

**THL ZINC LTD****NOTES TO THE FINANCIAL STATEMENTS (CONT'D)****FOR THE YEAR ENDED 31 MARCH 2016****19 FINANCIAL RISK MANAGEMENT (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 2016 USD	Financial liabilities 2016 USD	Financial assets 2015 USD	Financial liabilities 2015 USD
United States Dollar	1,732,150,723	2,149,490,740	1,724,689,401	2,149,654,412
	<u>1,732,150,723</u>	<u>2,149,490,740</u>	<u>1,724,689,401</u>	<u>2,149,654,412</u>

For the year ended 31 March 2016 and 31 March 2015, the Company does not have any 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 2016**

	Up to 1 year USD	More than 1 year USD	Total USD
<b>Liabilities</b>			
Other payables	3,490,740	-	3,490,740
Optionally Convertible Redeemable Preference Shares	-	896,000,000	896,000,000
Short term borrowings	1,250,000,000	-	1,250,000,000
<b>Total</b>	<u>1,253,490,740</u>	<u>896,000,000</u>	<u>2,149,490,740</u>

**31 March 2015**

	Up to 1 year USD	Up to 1 year USD	Up to 1 year USD
<b>Liabilities</b>			
Other payables	3,654,412	-	3,654,412
Optionally Convertible Redeemable Preference Shares	-	896,000,000	896,000,000
Long term borrowings	-	1,250,000,000	1,250,000,000
<b>Total</b>	<u>3,654,412</u>	<u>2,146,000,000</u>	<u>2,149,654,412</u>

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

**THL ZINC LTD****NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED 31 MARCH 2016****19 FINANCIAL RISK MANAGEMENT (CONT'D)****(e) Capital risk management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company may adjust the amount of dividends paid to shareholder, return on capital to shareholder, issue new shares or sell assets to reduce debt.

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>2016</u> USD	<u>2015</u> USD
Debt (i)	2,146,000,000	2,146,000,000
Cash and cash equivalents	<u>(10,847)</u>	<u>(47,605)</u>
Net debt	<u>2,145,989,153</u>	<u>2,145,952,395</u>
Equity (ii)	<u>100,512,975</u>	<u>91,127,781</u>
Net debt to equity ratio (times)	21.35	23.55

(i) Debt includes Optionally Convertible Redeemable Preference Shares of USD 896,000,000 (2015: USD 896,000,000) and Loan from Cairn India Holding Limited amounting to USD 1,250,000,000 (2015: USD 1,250,000,000)

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

**20 RELATED PARTY TRANSACTIONS AND BALANCES**

During the year ended 31 March 2016, the Company traded with related parties. The nature and volume of transactions with the entities are as follows:

Name of Company	Relationship	Nature of transaction	<u>2016</u> USD	<u>2015</u> USD
THL Zinc Ventures Ltd	Holding company	Interest on Optionally Convertible Redeemable Preference Shares	17,544	17,496
THL Zinc Holding B.V	Related party	Interest on Optionally Convertible Redeemable Preference Shares	4,913	4,900
Twin Star Mauritius Holdings Ltd.	Related party	Interest Income	44,185,484	39,571,215
Bloom Fountain Limited	Related party	Interest Income	73,478	13,823
Cairn India Holdings Limited	Related party	Interest expense	42,862,089	31,914,140
Vedanta Resources Plc	Intermediate holding company	Guarantee taken*	-	1,250,000,000

**THL ZINC LTD**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**20 RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D)**

Name of Company	Relationship	Nature of transaction	2016 USD	2015 USD
THL Zinc Namibia Holdings Proprietary Limited	Subsidiary	Dividend income	-	52,491,923
<u>Outstanding balances</u>				
Amount due to Vedanta Resources Plc	Intermediate holding company	Payable	11,816	-
Vedanta Resources Plc	Intermediate holding company	Guarantees taken*	1,250,000,000	1,250,000,000
Amount due to THL Zinc Ventures Ltd	Holding company	Payable	372,999	372,999
		Interest payable	93,231	75,687
Amount due to THL Zinc Holding B.V.	Related party	Interest payable	25,014	20,101
Amount due to Cairn India Holdings Limited	Related party	Loan payable	1,250,000,000	1,250,000,000
		Interest payable	2,976,582	3,174,450
Bloom Fountain Limited	Related party	Loan receivable	3,141,419	2,300,000
		Interest receivable	87,301	13,823
Twin Star Mauritius Holdings Ltd.	Related party	Loan receivable	1,712,002,494	1,712,002,524
		Interest receivable	10,637,882	10,325,449
Amount due to THL Zinc Holding B.V.	Related party	Optionally Convertible Redeemable Preference Shares	196,000,000	196,000,000
Amount due to THL Zinc Ventures Ltd	Holding company	Optionally Convertible Redeemable Preference Shares	700,000,000	700,000,000

\* The Guarantee from Vedanta Resources Plc is for the loan taken from Cairn India Holding Ltd mentioned above.

**Other related party transactions**

CIM Corporate Service Ltd performs certain administration and related services for the Company. A sum amounting to USD 11,365 (2015: USD 9,325) was expensed during the year in respect of the aforesaid services.

**Compensation to key management personnel**

No compensation to key management personnel was paid during the year ended 31 March 2016 (2015: Nil).

**21 EVENTS AFTER THE REPORTING PERIOD**

There have been no material events after reporting date which would require disclosure or adjustment to the financial statements for the year ended 31 March 2016.

**22 IMMEDIATE, INTERMEDIATE AND ULTIMATE HOLDING COMPANY**

The Company's immediate holding company is THL Zinc Ventures Ltd, a Category 1 Global Business Company, established in Mauritius. The Company's intermediate holding company is Vedanta Resources Plc, a company incorporated in the United Kingdom. The ultimate holding company is Volcan Investments Limited, a company incorporated in the Bahamas.

**THL ZINC LTD****STATEMENT OF PROFIT AND OR LOSS FOR THE YEAR ENDED 31 MARCH 2016**

	<u>2016</u> USD	<u>2015</u> USD
<b>INCOME</b>		
Dividend income	-	52,491,923
Interest income	44,258,962	39,592,346
	<u>44,258,962</u>	<u>92,084,269</u>
<b>EXPENSES</b>		
Filing and registration fees	(265)	(300)
Audit fees	(7,848)	(7,475)
Professional fees	(11,100)	(9,025)
	<u>(19,213)</u>	<u>(16,800)</u>
<b>FINANCE COSTS</b>		
Interest on Preference Shares	(22,457)	(22,396)
Foreign exchange difference	-	(94,536)
Interest expense	(42,862,089)	(31,914,140)
Bank charges	(989)	(1,638)
	<u>(42,885,535)</u>	<u>(32,032,710)</u>
<b>PROFIT BEFORE TAXATION</b>	1,354,214	60,034,759
Tax Credit / (Expense)	<u>8,030,980</u>	<u>(4,425,420)</u>
<b>PROFIT FOR THE YEAR</b>	<u>9,385,194</u>	<u>55,609,339</u>