

**TWIN STAR MAURITIUS HOLDINGS LTD.**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

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**TWIN STAR MAURITIUS HOLDINGS LTD.**  
**CORPORATE DATA**

		Date of appointment	Date of resignation
<b>DIRECTORS:</b>	Gyaneshwarnath Gowrea	01-Nov-10	-
	Din Dayal Jalan	01-Nov-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>BANKER:</b>	Standard Chartered Bank (Mauritius) Limited Units 6A and 6B 6th Floor, Standard Chartered Tower 19-21 Bank Street, Cybercity Ebène Mauritius		
<b>AUDITOR:</b>	Deloitte 7th Floor, Standard Chartered Tower 19-21 Bank Street, Cybercity Ebène Mauritius		

**TWIN STAR MAURITIUS HOLDINGS LTD.**  
**COMMENTARY OF THE DIRECTORS**

The directors present their commentary, together with the audited financial statements of TWIN STAR MAURITIUS HOLDINGS 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 loss for the year ended 31 March 2016 is **USD 1,662,341,989** (2015: USD 1,471,633,227).

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 in 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.

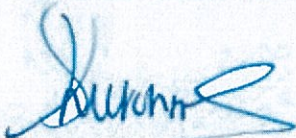
They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**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.

**CERTIFICATE FROM THE SECRETARY  
(UNDER SECTION 166(D) OF THE MAURITIUS COMPANIES ACT)**

We certify to the best of our knowledge and belief that TWIN STAR MAURITIUS HOLDINGS 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 April 2016

**CIM CORPORATE SERVICES LTD**

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**Tel:** +230 212 9800 **Fax:** +230 212 9833 **Email:** [info@cimglobalbusiness.com](mailto:info@cimglobalbusiness.com)

**BRN** C09004928

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## Independent auditor's report to the shareholder of Twin Star Mauritius Holdings 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 **Twin Star Mauritius Holdings Ltd. (the "company")** on pages 5 to 24 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 judgement, 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.

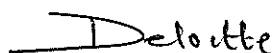
#### *Opinion*

In our opinion, the financial statements on pages 5 to 24 give a true and fair view of the financial position of **Twin Star Mauritius Holdings 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:

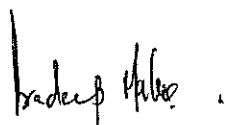
- we have no relationship with, or interests in, the company other than in our capacity as auditor;
- we have obtained all information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by the company as far as it appears from our examination of those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



**Deloitte**

**Chartered Accountants**

27 APR 2016



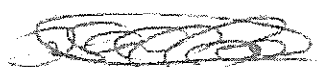
**Pradeep Malik, FCA**

**Licensed by FRC**

**TWIN STAR MAURITIUS HOLDINGS 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 asset</b>			
Investment in associate	5	<u>2,782,686,601</u>	<u>4,503,989,367</u>
<b>Total non-current asset</b>		<u>2,782,686,601</u>	<u>4,503,989,367</u>
<b>Current assets</b>			
Interest accrued on deposits		-	13,974
Cash and cash equivalents	6	<u>837,038</u>	<u>8,601,301</u>
<b>Total current assets</b>		<u>837,038</u>	<u>8,615,275</u>
<b>TOTAL ASSETS</b>		<u>2,783,523,639</u>	<u>4,512,604,642</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Stated capital	7	6,000,001	6,000,001
Accumulated losses		<u>(3,842,829,628)</u>	<u>(2,180,487,639)</u>
<b>Shareholder's deficit</b>		<u>(3,836,829,627)</u>	<u>(2,174,487,638)</u>
<b>Non-current liabilities</b>			
Borrowings	8	<u>3,372,335,025</u>	<u>5,194,292,584</u>
<b>Total non-current liabilities</b>		<u>3,372,335,025</u>	<u>5,194,292,584</u>
<b>Current liabilities</b>			
Borrowings	8	3,160,821,530	1,456,827,657
Other payables and accruals	9	<u>87,196,703</u>	<u>35,972,039</u>
<b>Total current liabilities</b>		<u>3,248,018,241</u>	<u>1,492,799,696</u>
<b>Total liabilities</b>		<u>6,620,353,266</u>	<u>6,687,092,280</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>2,783,523,639</u>	<u>4,512,604,642</u>

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

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*q. n. d. d. d. d.* )  
 ) **DIRECTORS**  
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The notes on pages 9 to 24 form an integral part of these financial statements  
 Independent Auditor's report on page 4

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**TWIN STAR MAURITIUS HOLDINGS LTD.**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 MARCH 2016**

	<u>Notes</u>	<u>2016</u> <u>USD</u>	<u>2015</u> <u>USD</u>
INTEREST INCOME ON BANK DEPOSITS		79,479	133,079
DIVIDEND INCOME		40,639,227	140,805,428
ADMINISTRATIVE EXPENSES		(44,819)	(64,615)
SPECIAL ITEMS	5 & 11	(1,406,302,766)	(1,286,625,541)
FINANCE COSTS	12	<u>(296,713,110)</u>	<u>(325,881,578)</u>
LOSS BEFORE TAXATION		(1,662,341,989)	(1,471,633,227)
TAXATION	13	<u>-</u>	<u>-</u>
LOSS FOR THE YEAR		(1,662,341,989)	(1,471,633,227)
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<b><u>(1,662,341,989)</u></b>	<b><u>(1,471,633,227)</u></b>

The notes on pages 9 to 24 form an integral part of these financial statements  
Independent Auditor's report on page 4



**TWIN STAR MAURITIUS HOLDINGS LTD.**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 MARCH 2016**

	<u>Stated capital</u> USD	<u>Accumulated losses</u> USD	<u>Shareholder's deficit</u> USD
At 31 March 2014	6,000,001	(708,854,412)	(702,854,411)
Loss for the year and total comprehensive loss	<u>-</u>	<u>(1,471,633,227)</u>	<u>(1,471,633,227)</u>
At 31 March 2015	<u>6,000,001</u>	<u>(2,180,487,639)</u>	<u>(2,174,487,638)</u>
At 1 April 2015	6,000,001	(2,180,487,639)	(2,174,487,638)
Loss for the year and total comprehensive loss	<u>-</u>	<u>(1,662,341,989)</u>	<u>(1,662,341,989)</u>
At 31 March 2016	<u>6,000,001</u>	<u>(3,842,829,628)</u>	<u>(3,836,829,627)</u>

The notes on pages 9 to 24 form an integral part of these financial statements  
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**TWIN STAR MAURITIUS HOLDINGS LTD.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

	<u>Notes</u>	<u>2016</u> <u>USD</u>	<u>2015</u> <u>USD</u>
<b>Operating activities</b>			
Net cash generated from operating activities	10	<u>40,713,133</u>	<u>140,929,263</u>
<b>Investing activities</b>			
Disposal of investment in associate		<u>315,000,000</u>	<u>-</u>
<b>Net cash generated from investing activities</b>		<u>315,000,000</u>	<u>-</u>
<b>Financing activities</b>			
Proceeds from borrowings		993,903,000	1,897,234,000
Repayment of borrowings		(1,115,769,619)	(1,324,088,693)
Borrowings fee		(299,900)	(14,455,626)
Interest paid		<u>(241,310,877)</u>	<u>(699,201,791)</u>
<b>Net cash used in financing activities</b>		<u>(363,477,396)</u>	<u>(140,512,110)</u>
<b>Net decrease/(increase) in cash and cash equivalents</b>		(7,764,263)	417,153
<b>Cash and cash equivalents at beginning of year</b>		<u>8,601,301</u>	<u>8,184,148</u>
<b>Cash and cash equivalents at end of year</b>	6	<u>837,038</u>	<u>8,601,301</u>

The notes on pages 9 to 24 form an integral part of these financial statements  
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**TWIN STAR MAURITIUS HOLDINGS LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**1. REPORTING ENTITY AND BUSINESS ACTIVITY**

TWIN STAR MAURITIUS HOLDINGS LTD. (the "Company") was incorporated in Mauritius as Great Heights Limited, under the Mauritius Companies Act 2001, on 21 September 2010 as a private company. The Company was set up as a Category 2 Global Business Licence company and pursuant to a shareholder's resolution of 1 November 2010, the Company changed its legal regime to a Category 1 Global Business Licence company. On 1 November 2010, Great Heights Limited changed its name to TWIN STAR MAURITIUS HOLDINGS LTD. pursuant to a special resolution. The Company's registered office address is c/o CIM CORPORATE SERVICES LTD, Les Cascades Buildings, Edith Cavell Street, Port Louis, Mauritius. The Company's principal activity is investment holding.

**2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

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.

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

The following relevant new and revised Standards have been applied in these financial statements. Their application has not had any material impact on the amounts reported in these financial statements but may impact 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)

**2.2 Relevant new and revised Standards in issue but not yet effective**

At the date of authorisation of these financial statements, the following relevant Standards were in issue but effective for 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 28	Investments in Associates and Joint Ventures – Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture (effective date deferred indefinitely)
IAS 28	Investments in Associates and Joint Ventures – Amendments regarding the application of the consolidation exception (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)

**TWIN STAR MAURITIUS HOLDINGS LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONT'D)**

**2.2 New and revised Standards in issue but not yet effective**

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.

**3. 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**

These separate 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 for 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.

**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 all of its transactions are in USD.

**TWIN STAR MAURITIUS HOLDINGS LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**3. BASIS OF PREPARATION (CONT'D)**

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

Impairment of investments

Determining whether investments in unquoted companies are impaired requires an estimation of the recoverable value (higher of fair value and value in use) of these investments. The recoverable value 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.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**(a) Foreign currency transaction**

Transactions in foreign currencies are translated to the respective functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign currency differences arising on retranslation are recognised in the statement of profit or loss and other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

**(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 date and adjusted to reflect the current best estimate.

**(d) Investment in associate**

Investment in associate is stated at cost. Any impairment in the value of the investment is recognised by recognising a provision for impairment against the carrying amount of the investment 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 the statement of profit or loss and other comprehensive income.

The Company has taken advantage of paragraph 17 of the International Accounting Standard 28 - Investments in Associates which dispenses it from the need for applying the equity method for its investment in the associate company as it is wholly owned by Vedanta Resources Plc. Vedanta Resources Plc prepares consolidated group accounts which comply with International Financial Reporting Standards and these are available for public use from the company's secretary, Vedanta Resources Plc, 5th Floor, 6 St Andrew Street, London, EC4A 3AE and at [www.vedantaresources.com](http://www.vedantaresources.com).

**TWIN STAR MAURITIUS HOLDINGS 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

(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 using the effective interest method, less any impairment.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument 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 and points 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 debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

*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 financial asset 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.

*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.

**TWIN STAR MAURITIUS HOLDINGS 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 (cont'd)*

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.

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 are classified as 'other financial liabilities'.*

*Other financial liabilities*

Other financial liabilities are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method.

*Financial liabilities*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points 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 liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

*Derecognition of financial liabilities*

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

**TWIN STAR MAURITIUS HOLDINGS LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED 31 MARCH 2016**

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

(f) 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.

(g) 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.

(h) 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.

(i) Special items

Special items are those items that management considers, by virtue of their size or incidence, should be disclosed separately to ensure that the financial information allows an understanding of the underlying performance of the business. The determination as to which items should be disclosed separately requires a degree of judgement.



**TWIN STAR MAURITIUS HOLDINGS LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED 31 MARCH 2016**

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

(j) Borrowing costs

Interest bearing loans and borrowings are recorded at the proceeds received. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis and charged to the statement of profit or loss and other comprehensive income using the effective interest method. They are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

(k) 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.

**5. INVESTMENT IN ASSOCIATE**

	<u>2016</u> USD	<u>2015</u> USD
At 1 April	4,503,989,367	5,790,614,908
Disposal of investment	(569,267,107)	-
Provision for impairment	<u>(1,152,035,659)</u>	<u>(1,286,625,541)</u>
At 31 March	<u>2,782,686,601</u>	<u>4,503,989,367</u>

The Company measures its investment at cost less impairment. During the year, the Company has provided for impairment on its investment held in Cairn India Ltd.

The recoverable amount was determined based on the fair value less costs of disposal approach, a level-3 valuation technique in the fair value hierarchy, as it more accurately reflects the recoverable amount based on our view of the assumptions that would be used by a market participant. This is based on the cash flows expected to be generated by the projected oil or natural gas production profiles up to the expected dates of cessation of Production Sharing Contract (PSC)/cessation of production from each producing field based on current estimates of reserves and risked resources. It has been assumed that the PSC for Rajasthan block would be extended till 2030 on the same commercial terms. Reserves assumptions for fair value less costs of disposal discounted cash flow tests consider all reserves that a market participant would consider when valuing the asset, which are usually broader in scope than the reserves used in a value-in-use test. Discounted cash flow analysis used to calculate fair value less costs of disposal uses assumption for short term (four years) oil price and the long term nominal price of USD 70 per barrel derived from a consensus of various analyst recommendations. Thereafter, these have been inflated at a rate of 2.5%. The cash flows are discounted using the post-tax nominal discount rate of 11% derived from the Group's post-tax weighted average cost of capital.

The Company's share of the recoverable value as compared to the carrying amount of the investment resulted in the provision for impairment of USD 1,152,035,659 (2015: USD 1,286,625,541).

During the year, the Company has disposed 4.98% of its stake in Cairn India i.e.93,387,527 equity shares to Vedanta Ltd at a price in line with Indian regulatory and statutory requirements. The company got USD 315,000,000 for this stake sale from Vedanta Ltd and the company booked loss on sale of this investment at USD 254,267,107 Following same, the shareholding pattern has changed from 39.41% to 34.43%.

<u>Name of the company</u>	<u>Country of Incorporation</u>	<u>% Holding</u>		<u>Number of ordinary shares</u>	
		<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Cairn India Ltd	India	<u>34.43</u>	<u>39.41</u>	<u>645,486,059</u>	<u>738,873,586</u>

**TWIN STAR MAURITIUS HOLDINGS LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**6. CASH AND CASH EQUIVALENTS**

	<u>2016</u> USD	<u>2015</u> USD
Fixed deposits	-	4,548,109
Cash at bank	<u>837,038</u>	<u>4,053,192</u>
	<u><u>837,038</u></u>	<u><u>8,601,301</u></u>

A floating charge has been created on some of the cash accounts pursuant to the loan facility dated 15 May 2013 entered by Company with consortium of banks where Standard Chartered Bank (SCB) is the facility agent. As at 31 March 2016, the amount pledged was USD 21,583 (2015 : USD 5,326,917).

**7. STATED CAPITAL**

	<u>2016</u> USD	<u>2015</u> USD
<u>Issued and Fully Paid</u>		
At 1 April and 31 March	<u><u>6,000,001</u></u>	<u><u>6,000,001</u></u>

The shares in the capital of the Company comprise of 6,000,001 ordinary shares of par value USD 1 each, issued to Twin Star Energy Holdings Ltd. The ordinary shares carry voting rights and right to dividend.

**8. BORROWINGS**

<u>Non-current</u>		<u>2016</u> USD	<u>2015</u> USD
Loan from Vedanta Resources Jersey II Limited	(Note i)	1,866,867,337	2,589,835,535
Loan from Standard Chartered Bank	(Note ii)	596,025,570	892,236,268
Loan from Standard Chartered Bank	(Note iii)	442,349,625	462,310,781
Loan from Montecello B.V	(Note vi)	5,000,000	-
Loan from THL Zinc Ltd	(Note iv)	<u>462,092,493</u>	<u>1,249,910,000</u>
		<u><u>3,372,335,025</u></u>	<u><u>5,194,292,584</u></u>
<u>Current</u>			
Loan from Standard Chartered Bank	(Note ii)	297,482,637	299,790,670
Loan from Standard Chartered Bank	(Note iii)	22,173,498	24,790,670
Loan from THL Zinc Ltd	(Note v)	-	462,092,493
Loan from THL Zinc Ltd	(Note iv)	1,249,910,000	-
Loan from Montecello B.V	(Note vi)	278,426,660	287,325,081
Loan from THL Zinc Holding B.V	(Note vii)	412,828,743	382,828,743
Loan from Fujairah Gold FZC	(Note viii)	<u>900,000,000</u>	-
		<u><u>3,160,821,538</u></u>	<u><u>1,456,827,657</u></u>

- (i) During the year the Company had repaid loans of USD 781,871,198 to Vedanta Resources Jersey II Ltd. Out of this USD 578,544,198 pertains to Agreement dated 7 July 2011 bearing interest rate of 7.95% per annum and USD 203,327,000 pertains to Agreement dated 18 November 2011 bearing interest rate of Libor plus 362 bps per annum.

On 13 August 2014, the Company entered into a loan facility agreement of USD 100,000,000 with Vedanta Resources Jersey II Ltd. at an interest rate of LIBOR plus 301 bps per annum having repayment date as 12 August 2016. During the year, the repayment date was amended to 12 August 2018. The Company borrowed USD 58,903,000 under this facility in the current year. The outstanding balance under this facility as at 31 March 2016 is USD 70,836,000 (2015 : USD 11,933,000).

**TWIN STAR MAURITIUS HOLDINGS LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**8. BORROWINGS (CONT'D)**

- (ii) On 15 May 2013, the Company entered into a loan facility of USD 1,200,000,000 from consortium of banks wherein Standard Chartered Bank ('SCB') is the Facility Agent to partly refinance the loan taken for acquisition of stake in Cairn India. The loan bears interest at the rate of USD LIBOR plus 275 basis points. The loan is repayable in four equal annual installments starting June 2015. The outstanding balance under this facility at 31 March 2016 is USD 900,000,000 (2015: USD 1,200,000,000). The unamortised expenses under this facility as at 31 March 2016 is USD 6,491,793 (2015: USD 7,973,062). The facility is guaranteed by Vedanta Resources Plc. During the current year ended 31 March 2016, the Group has agreed with SCB for a moratorium period for testing of certain financial covenants and relaxed level for others. Certain of these financial covenants will be reset to their original levels beginning March 2019.
- (iii) In August 2014, the group tied up a USD 500,000,000 facility with Standard Chartered Bank and First Gulf Bank PJSC of which USD 250,000,000 is under a commodity murabaha structure (Islamic financing) and balance USD 250,000,000 is under a conventional loan structure. USD 287,500,000 bears an interest rate of LIBOR plus 275 basis points with an average maturity of about 5 years from the date of first drawdown. USD 212,500,000 million bears an interest rate of LIBOR plus 340 basis points with an average maturity of about 6 years from the date of first drawdown. The outstanding balance under this facility as at 31 March 2016 is USD 475,000,000 (2015: USD 500,000,000). The unammortised expenses under this facility as at 31 March 2016 is USD 10,476,877 (2015: USD 12,898,549). The facility is guaranteed by Vedanta Resources Plc. During the current year ended 31 March 2016, the Group has agreed with the lenders for a moratorium period for testing of certain financial covenants and relaxed level for others. Certain of these financial covenants will be reset to their original levels beginning March 2019.
- (iv) Pursuant to a board meeting of 19 May 2014, the Company had entered into a loan facility agreement with THL Zinc Ltd of USD 1,249,910,000 repayable in May 2016 at an interest rate of LIBOR plus 3.01% per annum. The loan is unsecured in nature.
- (v) On 23 May 2014, the Company entered into a loan facility agreement of USD 80,000,000 with THL Zinc Ltd having repayment date as 23 May 2015. The interest rate on this loan is 0.26%. During the year the maturity date has been extended to 22 May 2017. The outstanding balance under this facility as at 31 March 2016 is USD 57,885,000 (2015: USD 57,885,000).
- On 6 December 2013 the Company entered into a loan facility agreement of USD 65,000,000 with THL Zinc Ltd having repayment date on 6 December 2014. During the year the facility has been further extended to 5 December 2017. The interest rate on this loan is 0.26%. The outstanding balance under this facility at 31 March 2016 is USD 65,000,000 (2015: USD 65,000,000)
- In September 2013, a Memorandum of Understanding (MOU) has been signed between the Company, Vedanta Resources Jersey II Limited and THL Zinc Ltd and assignment agreement wherein the loan for USD 339,207,493 provided to the Company per this facility have been assigned to THL Zinc Ltd and hence the new lender in the Company. The interest rate on this loan is 0.26%. During the year the facility has been further extended to September 2017.
- On 1 April 2015, the interest rate on all the above 3 loans with THL Zinc Ltd was changed to 0.26% per annum.
- (vi) On 6 December 2013 the Company entered into a loan facility agreement of USD 25,000,000 with Montecello B.V. at an interest rate of 2.51% per annum having repayment date as 6 December 2014. This facility was further extended by one year up to 5 December 2015. The outstanding balance of USD 740,000 as at 31 March 2015 was repaid during the year.
- In December 2015 the Company entered into a loan facility agreement of USD 50,000,000 with Montecello B.V. at an interest rate of 2.50% per annum for 2 years maturing in December 2017. The outstanding balance under this facility as at 31 March 2016 is USD 5,000,000.
- In September 2013, a Memorandum of Understanding (MOU) has been signed between the Company, Vedanta Resources Jersey II Limited and Montecello BV and assignment agreement wherein the loan for USD 286,585,080, provided to the Company per this facility have been assigned to Montecello B.V. and hence the new lender in the Company. On 2 September 2014, the interest rate for this facility has been amended to 2.10% from 1.19% per annum. During the year the facility has been further extended to September 2016. The amount outstanding under this agreement as at 31 March 2016 is USD 278,426,660 (2015: USD 286,585,081)
- Subsequent to the reporting date, all the above loans have been made long term and extended up to 2017.
- (vii) On 6 December 2013 the Company entered into a loan facility agreement of USD 30,000,000 with THL Zinc Holding B.V at an interest rate of 2.51% per annum having repayment date on 6 December 2014. This facility was further extended by one year up to 5 December 2015. The outstanding balance under this facility at 31 March 2016 is USD 30,000,000 (2015: USD 30,000,000)

**TWIN STAR MAURITIUS HOLDINGS LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**8. BORROWINGS (CONT'D)**

On 23 May 2014, the Company entered into a loan facility agreement of USD 80,000,000 with THL Zinc B.V. at an interest rate of 1.50% per annum having repayment date on 23 May 2015. The outstanding balance under this facility as at 31 March 2016 is USD 62,350,000 (2015: USD 62,350,000).

On 24 September 2015, the Company entered into a loan facility agreement of USD 30,000,000 with THL Zinc B.V. at an interest rate of 2.125% per annum having repayment date on 23 September 2015. The outstanding balance under this facility as at 31 March 2016 is USD 30,000,000.

In September 2013, a Memorandum of Understanding (MOU) has been signed between the Company, Vedanta Resources Jersey II Limited and Montecello B.V. and assignment agreement wherein the loan for USD 290,478,743 provided to the Company per this facility has been assigned to THL Zinc Holding B.V. and hence the new lender in the Company. On 2 September 2014, the interest rate for this facility has been amended to 2.10% from 1.19% per annum. During the year the facility has been further extended to September 2016.

Subsequent to the balance sheet date, all the above loans have been made long term and extended upto 2017.

(viii) In December 2015 the Company entered into a loan facility agreement of USD 1,000,000,000 with Fujairah Gold FZC at an interest rate of 4% per annum for one year maturing in December 2016. The outstanding balance under this facility as at 31 March 2016 is USD 900,000,000.

**9. OTHER PAYABLES AND ACCRUALS**

	<u>2016</u> USD	<u>2015</u> USD
Interest accrued on loan from Standard Chartered Bank	412,597	1,277,288
Interest accrued on loan from Montecello B.V.	69,693	1,008,034
Interest accrued on loan from Vedanta Resources Jersey II Ltd	49,950,591	16,040,231
Interest accrued on loan from THL Zinc Ltd	10,637,880	10,325,448
Interest accrued on loan from THL Zinc Holding B.V.	14,153,414	7,257,239
Interest accrued on loan from Fujairah Gold FZC	9,722,222	-
Other payables	2,250,306	63,799
	<u>87,196,703</u>	<u>35,972,039</u>

**10. NET CASH GENERATED FROM OPERATING ACTIVITIES**

In April 2016, the Company issued 0% Redeemable Preference Shares of

	<u>2016</u> USD	<u>2015</u> USD
Loss before taxation	(1,662,341,989)	(1,471,633,227)
<i>Adjustments for:</i>		
Loss on disposal of investment	254,267,107	-
Provision for impairment of investment in associate	1,152,035,659	1,286,625,541
Interest on borrowings	296,713,110	325,881,578
<i>Changes in working capital:</i>		
Decrease in interest accrued on deposits	13,974	6,597
Increase/(decrease) in other payables	25,272	48,774
Cash generated from operations	<u>40,713,133</u>	<u>140,929,263</u>

**11. SPECIAL ITEMS**

	<u>2016</u> USD	<u>2015</u> USD
Loss on disposal of investment	254,267,107	-
Impairment provision on investment in associate (Refer Note 5)	1,152,035,659	1,286,625,541
	<u>1,406,302,766</u>	<u>1,286,625,541</u>

**12. FINANCE COSTS**

	<u>2016</u> USD	<u>2015</u> USD
Bank borrowings	51,846,879	48,813,398
Group borrowings	244,866,231	277,068,180
	<u>296,713,110</u>	<u>325,881,578</u>

**TWIN STAR MAURITIUS HOLDINGS LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**13. 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 a 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 in Mauritius.

At the reporting date, the Company had tax losses amounting to USD 986,367,937 (2015: USD 766,039,360) which can be carried forward for a maximum period of up to five years as from the period in which they arose. The loss of USD 16,490,697 for the financial year 31 March 2011 carried forward up to 31 March 2016 has lapsed. The tax losses as at 31 March 2016 are available for utilisation up to year of assessment 2021.

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

Loss relating to financial year	carry forward up to financial year ending	USD
31 March 2012	2017	195,569,915
31 March 2013	2018	269,086,609
31 March 2014	2019	161,021,475
31 March 2015	2020	123,870,664
31 March 2016	2021	236,819,274
		<b>986,367,937</b>

Tax reconciliation

The reconciliation of the applicable income tax rate of 15% (2015: 15%) and the effective tax rate of 0% (2015: 0%) is as follows:

	2016	2015
	%	%
Applicable income tax rate	15.00	15.00
Less: 80% Foreign tax credit	(12.00)	(12.00)
	3.00	3.00
Less: Deferred tax asset not recognised	(3.00)	(3.00)
Effective income tax rate	-	-

**14. RELATED PARTY TRANSACTIONS**

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

<u>Name of Company</u>	<u>Relationship</u>	<u>Nature of transaction</u>	<u>2016</u>	<u>2015</u>
			USD	USD
<b>Transactions</b>				
Vedanta Resources Plc	Group company	Payment of expenses	24,320	42,700
Vedanta Resources Jersey II	Group company	Interest expense	176,639,164	226,368,114
		Loan taken	58,903,000	11,933,000
		Loan Repayment	781,871,198	1,315,888,694
Montecello B.V.	Group company	Interest expense	5,933,238	5,069,036
		Loan taken	5,000,000	-
		Loan Repayment	8,898,421	8,200,000
Cairn India Limited	Associate company	Dividend received	40,639,227	140,805,428

**TWIN STAR MAURITIUS HOLDINGS LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**14. RELATED PARTY TRANSACTIONS (CONT'D)**

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

<u>Name of Company</u>	<u>Relationship</u>	<u>Nature of transaction</u>	<u>2016</u> <u>USD</u>	<u>2015</u> <u>USD</u>
<b>Transactions (cont'd)</b>				
THL Zinc Ltd	Group company	Interest expense	<b>44,258,962</b>	39,571,214
		Loan taken	-	1,319,771,000
THL Zinc Holding B.V.	Group company	Interest expense	<b>8,386,175</b>	6,059,816
		Loan taken	<b>30,000,000</b>	65,530,000
Fujairah Gold FZC	Group company	Interest expense	<b>9,722,222</b>	-
		Loan taken*	<b>900,000,000</b>	-
Vedanta Resources Plc	Intermediate holding company	Guarantee taken*	<b>900,000,000</b>	500,000,000
<b>Outstanding balances</b>				
Vedanta Resources Plc	Intermediate holding company	Other payables	<b>67,020</b>	42,700
Vedanta Resources Jersey II Ltd	Group company	- Loan balance	<b>1,866,867,337</b>	2,589,835,535
		- Loan interest accrued	<b>49,950,591</b>	16,040,231
Montecello B.V.	Group company	- Loan balance	<b>283,426,660</b>	287,325,081
		- Loan interest accrued	<b>69,693</b>	1,008,034
THL Zinc Ltd	Group company	- Loan balance	<b>1,712,002,493</b>	1,712,002,493
		- Loan interest accrued	<b>10,637,880</b>	10,325,448
THL Zinc Holding B.V.	Group company	- Loan balance	<b>412,828,743</b>	382,828,743
		- Loan interest accrued	<b>14,153,414</b>	7,257,239
Fujairah Gold FZC	Group company	- Loan balance	<b>900,000,000</b>	-
		- Loan interest accrued	<b>9,722,222</b>	-
Vedanta Resources Plc	Intermediate holding company	Guarantees taken <sup>#</sup>	<b>2,275,000,000</b>	1,700,000,000

\* The Guarantee from Vedanta Resources Plc is for the loan taken from Fujairah Gold FZC mentioned above

<sup>#</sup> The Guarantee from Vedanta Resources Plc includes guarantee for the loan taken from Standard Chartered Bank of USD 1,375,000,000 and loan taken from Fujairah Gold FZC of USD 900,000,000.

**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) which includes director fees of USD 2,000 (2015: USD 2,000) 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 (2015: Nil).

**15. IMMEDIATE, INTERMEDIATE AND ULTIMATE HOLDING COMPANY**

The Company's immediate holding company is TWIN STAR ENERGY HOLDINGS LTD., a company incorporated in Mauritius. The intermediate holding company is Vedanta Limited (formerly known as Sesa Sterlite Limited), a company incorporated in India. The ultimate holding company is Volcan Investments Limited, a company incorporated in Bahamas.

**TWIN STAR MAURITIUS HOLDINGS LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**16. FINANCIAL INSTRUMENTS**

Fair values

The carrying amounts of cash and cash equivalents, borrowings and other payables and accruals approximate their fair values.

	<u>2016</u> USD	<u>2015</u> USD
<b>Financial assets</b>		
Cash and cash equivalents	837,038	8,601,301
Interest accrued on deposits	-	13,974
	<u>837,038</u>	<u>8,615,275</u>
<b>Financial liabilities</b>		
Borrowings	6,533,156,563	6,651,120,241
Other payables and accruals	87,196,703	35,972,039
	<u>6,620,353,266</u>	<u>6,687,092,280</u>

**17. 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.

(a) Market Risk

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

Interest rate risk is the risk that the fair value or future cash flows 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.

**TWIN STAR MAURITIUS HOLDINGS LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**17. FINANCIAL RISK MANAGEMENT (CONT'D)**

(b) Interest Rate Risk (Cont'd)

The following table details the Company's exposure to interest rate risk.

	<u>Up to 1 year</u> USD	<u>More than 1</u> <u>year</u> USD	<u>Total</u> USD
<b><u>31 March 2016</u></b>			
<b>Financial assets</b>			
Non-interest bearing	837,038	-	837,038
	<u>837,038</u>	<u>-</u>	<u>837,038</u>
<b>Financial liabilities</b>			
Non-interest bearing	87,196,703	-	87,196,703
Fixed interest instrument	1,591,255,403	2,263,123,830	3,854,379,233
Variable interest instrument	1,569,566,135	1,109,211,195	2,678,777,330
	<u>3,248,018,241</u>	<u>3,372,335,025</u>	<u>6,620,353,266</u>
<b><u>31 March 2015</u></b>			
<b>Financial assets</b>			
Non-interest bearing	4,067,166	-	4,067,166
Fixed interest instrument	4,548,109	-	4,548,109
	<u>8,615,275</u>	<u>-</u>	<u>8,615,275</u>
<b>Financial liabilities</b>			
Non-interest bearing	35,972,039	-	35,972,039
Fixed interest instrument	1,132,246,317	2,374,575,535	3,506,821,852
Variable interest instrument	324,581,340	2,819,717,049	3,144,298,389
	<u>1,492,799,696</u>	<u>5,194,292,584</u>	<u>6,687,092,280</u>

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 liability/loss for the year ended 31 March 2016 would increase/decrease by USD 26,787,773 (2015: USD 31,442,984). This is mainly attributable to the Company exposure to movement in interest rates.



**TWIN STAR MAURITIUS HOLDINGS LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**17. FINANCIAL RISK MANAGEMENT (CONT'D)**

(c) Currency Risk Management

*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	837,038	6,620,353,266	8,615,275	6,687,092,280
	<u>837,038</u>	<u>6,620,353,266</u>	<u>8,615,275</u>	<u>6,687,092,280</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) Credit risk

The Company has no significant concentration of credit risk and has established policies to minimise such risk.

(e) 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.

The liabilities maturing would be met from internal accruals and support from the parent company, Vedanta Limited (formerly known as Sesa Sterlite Limited). The parent company has strong statement of financial position that gives sufficient headroom to raise further debt should the need arise. The parent company's current long term ratings from CRISIL and India Ratings and Research is AA-. These ratings support the necessary financial leverage and access to debt or equity markets at competitive terms. The Group generally maintains a healthy net gearing ratio and retains flexibility in the financing structure to alter the ratio when the need arises.

**31 March 2016**

	1 to 3 months USD	3 months to 1 year USD	More than 1 year USD	Total USD
<b>Financial liabilities</b>				
Other payables and accruals	87,196,703	-	-	87,196,703
Borrowings	1,667,627,637	1,493,193,901	3,372,335,025	6,533,156,563
Total	<u>1,754,824,340</u>	<u>1,493,193,901</u>	<u>3,372,335,025</u>	<u>6,620,353,266</u>

**31 March 2015**

<b>Financial liabilities</b>				
Other payables and accruals	35,972,039	-	-	35,972,039
Borrowings	299,790,670	1,157,036,987	5,194,292,584	6,651,120,241
Total	<u>335,762,709</u>	<u>1,157,036,987</u>	<u>5,194,292,584</u>	<u>6,687,092,280</u>

After the Statement of Financial Position date, the Company received an extension letter for 2 years for USD 62,350,000 due for payment in "1 to 3 months" and USD 628,905,403 due for payment in "3 months to 1 year". Refer Note 8 on Borrowings.

**TWIN STAR MAURITIUS HOLDINGS LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED 31 MARCH 2016**

(f) 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 capital to shareholder, issue new shares or sell assets to reduce debt.

(g) 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.

**18. GOING CONCERN**

At 31 March 2016, the Company had a shareholder's deficit of USD 3,836,829,627 (2015: USD 2,174,487,638) and net current liabilities of USD 3,247,181,203 (2015: USD 1,484,184,421). External borrowings amounting to USD 1,358,031,330 as at 31 March 2016 are guaranteed by the intermediate holding company, Vedanta Resources Plc. Group Company borrowings are subordinated to the external borrowings.

In addition, the intermediate holding company, Vedanta Limited (formerly known as Sesa Sterlite Limited), has taken the below steps to ensure going concern for the Company:

- On 13 April and 22 April 2016, Vedanta Limited has infused USD 950 million in the Company via subscription to 0% Redeemable Preference Shares of the Company through its intermediate parent of the Company, Bloom Fountain Limited. This money has been used by the Company to repay certain high cost company debt.
- Repayment of certain loans amounting to USD 691 million due within the financial year ending 31 March 2017 have been extended beyond that date. Repayment periods of other current group loans will similarly be extended beyond 31 March 2017.
- Provided the Company with a letter of financial support where it confirms that it will provide the necessary financial support and financing arrangements to enable the Company to meet all its external and group company liabilities, as and when they fall due, over the next twelve months. The same can be either through equity or preference shares infusion or extending loans via Group Company loans as and when required.

Based on the above facts, the financial statements have been prepared on a going concern basis which assumes that the Company will continue in operational existence for the foreseeable future. The Directors are of the opinion that the financial support will remain in force over the next twelve months starting from the date of approval of the financial statements.

**19. EVENTS AFTER THE REPORTING PERIOD**

In April 2016, the Company issued 0% Redeemable Preference Shares of USD 950,000,000 to its intermediate holding company, Bloom Fountain Limited. These preference shares are redeemable after 3 years and have been guaranteed by its intermediate holding company, Vedanta Resources Plc. The Company used the proceeds from these preference shares to repay debt of Vedanta Resources Jersey II Ltd.

In April 2016, the current borrowings from THL Zinc Holding B.V. and Monte Cello B.V of USD 278,426,660 and USD 412,828,743 have been extended by 2 years. Refer Note 8 on borrowings.

**TWIN STAR MAURITIUS HOLDINGS LTD.**  
**STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

	<u>2016</u> USD	<u>2015</u> USD
<b>INCOME</b>		
Dividend income	40,639,227	140,805,428
Interest income	79,479	133,079
	<u>40,718,706</u>	<u>140,938,507</u>
<b>ADMINISTRATIVE EXPENSES</b>		
Licence fees	(2,015)	(3,250)
Professional fees	(15,636)	(20,400)
Audit fees	(27,168)	(25,125)
Bank charges	-	(15,840)
	<u>(44,819)</u>	<u>(64,615)</u>
<b>Special items</b>		
Loss on disposal of investment	(254,267,107)	-
Impairment provision on investment in associate	(1,152,035,659)	(1,286,625,541)
	<u>(1,406,302,766)</u>	<u>(1,286,625,541)</u>
<b>FINANCE COSTS</b>		
Interests on borrowings	(296,713,110)	(325,881,578)
<b>LOSS BEFORE TAXATION</b>	(1,662,341,989)	(1,471,633,227)
<b>TAXATION</b>	-	-
<b>LOSS FOR THE YEAR</b>	<u>(1,662,341,989)</u>	<u>(1,471,633,227)</u>