THL ZINC LTD

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

THL ZINC LTD

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THL ZINC LTD

CORPORATE INFORMATION

		Date of appointment	Date of resignation
DIRECTORS:	Gyaneshwarnath Gowrea	13-Aug-10	-
	Din Dayal Jalan	2-Sep-10	28-Oct-16
	Doomraj Sooneelall	30-Jun-15	-
	Deepak Kumar	28-Oct-16	-

ADMINISTRATOR & SECRETARY:
CIM CORPORATE SERVICES LTD
Les Cascades Building
Edith Cavell Street
Port Louis
Mauritius

REGISTERED OFFICE:
C/o CIM CORPORATE SERVICES LTD
Les Cascades Building
Edith Cavell Street
Port Louis
Mauritius

BANKERS:
Standard Chartered Bank (Mauritius) Limited
Units 6A and 6B
6th Floor, Standard Chartered Tower,
19-21, Bank Street, Cybercity
Ebène
Mauritius

AUDITOR:
Ernst & Young
9th Floor NeXTeracom Tower 1
Cybercity
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 2017.

PRINCIPAL ACTIVITY

The principal activity of the Company is investment holding.

RESULTS AND DIVIDEND

The Company's loss for the year ended 31 March 2017 is **USD 2,420,308** (2016: profit USD 9,385,194).

The directors do not recommend any payment of dividend for the year ended 31 March 2017 (2016: NIL).

SIGNIFICANT EVENT DURING THE YEAR

The Company had advanced loans of USD 1,745,772,494 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 current year 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. Hence, the Company has made an impairment provision of USD1,779,654,112 against the loan (including accrued interest) it had extended to TSMHL and the effects of the same were carried through the statement of changes in equity.

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 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, the existing auditors, Deloitte Mauritius has been replaced by Ernst & Young, Mauritius. The Auditors, Ernst & Young, have indicated their willingness to continue in office and will be automatically reappointed in the next Annual Meeting.

THL ZINC LTD

SECRETARY'S CERTIFICATE

TO THE MEMBER OF THL ZINC LTD

(SECTION 166(D) OF THE COMPANIES ACT 2001)

We certify, as secretary of the Company, that based on records and information made available to us by the Directors and Sole Shareholder of the Company, the Company has filed with the Registrar of Companies, for the financial year ended 31 March 2017, all such returns as required of the Company under the Companies Act 2001.

Authorised signatory

Date: July 7, 2017

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THL ZINC LTD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of THL Zinc Ltd (the "Company") set out on pages 7 to 28 which comprise the statement of financial position as at 31 March 2017, 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 notes to the financial statements, including significant accounting policies.

In our opinion, the financial statements give a true and fair view of, the financial position of the Company as at 31 March 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to note 20 of the financial statements, which indicates that the Company incurred a net loss for the year ended 31 March 2017 of USD 2,420,308 (2016: profit of USD 9,385,194) and, as at that date, the Company's total liabilities exceeded its total assets by USD 1,681,561,445 (2016: shareholder's equity of USD 100,512,975). These conditions along with other matters set forth in note 20 indicate the existence of a material uncertainty which may cast significant doubt on the entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

The directors are responsible for the other information. The other information comprises the Commentary of Directors and the Secretary's Certificate as required by the Companies Act 2001, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act 2001**,** and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THL ZINC LTD (CONTINUED)

Report on the Audit of the Financial Statements (Continued)

Responsibilities of the Directors for the Financial Statements (Continued)

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THL ZINC LTD (CONTINUED)

Report on the Audit of the Financial Statements (Continued)

Other matter

This report is made solely for the Company's members, as a body, in accordance with Section 205 of the Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them 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 members, as a body, for our audit work, for this report, or for the opinions we have formed.

Report on Other Legal and Regulatory Requirements

Companies Act 2001

We have no relationship with or interests in the Company other than in our capacity as auditor and dealings in the ordinary course of business.

We have obtained all the information and explanations we have required.

In our opinion, proper accounting records have been kept by the Company as far as it appears from our examination of those records.

ERNST & YOUNG
Ebène, Mauritius

ANDRE LAI WAN LOONG A.C.A
Licensed by FRC

Date: July 7, 2017

THL ZINC LTD
STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2017

	Notes	2017 USD	2016 USD
ASSETS			
Non-current assets			
Investments in subsidiaries	5	**517,893,603**	517,893,617
Loan receivable	6	**-**	465,233,913
Total non-current assets		**517,893,603**	983,127,530
Current assets			
Loan receivable	6	**7,300,000**	1,249,910,000
Income tax receivable	7	**-**	6,270,780
Other receivables	8	**803,955**	10,725,183
Cash and cash equivalents		**92,175**	10,847
Total current assets		**8,196,130**	1,266,916,810
TOTAL ASSETS		**526,089,733**	2,250,044,340
EQUITY AND LIABILITIES			
Equity			
Issued capital	9	**9,001,000**	9,001,000
Other equity reserve		**(1,779,654,112)**	-
Retained earnings		**89,091,667**	91,511,975
Shareholder's deficit		**(1,681,561,445)**	100,512,975
Non current liabilities			
Optionally convertible redeemable preference shares	10	**896,000,000**	896,000,000
Borrowings	11	**1,250,000,000**	-
Total Non Current Liabilities		**2,146,000,000**	896,000,000
Current liabilities			
Borrowings	11	**35,000,000**	1,250,000,000
Other payables	12	**26,642,810**	3,490,740
Current tax liability		**8,368**	40,625
Total Current Liabilities		**61,651,178**	1,253,531,365
Total Current & Non Current Liabilities		**2,207,651,178**	2,149,531,365
TOTAL EQUITY AND LIABILITIES		**526,089,733**	2,250,044,340

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

Director **Director**

The notes on pages 11 to 28 form an integral part of these financial statements
Independent Auditor's report on page 4 to 6

THL ZINC LTD
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 USD	2016 USD
Income	14	**67,523,115**	44,258,962
Expenses			
Filing and registration fees		**(2,015)**	(265)
Audit fees		**(11,500)**	(7,848)
Professional fees		**(81,791)**	(11,100)
		(95,306)	(19,213)
Finance costs	15		
Interest on Preference Shares		**(22,396)**	(22,457)
Interest expense		**(66,074,079)**	(42,862,089)
Bank charges		**(1,935)**	(989)
		1,329,399	1,354,214
Investment written off	5 (c)	**(14)**	**-**
Impairment of loan	6(vii)	**(3,709,819)**	
(Loss) / profit before tax		**(2,380,434)**	1,354,214
Income tax (expense)/ credit	16	**(39,874)**	8,030,980
(Loss) / profit for the year		**(2,420,308)**	9,385,194
Other comprehensive income		**-**	-
Total comprehensive loss / income for the year		**(2,420,308)**	9,385,194

The notes on pages 11 to 28 form an integral part of these financial statements
Independent Auditor's report on page 4 to 6

THL ZINC LTD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017

	Issued Capital USD	Other Equity reserve USD	Retained earnings USD	Total Equity USD
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	9,001,000	-	91,511,975	100,512,975
At 1 April 2016	**9,001,000**	**-**	**91,511,975**	**100,512,975**
Loss for the year and total comprehensive income	-	-	(2,420,308)	(2,420,308)
Total	**9,001,000**	**-**	**89,091,667**	**98,092,667**
Impairment of Loans (refer to Note 6)	-	(1,779,654,112)	-	(1,779,654,112)
At 31 March 2017	**9,001,000**	**(1,779,654,112)**	**89,091,667**	**(1,681,561,445)**

THL ZINC LTD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 USD	2016 USD
Cash flows from operating activities			
Net cash generated from/(used in) operating activities	13	**6,093,297**	(8,463)
Investing activities			
Loan to related company		**(146,465,000)**	(841,389)
Interest received		**42,624,001**	43,873,051
Net cash (used in) / from investing activities		**(103,840,999)**	43,031,662
Financing activities			
Loan from related company		**140,000,000**	-
Interest paid		**(42,170,969)**	(43,059,957)
Net cash from / (used in) financing activities		**97,829,031**	(43,059,957)
Net increase / (decrease) in cash and cash equivalents		**81,328**	(36,758)
Cash and cash equivalents at beginning of year		**10,847**	47,605
Cash and cash equivalents at end of year		**92,175**	10,847

The notes on pages 11 to 28 form an integral part of these financial statements
Independent Auditor's report on page 4 to 6

1. **CORPORATE INFORMATION**

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 of the company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB).

(b) **Basis of preparation**

The financial statements have been prepared on a historical-cost basis and are denominated in United States Dollars ("USD").

(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.

Functional 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 to the members. Therefore, management considers the USD as the currency that most represents the economic effects of the underlying transactions, events and conditions.

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. Refer to note 20 for more details.

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.

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

3.1 Changes in accounting policies

The accounting policies adopted in these financial statemnets are consistent with those of the previous financial year. There were a number of new standards and interpretations which were effective for this financial year, none of which have an impact on the Company.

3.2 Accounting standards and interpretations issued but not yet effective

A number of new standards , amendments to existing standards and interpretations have been issued and are not yet effective at the end of the issuance of the financial statements of the company. The company does not intend to early adopt these standards and interpretations as the directors do not consider these to have a material impoact on the Company.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Functional and presentation currency

The directors consider 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.

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.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

(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 and interest-bearing financial assets classified as AFS, 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 or loss.

(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 Group 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 or 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 profit or loss on an accrual basis.

(e) 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.On disposal of an investment the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

4. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

(e) Investments in subsidiaries (cont'd)

The Company has taken advantage claimed exemption under of paragraph 4(a) International Financial Reporting Standard "IFRS 10 - Consolidated Financial Statements",and as per the fourteenth schedule, paragraph 12 of the Mauritius Companies Act 2001 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.

(f) Financial Instruments

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

Initial Recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. 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.
The financial assets of the company comprises of loan to related party, other receivables and cash and cash equivalents.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. 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 or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

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 assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

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

(f) Financial Instruments (cont'd)

Impairment of financial assets (cont'd)

Financial assets carried at amortised cost (cont'd)

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income (recorded as finance income in the statement of profit or loss) continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. 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 or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Comapny's statement of financial position) when:

• The rights to receive cash flows from the asset have expired or

• The Comapny has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither

When the Company has transferred its rights to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company’s continuing involvement in the asset.

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

Ordinary shares are classified as equity

If an entity reacquires its own equity instruments, those instruments (‘treasury shares’) shall be deducted from equity. No gain or loss shall be recognised in profit or loss on the purchase, sale, issue or cancellation of an entity’s own equity instruments. Such treasury shares may be acquired and held by the entity or by other members of the consolidated group. Consideration paid or received shall be recognised directly in equity.

Interest, dividends, losses and gains relating to a financial instrument or a component that is a financial liability shall be recognised as income or expense in profit or loss. Distributions to holders of an equity instrument shall be debited by the entity directly to equity, net of any related income tax benefit. Transaction costs of an equity transaction shall be accounted for as a deduction from equity, net of any related income tax benefit.

Compound instruments

Convertible preference shares(compound instrument) are separated into liability and equity components based on the terms of the contract. On issuance of the convertible preference shares, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on conversion or redemption.

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

(f) Financial Instruments (cont'd)

Compound instruments (cont'd)

The remainder of the proceeds is allocated to the conversion option that is recognised and included in equity. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible preference shares, based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised.

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.

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.

(g) **Financial liabilities**

Financial liabilities are classified as 'other financial liabilities'.

Other financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, 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 loans and borrowings and payables, net of directly attributable transaction costs.
The Company’s financial liabilities include other payables,loans and borrowings and optionally convertible reedemable preference shares.

Derecognition of financial liabilities

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 de recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the profit or loss.

(h) Impairment of non financial assets

At each reporting date, the comapny determines whether there is objective evidence that the investment in the assets is impaired. If there is such evidence, the Group 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 or 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 the statement of profit or loss.

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

(i) Borrowing costs

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

(j) 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.

Deferred income tax is recognised in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets on accumulated tax losses are recognised to the extent that it is probable that future taxable profit will be available againstwhich the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(k) Related Parties

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

(l) Current v/s Non -current classification

The company presents assets and liabilities in the statement of financial position 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.

THL ZINC LTD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 MARCH 2017

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

(l) Current v/s Non -current classification (cont`d)

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.

(m) Cash and cash equivalents

Cash and cash equvalents 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.

5. **INVESTMENTS IN SUBSIDIARIES**

	2017	2016
At Carrying Value	**USD**	USD
At 01 April	**517,893,617**	517,893,617
Investment written off	**(14)**	-
At 1 April and 31 March	**517,893,603**	517,893,617

(a) During the year 2013-14, the Company has provided for an impairment of USD 221,789,180 on its investment held in THL Zinc Namibia Holdings Proprietary Ltd . During the current year, the directors have assessed the investments in the subsidiaries for indicators of impairment and are of opinion that the no further impairment has to be provided for these investments.

(b) During the current year, the directors have assessed the investments in Black Mountain Mining Proprietary Ltd for indicators of impairment and are of opinion that the no further impairment has to be provided for these investments.

(c) During the year,Pecvest 17 Propriety Ltd has been liquidated and thereby the investments have been written off.

(d) 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 interests**		**Value of Investments at cost less impairment**	
					2017	**2016**	**2017**	2016
			2017	2016			**USD**	USD
THL Zinc Namibia Holdings Proprietary Ltd	Mining	Namibia	**820**	820	100%	100%	**266,500,000**	266,500,000
Black Mountain Mining Proprietary Ltd	Mining	South Africa	**740**	740	74%	74%	**251,393,603**	251,393,603
Pecvest 17 Proprietary Ltd	Mining	South Africa	**Nil**	100	0%	100%	**-**	14
						Total	**517,893,603**	517,893,617

THL ZINC LTD

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 MARCH 2017

6 LOAN RECEIVABLE

		2017	2016
Non current		**USD**	USD
Loan to related parties			
Twin Star Mauritius Holdings Ltd.	note (i),(ii)	**1,352,510,000**	462,092,494
Bloom Fountain Limited	note (vii)	**-**	3,141,419
Less : Impairment of Loan	note (x)	**(1,249,910,000)**	-
Less : Offset against payable to related party	note (ix)	**(102,600,000)**	-
At 31 March		**-**	465,233,913

		2017	2016
Current		**USD**	USD
Loan to related parties			
Twin Star Mauritius Holdings Ltd.	note (iii) to (vi)	**498,262,494**	1,249,910,000
Bloom Fountain Limited	note (vii)	**3,536,419**	-
Copper Mines of Tasmania Pty	note (viii)	**7,300,000**	-
Less : Impairment of Loan			
Twin Star Mauritius Holdings Ltd.	note (x)	**(495,862,494)**	-
Bloom Fountain Limited	note (vii)	**(3,536,419)**	-
Less : Offset against payable to related party	note (ix)	**(2,400,000)**	-
At 31 March		**7,300,000**	1,249,910,000

(i) 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.(TSMHL), repayable after two years and which bears interest rate at LIBOR plus 3.01% per annum. The loan is unsecured in nature and repayable in 2016. Pursuant to the board meeting of 19 May 2016, it has been agreed by the parties to extend the term of the repayment date of the loan to 2018 at a revised Interest rate of LIBOR plus 4.51% per annum. Hence, same has been reclassified from current to non-current. The total amount outstanding before giving impact arising consequent to the merger of Cairn India Limited with Vedanta Limited (refer note (x) below) was loan of USD 1,249,910,000 (2016:1,249,910,000) and accrued interest of USD 27,136,910 (2016:USD 3,632,560)

(ii) Pursuant to a board meeting of 24 January 2017, the Company has entered into a loan facility of USD 110,000,000 with Twin Star Mauritius holdings Ltd ("TSMHL") at an interest rate of 4% per annum and repayable in three years.The loan is unsecured in nature.The total amount outstanding before giving impact arising consequent to the assignment of loan (refer note (ix) below) was loan of USD102,600,000 (2016:NIL) and accrued interest of USD 752,400 (2016:NIL)

(iii) 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% per annum. During the year, the maturity of the loan was further extended to 2 September 2017. The total amount outstanding before giving impact arising consequent to the merger of Cairn India Limited with Vedanta Limited (refer point (x) below) was loan of USD 339,207,494 (2016:339,207,494) and accrued interest of USD 4,724,580 (2016:4,777,641)

(iv) 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 loan is unsecured in nature.The total amount outstanding before giving impact arising consequent to the merger of Cairn India Limited with Vedanta Limited (refer point (x) below) was loan of USD 65,000,000 (2016:65,000,000) and accrued interest of USD 2,073,484 (2016:1,904,484)

THL ZINC LTD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 MARCH 2017

6 LOAN RECEIVABLE (CONT'D)

(v) 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 loan is unsecured in nature.The total amount outstanding before giving impact arising consequent to the merger of Cairn India Limited with Vedanta Limited (refer point (x) below) was loan of USD 57,885,000 (2016:57,885,000) and accrued interest of USD 473,698 (2016:323,197)

(vi) On 01 December 2016, the Company has entered into an agreement to provide a loan facility of USD 50,000,000 to TSMHL at an interest rate of 2.26% per annum maturing in December 2019. The loan is unsecured in nature.The total amount outstanding before giving impact arising consequent to the merger of Cairn India Limited with Vedanta Limited (refer point (x) below) was loan of USD 36,170,000 (2016:NIL) and accrued interest of USD 216,589(2016:NIL)

(vii) During the year 2015 , 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.The loan is unsecured in nature.On 1 February 2016, the amount under the facilty was increased to USD 3,600,000 and repayment date was extended to 28 February 2018. During the year an amount of USD 395,000 was further disbursed under this facility.The total amount outstanding under this facility as at 31 March 2017 was USD 3,536,419 (31 March 2016 : USD 3,141,419) and accrued interest of USD 173,400 (2016: USD 87,301).
The said outstanding along with the accrued interst thereon has been impaired during the year and charged to the statement of profit & loss.

(viii) Pursuant to the board meeting of 6 July 2016, Copper Mines of Tasmania Pty ("CMT"), a company incorporated under the laws of Australia has sought funds up to the tune of USD 10,000,000 from the Company. The Company agreed to grant the loan up to the amount of USD 10,000,000 to CMT at an interest rate of 2.2% per annum and repayable in one year.The loan is unsecured in nature. The total amount disbursed under this facility as at 31 March 2017 was USD 7,300,000 and accrued intrest of USD 72,985.

(ix) On March 30, 2017, Twinstar Mauritius Holdings Limited (TSMHL), Sesa Stertlite Mauritius Limited (SSMHL) and the Company entered into an agreement of assignment whereby TSMHL has assigned its loan receivable of USD 105,000,000 and accrued interest thereon of USD 779,713 from SSMHL to the Company. The consequent resultant loan of USD 105,000,000 and accrued interest thereon of USD 765,075 payable to SSMHL has been offset against the loan of USD 105,000,000 and interest receivable of USD 779,713 from TSMHL and the balance remaining amount of USD 14,638 is shown as receivable from SSMHL.

(x) The Company had advanced loans of USD 1,745,772,494 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 current year 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. Hence, the Company has made an impairment provision of USD1,779,654,112 against the loan (including accrued interest) it had extended to TSMHL and the effects of the same were carried through the statement of changes in equity.

7 INCOME TAX RECEIVABLE

	2017 USD	2016 USD
Income tax refund receivable	**-**	6,270,780

During the year 2016 , the Company had reassessed its tax position and took benefit of the tax parity clause available in the treaty between Mauritius and Namibia in respect of its subsidiary, 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. Tax expense for FY 2014-15 of USD 1,800,825 was also not paid. During the year, the Company received the refund claimed in respect of financial years 2012 to 2014.

8 OTHER RECEIVABLES

	2017 USD	2016 USD
Adv Others- Receivable from SSMHL(Refer Note 6 (ix))	**14,638**	-
Accrued interest - Twin Star Mauritius Holding Limited	**35,377,662**	10,637,882
Accrued interest - Copper Mines of Tasmania Pty	**72,986**	-
Accrued interest - Bloom Fountain Limited	**173,400**	87,301
Less: Impairment of accrued interest- Twin Star Mauritius Holding Limited (Refer Note 6 (x))	**(33,881,618)**	-
Less:Offset against amount payable to related party (Refer Note 6 (ix))	**(779,713)**	-
Less :Impairment of accrued interest- Bloom Fountain Limited (Refer Note 6 (vii))	**(173,400)**	-
	803,955	10,725,183

9 ISSUED CAPITAL

	2017 USD	2016 USD
Ordinary shares		
Issued and Fully Paid		
At 1 April and 31 March	**9,001,000**	9,001,000

The shares in the capital of the Company comprise of 1,000 ordinary shares of no par value 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.

10 **OPTIONALLY CONVERTIBLE REDEEMABLE PREFERENCE SHARES ("OCRPS") (CONT'D)**

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**

	2017 USD	2016 USD
Non-Current		
At 1 April	**-**	1,250,000,000
Loan from Sesa Sterlite Mauritius Holdings Limited	**105,000,000**	-
Reclassified from current borrowings	**1,250,000,000**	-
Reclassified to current borrowings	**-**	(1,250,000,000)
Less :Offset against receivable from Related Party (Refer Note 6 (ix))	**(105,000,000)**	
At 31 March	**1,250,000,000**	-

Pursuant to a board meeting of 24 January 2017, the Company has entered into a loan agreement with Sesa Sterlite Mauritius Holdings Limited ("SSMHL") a group company for an amount of USD 110,000,000 at an interest rate for 3.99% per annum and repayable in three years. The loan is unsecured in nature.
During the year the amount payable under this facility was USD 105,000,000 and accrued interest of USD 765,075.

	2017 USD	2016 USD
Current		
At 1 April	**1,250,000,000**	
Loan from Namzinc	**35,000,000**	-
Reclassified from non-current borrowings	**-**	1,250,000,000
Reclassified to non-current borrowings	**(1,250,000,000)**	
At 31 March	**35,000,000**	1,250,000,000

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 which was due for repayment in May 2016. The repayment date of the loan has been extended to May 2018 pursuant to the board meeting of 11 May 2016. Accordingly the loan has been reclassified from current borrowings to non-current borrowings. The interest rate shall be LIBOR+ 450 bps per annum from 21 May 2016 to 20 May 2017 and LIBOR+475 bps per annum from 21 May 2017 till end of term. The loan is unsecured in nature.

Pursuant to a board meeting of 29 November 2016, the Company entered into a loan agreemnet with Namzinc (Pty) Ltd ("NPL"), a group company for an amount of USD 50,000,000 at an interest rate of 2.2% per annum and repayable within one year. As at 31 March 2017, the amount outstanding under this facility was USD 35,000,000 and accrued interest of USD 233,000.

12 **OTHER PAYABLES**

	2017 USD	2016 USD
Audit fees	**11,500**	7,848
Interest on Optionally Convertible Redeemable Preference Shares	**140,641**	118,245
Amount due to THL Zinc Ventures Ltd (refer note 18)	**372,999**	372,999
Amount due to Vedanta Resources Plc	**-**	11,816
Interest payable to Cairn India Holdings Limited (refer note 18)	**25,881,618**	2,976,582
Interest payable to Namzinc (refer note 18)	**233,000**	-
Interest payable to Sesa Sterlite Mauritius Holdings Limited (refer note 18)	**765,075**	-
Other payables	**3,052**	3,250
Less :Offset against recievable from related party (Refer Note 6 (ix))	**(765,075)**	-
At 31 March	**26,642,810**	3,490,740

Other payables are unsecured, interest free and repayable on demand.

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
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13 NET CASH (USED IN) / GENERATED FROM OPERATING ACTIVITIES

	2017 USD	2016 USD
(Loss)/ Profit before taxation	**(2,380,434)**	1,354,214
Adjusted for:		
- Interest income	**(67,522,864)**	(44,258,962)
- Interest expense	**66,096,475**	42,884,546
	(3,806,823)	(20,202)
Adjusted for:		
-Impairment of Loan	**3,709,819**	-
-Investment written off	**14**	-
	(96,990)	(20,202)
Working capital changes:		
- Change in other payables	**(8,362)**	11,739
Cash generated from/(used in) operations	**(105,352)**	(8,463)
Tax paid	**(72,131)**	-
Tax refunded	**6,270,780**	-
Net cash generated from/(used in) operating activities	**6,093,297**	(8,463)

14 INCOME

	2017 USD	2016 USD
Bank Interest	**251**	51
Other Group Co Interest Income (refer note 18)	**67,522,864**	44,258,911
	67,523,115	44,258,962

15 FINANCE COSTS

	2017 USD	2016 USD
Interest on preference shares (refer note 18)	**(22,396)**	(22,457)
Interest expense to Cairn India Holdings Limited (refer note 18)	**(65,073,004)**	(42,862,089)
Interest expense to Sesa Sterlite Mauritius Holdings Limited (refer note 18)	**(768,075)**	-
Interest expense to Namzinc (refer note 18)	**(233,000)**	-
Bank charges	**(1,935)**	(989)
	(66,098,410)	(42,885,535)

16 INCOME TAX

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% (2016: 15%). It is, however, entitled to a tax credit equivalent to the higher of the foreign taxes paid and 80% (2016: 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 on the losses as the probability of taxable profit arising in future is remote.

(i) Tax expense

	2017 USD	2016 USD
Current tax	**39,874**	40,625
Reversal of tax provision of current year/earlier years	**-**	(8,071,605)
	39,874	(8,030,980)

16 TAXATION (Continued)

(ii) Tax reconciliation

	2017	2016
	USD	USD
(Loss) /Profit before taxation	**(2,380,434)**	1,354,214
Tax at statutory rate of 15%	**(357,065)**	203,133
Less: exempt income	**(38)**	(8)
Add: Disallowed expenses	**556,475**	-
Foreign tax credit	**(159,498)**	(162,500)
Reversal of tax provision of earlier years	**-**	(8,071,605)
Income tax expense / (reversal)	**39,874**	(8,030,980)

(iii) Income tax liability / (asset)

	2017	2016
	USD	USD
At the beginning of the year	**(6,230,155)**	1,800,825
Tax charge for the year	**39,874**	40,625
Tax charge reversed for earlier years		(8,071,605)
Tax paid for the year	**(72,131)**	-
Refund received during the year	**6,270,780**	-
At the end of the year	**8,368**	(6,230,155)

17 FINANCIAL INSTRUMENTS

Fair values

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

	2017	2016
	USD	USD
Financial assets		
Loan and receivables (including cash and cash equivalents)	**8,196,130**	1,725,879,943
Financial liabilities		
Optionally Convertible Redeemable Preference Shares	**896,000,000**	896,000,000
Loans and payables	**1,311,642,810**	1,253,490,740
	2,207,642,810	2,149,490,740

(a) Market Risk

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

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.

THL ZINC LTD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 MARCH 2017

17 **FINANCIALINSTRUMENTS (CONT'D)**

(b) Interest Rate Risk (cont'd)

31 March 2017	**Up to 1 year**	**More than 1 year**	**Total**
	USD	**USD**	**USD**
Financial Assets			
Non-interest bearing	**896,130**	**-**	**896,130**
Fixed interest bearing	**7,300,000**	**-**	**7,300,000**
Total assets	**8,196,130**	**-**	**8,196,130**
Financial Liabilities			
Non-interest bearing	**26,642,810**	**-**	**26,642,810**
Fixed interest bearing	**35,000,000**	**896,000,000**	**931,000,000**
Variable interest bearing	**-**	**1,250,000,000**	**1,250,000,000**
Total liabilities	**61,642,810**	**2,146,000,000**	**2,207,642,810**

31 March 2016	Up to 1 year	More than 1 year	Total
	USD	USD	USD
Financial Assets			
Non-interest bearing	10,736,030	-	**10,736,030**
Fixed interest	-	465,233,913	**465,233,913**
Variable interest bearing	1,249,910,000	-	**1,249,910,000**
Total assets	1,260,646,030	465,233,913	1,725,879,943
Financial Liabilities			
Non-interest bearing	3,490,740	-	3,490,740
Fixed interest		896,000,000	896,000,000
Variable interest bearing	1,250,000,000	-	1,250,000,000
Total liabilities	1,253,490,740	896,000,000	2,149,490,740

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 2017 would increase / decrease by USD 12,500,000 (2016: USD 900) on account of net financial liabilities.

THL ZINC LTD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 MARCH 2017

17 **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 2017	**Financial liabilities 2017**	Financial assets 2016	Financial liabilities 2016
	USD	**USD**	USD	USD
United States Dollar	**8,196,130**	**2,207,642,810**	1,732,150,723	2,149,490,740

For the year ended 31 March 2017 and 31 March 2016, the Company does not have any exposure to foreign currencies. Therefore, sensivity 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 maturity profile of the Company's financial liabilities based on the remaining period from the date of balance sheet to the contractual maturity date is given in the table below:

31 March 2017

	Up to 1 year	**More than 1 year**	**Total**
Financial liabilities	**USD**	**USD**	**USD**
Other payables	**26,642,810**	**-**	**26,642,810**
Optionally Convertible Redeemable Preference Shares	**-**	**896,000,000**	**896,000,000**
Short term Borrowings	**35,000,000**	**1,250,000,000**	**1,285,000,000**
Total	**61,642,810**	**2,146,000,000**	**2,207,642,810**

31 March 2016

	Up to 1 year	Up to 1 year	Up to 1 year
	USD	USD	USD
Financial liabilities			
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
Total	1,253,490,740	896,000,000	2,149,490,740

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

17 FINANCIAL INSTRUMENTS (CONT'D)

(e) Capital risk management

For the purpose of the Group'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 Group's capital management is to maximise the shareholder value.

The Group 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 Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital.The Group includes within net debt, loans and borrowings, less cash and cash equivalents, 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:

	2017	2016
	USD	USD
Debt (i)	**2,181,000,000**	2,146,000,000
Cash and cash equivalents	**(92,175)**	(10,847)
Net debt	**2,180,907,825**	2,145,989,153
Equity (ii)	**(1,681,561,445)**	100,512,975
Net debt to equity ratio (times)	**N/A**	21.35

(i) Debt includes Optionally Convertible Redeemable Preference Shares of USD 896,000,000 (2016: USD 896,000,000), loan from Cairn India Holding Limited amounting to USD 1,250,000,000 (2016: USD 1,250,000,000), and loan from Namzinc (Pty) Ltd amounting to USD 35,000,000 (2016:USD Nil).

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

18 RELATED PARTY TRANSACTIONS AND BALANCES

During the year ended 31 March 2017, 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**	**2017**	2016
			USD	USD
THL Zinc Ventures Ltd	Holding company	Interest on Optionally Convertible Redeemable Preference Shares	**17,496**	17,544
THL Zinc Holding B.V	Related party	Interest on Optionally Convertible Redeemable Preference Shares	**4,900**	4,913

THL ZINC LTD
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FOR THE YEAR ENDED 31 MARCH 2017

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

Name of Company	Relationship	Nature of transaction	2017 USD	2016 USD
Twin Star Mauritius Holdings Ltd.	Group company	Interest income	**67,363,780**	44,185,484
		Interest received	**42,624,000**	-
		Loan advanced	**138,770,000**	-
Bloom Fountain Limited	Group company	Interest Income	**86,099**	73,478
		Loan advanced	**395,000**	-
Copper Mines of Tasmania Pty	Group company	Interest Income	**72,985**	-
		Loan advanced	**7,300,000**	-
Cairn India Holdings	Related party	Interest expense	**65,073,004**	42,862,089
		Interest paid	**(42,167,968)**	
Sesa Sterlite Mauritius	Group company	Interest Expense	**768,075**	-
		Interest paid	**(3,000)**	
		Loan received	**105,000,000**	-
Namzinc (Pty) Ltd	Group company	Interest Expense	**233,000**	-
		Loan received	**35,000,000**	-
Vedanta Resources Plc	Intermediate holding company	Expenses borne on behalf	**-**	11,816
Outstanding balances				
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	**110,727**	93,231
Amount due to THL Zinc Holding B.V.	Related party	Interest payable	**29,914**	25,014
Amount due to Cairn India Holdings Limited	Related party	Loan payable	**1,250,000,000**	1,250,000,000
		Interest payable	**25,881,618**	2,976,582
Bloom Fountain Limited	Group company	Loan receivable	**-**	3,141,419
		Interest receivable (refer note 6(vii))	**-**	87,301
Sesa Sterlite Mauritius Holdings Limited	Group company	Other Receivable (refer note 6(ix))	**14,638**	-

THL ZINC LTD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 MARCH 2017

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

Name of Company	**Relationship**	**Nature of transaction**	**2017**	2016
			USD	USD
Twin Star Mauritius Holdings Ltd.	Group company	Loan receivable	**-**	1,712,002,494
		Interest receivable	**716,331**	10,637,882
Copper Mines of Tasmania Pty	Group company	Loan Receivable	**7,300,000**	-
		Interest receivable	**72,986**	-
Namzinc (Pty) Ltd	Group company	Loan payable	**35,000,000**	-
		Interest payable	**233,000**	-
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

*During the current year the merger of Cairn India into the Company's parent company, Vedanta Limited ("Vedanta"), was substantially completed and was implemented in the month of April 2017.Consequentially, subsequent to reporting date ,Vedanta Resources plc has withdrawn its guarantee on the loans.

Other related party transactions

CIM CORPORATE SERVICES LTD & CIM TAX ADVISORY SERVICES performs certain administration and tax related services for the Company. A sum amounting to USD 83,806 (2016: USD 11,365) which includes professional fees for the provision of directorship services of USD 2,000 (2016: USD 2,000) was expensed during the year in respect of the aforesaid services. No compensation to key management personnel was paid during the year (2016 : Nil)

Compensation to key management personnel

No compensation to key management personnel was paid during the year ended 31 March 2017 (2016: Nil).

19 **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 are Vedanta Limited , a company incorporated in India, Vedanta Resources Plc, a company incorporated in the United Kingdom. The Ultimate holding company is Volcan Investments Limited, a company incorporated in the Bahamas.

20 **GOING CONCERN**

The Company incurred a net loss of USD 2,420,308 (2016: profit of USD 9,385,194) for the year ended 31 March 2017 and as at that date, its total liabilities exceeded its total assets by USD 1,681,561,445 (2016: shareholder's equity of USD 100,512,975).

The directors have received a letter of support from Vedanta Limited, the intermediate holding company, who will provide financial support to the Company to enable the latter to meet its obligations as and when they fall due and to carry on its current business for the next 12 months.

These conditions give rise to a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern and, therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that the Company will continue to receive the support of its ultimate holding company and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

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 2017.