

**REPORTS AND FINANCIAL STATEMENTS**

**LISHEEN MILLING LIMITED**

**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019**

LISHEEN MILLING LIMITED  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

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**LISHEEN MILLING LIMITED**

**DIRECTORS AND OTHER INFORMATION**

**DIRECTORS**

A. Kumar (India)  
K. Kumar (India)  
D. Naidoo (South Africa)

**SECRETARY**

P.Rampersad

**REGISTERED OFFICE**

Deloitte & Touche House  
Charlotte's Quay  
Limerick  
V94X63C

**COMPANY NUMBER**

261670

**AUDITOR**

Ernst & Young  
Chartered Accountants and Statutory Audit Firm  
Riverview House  
Harvey's Quay

**BANKER**

Barclays Bank Plc  
47/48 St. Stephen's Green  
Dublin 2

**SOLICITOR**

James J Kelly & Son,  
Solicitors,  
Patrick Street,  
Templemore,  
Co. Tipperary

## LISHEEN MILLING LIMITED

### DIRECTORS' REPORT

The directors present their report and the audited financial statements for the financial year ended 31 March 2019.

### PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The activity of the company ceased in February 2016 due to the unavailability of ore following the exhaustion of ore reserves at the Lisheen Mine Partnership in December 2015. The final shipment of concentrate occurred in February 2016. Hence the company ceased to trade on 29th February 2016.

### FAIR REVIEW OF PERFORMANCE

The result for the financial year is satisfactory.

Management have a comprehensive closure plan for the operation and are committed to implementing an effective and best practice closure that fully addresses regulatory authority permit requirements. Employees have been engaged throughout the closure planning process. Management is committed to actively pursuing the post closure sustainable development potential of the site.

### RESULTS AND DIVIDENDS

The profit after tax for the year for the financial year was US\$180,548 (2018: Profit after tax of US\$3,688,198).

There was no dividend declared during the financial year (2018: Dividend paid US\$31,505,000).

### RISKS AND UNCERTAINTIES

Risk management is embedded in our critical business activities, functions and processes. Our management systems, organisational structures, processes, standards, and code of conduct together form our internal control systems, which govern how we conduct the business and manage all associated risks. Materiality and tolerance for risk are key considerations in our decision-making.

RISK	IMPACT	MITIGATION
Health and safety	Reputational risk associated with serious injury on construction site.	We have appropriate policies and standards in place to mitigate and minimise any health and safety related occurrences. Structured monitoring, a review mechanism and system of positive compliance reporting are in place. There is a strong focus on safety during project planning/execution with adequate thrust on contract workmen safety.

### SUBSEQUENT EVENTS

Details of subsequent events are given in note 15 to the financial statements.

### FUTURE DEVELOPMENT

There is no future development to be disclosed.

### COMPOSITION OF THE GROUP

The Company's immediate parent company is Vedanta Lisheen Holdings Limited. Vedanta Lisheen Holdings Limited is 100% owned by THL Zinc Holdings B.V., a company incorporated in the Netherlands. THL Zinc Holding BV is a subsidiary of Vedanta Limited. The ultimate parent company is Vedanta Resources Plc, a company incorporated in the United Kingdom.

**LISHEEN MILLING LIMITED**

**DIRECTORS' REPORT (CONTINUED)**

**DIRECTORS**

The directors who served throughout the year are listed on page 2.

The directors are not required to retire by rotation.

**DIRECTORS' AND SECRETARY'S INTERESTS**

The directors and secretary had no interests in the shares of the company at either 1 April 2018 or 31 March 2019.

None of the directors have notified the company secretary of any interests in the shares of the ultimate parent company and its related companies.

**POLITICAL DONATIONS**

The company did not make any political donations during the year (2018: US\$nil).

**ACCOUNTING RECORDS**

To ensure that proper accounting records are kept in accordance with Section 281 to 285 of the Companies Act 2014, the directors have employed appropriately qualified accounting personnel and have maintained appropriate computerised accounting systems. The accounting records are located at the company's office at The Forum Sandton, Johannesburg, Gauteng.

**GOING CONCERN**

The directors, having made appropriate enquiries, consider it reasonable to assume that the company has adequate resources to continue for the foreseeable future and for this reason, have continued to adopt the going concern basis in preparing the accounts.

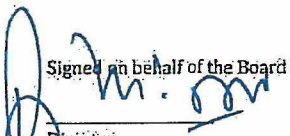
**DISCLOSURE OF INFORMATION TO AUDITOR**


The directors in office at the date of this report have each confirmed that:

- as far as they are aware, there is no relevant audit information of which the company's statutory auditors are unaware; and
- they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's statutory auditors are aware of that information.

**AUDITOR**

The auditor, Ernst & Young, Chartered Accounts and Statutory Audit Firm, continues in office in accordance with Section 383 (2) of the Companies Act 2014.

  
Signed on behalf of the Board  
Director  
Date: 7 June 2019

  
Director  
Date: 7 June 2019

**LISHEEN MILLING LIMITED**

**DIRECTORS' RESPONSIBILITY STATEMENT**

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Irish Company law requires the directors to prepare financial statements for each financial year. Under the law, the directors have elected to prepare the financial statements in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

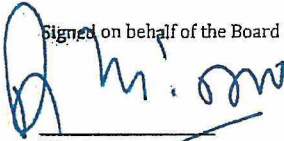
Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the company and of the profit or loss for that year and otherwise comply with the Companies Act 2014.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with applicable accounting standards, identifying those standards and note the effect and the reasons for any material departure from those standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for ensuring that the company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the company, enable at any time the assets, liabilities, financial position and profit or loss of the company to be determined with reasonable accuracy, enable them to ensure that the financial statements and directors' report comply with the Companies Act 2014 and enable the financial statements to be audited. 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.

Signed on behalf of the Board



Director

Date: 7 June 2019



Director

Date: 7 June 2019

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LISHEEN MILLING LIMITED**

### **Opinion**

We have audited the financial statements of Lisheen Milling Limited ("the Company") for the year ended 31 March 2019, which comprise the Income Statement and Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including the summary of significant accounting policies set out in note 1. The financial reporting framework that has been applied in their preparation is Irish Law and Accounting Standards including FRS 101 Reduced Disclosure Framework (Irish Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Company as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with Irish Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. 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 ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters, in relation to which ISAs (Ireland) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LISHEEN MILLING LIMITED (Continued)**

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the Reports and Financial Statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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 we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, 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.

### **Opinions on other matters prescribed by the Companies Act 2014**

Based solely on the work undertaken in the course of the audit, we report that:

- in our opinion, the information given in the directors' report is consistent with the financial statements; and
- in our opinion, the directors' report has been prepared in accordance with the Companies Act 2014.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

In our opinion the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited and the financial statements are in agreement with the accounting records.

### **Matters on which we are required to report by exception**

Based on the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report. The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by sections 305 to 312 of the Act are not made. We have nothing to report in this regard.



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LISHEEN MILLING LIMITED (Continued)**

### **Respective responsibilities**

#### **Responsibilities of directors for the financial statements**

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and 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.

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 management either intends to liquidate the Company or to cease operations, or has 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 (Ireland) 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.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA's website at: [http://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description\\_of\\_auditors\\_responsibilities\\_for\\_audit.pdf](http://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf).

This description forms part of our auditor's report.

#### **The purpose of our audit work and to whom we owe our responsibilities**

Our report is made solely to the Company's members, as a body, in accordance with section 391 of the Companies Act 2014. 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.



Michael Keane  
for and on behalf of  
Ernst & Young Chartered Accountants and Statutory Audit Firm

Limerick

Date: 13/06/19

LISHEEN MILLING LIMITED

INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

	Notes	2019 US\$	2018 US\$
Operating (expenses)/ income		(84,523)	3,274,918
<b>OPERATING (LOSS)/ PROFIT</b>		<b>(84,523)</b>	<b>3,274,918</b>
Interest receivable and similar income	3	348,333	855,000
<b>PROFIT BEFORE TAXATION</b>	4	<b>263,810</b>	<b>4,129,918</b>
Taxation	6	(83,262)	(441,720)
<b>PROFIT FOR THE YEAR</b>		<b>180,548</b>	<b>3,688,198</b>

The accompanying notes form an integral part of the financial statements.

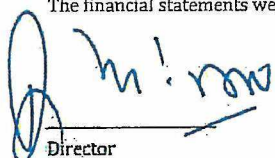
**LISHEEN MILLING LIMITED**


**STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2019**

	Notes	2019 US\$	2018 US\$
<b>FIXED ASSETS</b>			
Tangible assets	7	1,118,542	1,118,542
		<u>1,118,542</u>	<u>1,118,542</u>
<b>CURRENT ASSETS</b>			
Debtors: (Amounts falling due within one year)	8	24,840,134	25,850,750
Cash at bank and in hand	9	1,644,609	1,764,598
		<u>26,484,743</u>	<u>27,615,348</u>
<b>TOTAL CURRENT ASSETS</b>		<b>26,484,743</b>	<b>27,615,348</b>
Creditors: (Amounts falling due within one year)	10	(2,718,330)	(3,002,751)
		<u>23,766,413</u>	<u>24,612,597</u>
<b>NET CURRENT ASSETS</b>		<b>23,766,413</b>	<b>24,612,597</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>24,884,955</b>	<b>25,731,139</b>
Provision for liabilities and charges	11	(2,187,449)	(3,214,180)
		<u>22,697,506</u>	<u>22,516,959</u>
<b>NET ASSETS</b>		<b>22,697,506</b>	<b>22,516,959</b>
<b>CAPITAL AND RESERVES</b>			
Called-up share capital – presented as equity	12	2,000	2,000
Profit and loss account		22,695,506	22,514,959
		<u>22,697,506</u>	<u>22,516,959</u>
<b>TOTAL EQUITY</b>		<b>22,697,506</b>	<b>22,516,959</b>

The accompanying notes form an integral part of the financial statements.

The financial statements were approved by the Board of Directors on and signed on its behalf by:

  
 Director  
 Date: 7 June 2019

  
 Director  
 Date: 7 June 2019

LISHEEN MILLING LIMITED

STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

	Share Capital Presented as Called-up Equity	Profit and loss account	Total
	US\$	US\$	US\$
At 1 April 2017	2,000	50,331,760	50,333,760
Profit for the financial year	-	3,688,198	3,688,198
Other Comprehensive Income	-	-	-
<b>Total comprehensive income</b>	-	3,688,198	3,688,198
Dividends paid on equity shares	-	(31,505,000)	(31,505,000)
<b>At 31 March 2018</b>	<b>2,000</b>	<b>22,514,958</b>	<b>22,516,958</b>
Profit for the financial year	-	180,548	180,548
Other Comprehensive Income	-	-	-
<b>Total comprehensive income</b>	-	180,548	180,548
Dividends paid on equity shares	-	-	-
<b>At 31 March 2019</b>	<b>2,000</b>	<b>22,695,506</b>	<b>22,697,506</b>

**LISHEEN MILLING LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019**

**1. ACCOUNTING POLICIES**

Lisheen Milling Limited is a limited liability company incorporated in the Republic of Ireland. The registered office of the Company is in Deloitte & Touche House, Charlotte's Quay, Limerick, Ireland.

These financial statements were prepared in accordance with applicable accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants of Ireland, including FRS 101 'Reduced Disclosure Framework' (Generally Accepted Accounting Practice in Ireland) and Companies Act 2014.

**STATEMENT OF COMPLIANCE AND BASIS OF ACCOUNTING**

The company prepares its financial statements denominated in US dollars. The principal accounting policies adopted by the company are set out below.

**BASIS OF PREPARATION**

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with Financial Reporting Standard 101 (FRS 101) Reduced Disclosure Framework, as defined above. The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2014.

FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in FRS 101 which addresses the financial reporting requirements and disclosure exemptions in the financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d), (statement of cash flows),
  - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements),
  - 16 (statement of compliance with all IFRS),
  - 38A (requirement for minimum of two primary statements, including cash flow statements),
  - 38B D (additional comparative information),
  - 40A D (requirements for a third statement of financial position),
  - 111 (cash flow statement information), and

LISHEEN MILLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

1. ACCOUNTING POLICIES (Continued)

- 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- Disclosure requirements of IFRS 9: Financial Instruments

Where relevant, equivalent disclosures have been given in the group accounts of Vedanta Resources Plc. The group accounts of Vedanta Resources Plc are available to the public and can be obtained as set out in note 13.

**TANGIBLE ASSETS**

**Freehold land**

Freehold land is stated at cost. Depreciation is not provided on freehold land.

**Plant, equipment and buildings**

Plant, equipment and buildings are stated at cost less accumulated depreciation.

**Mobile Equipment**

Mobile equipment is stated at cost less accumulated depreciation. Mobile equipment is depreciated over its expected useful lives on the straight line method over three years.

**Impairment**

At each statement of financial position date, the net book value of tangible assets is reviewed and compared to its recoverable value. Expected future cash flows from the assets are discounted to their present values in determining the recoverable amount. If the recoverable amount is less than the unamortised cost of the asset then the deficiency arising is provided for to the extent that, in the opinion of the directors, it represents a permanent diminution in the value of the asset. Where provision is made it is dealt with in the statement of comprehensive income in the period in which it arises as additional depreciation.

Impairment losses which have been previously recognised are reversed only if the asset has increased in value and that increase in value arises due to a change in economic conditions or a change in the expected useful life of the asset. The recognition of a reversal of impairment is credited to the statement of comprehensive income to the extent of the original recognition of the impairment.

LISHEEN MILLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

1. ACCOUNTING POLICIES (Continued)

**TAXATION**

Corporation tax is provided on taxable profits at current attributable rates. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date. Deferred tax is not recognised on permanent differences. Deferred tax assets are recognised to the extent that they are regarded as recoverable. They are regarded as recoverable to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

**FOREIGN CURRENCY TRANSLATION**

The US dollar is both the functional currency and presentation currency of the company.

Transactions denominated in foreign currencies relating to revenues, costs and non-monetary assets are translated to US dollars at the spot rate of exchange prevailing during the financial year. Monetary assets and liabilities denominated in foreign currencies are translated to US dollars at the rate of exchange ruling at the statement of financial position date. The resulting profits or losses are dealt with in the statement of comprehensive income.

**REVENUE**

Revenue is derived from the sale of zinc and lead concentrates. Sales of concentrate are stated net of smelter treatment charges and deductions. A sale is recognised when the significant risks and rewards of ownership have passed.

Typically, sales are made on either a spot or a provisionally priced basis. Where sales are provisionally priced, revenue is initially recorded at the London Metal Exchange (LME) cash settlement price at the bill of lading date and future price movements are included as mark to market adjustments within revenue until the price is fixed in the Quotational Period (the market period selected to establish the pricing of metals), using the LME average market price for that period. "Provisionally priced" sales are marked to market at each reporting date using LME official forward prices for the applicable Quotational Period.

**DIVIDENDS**

Dividends to ordinary shareholders are recognised as a liability of the company when approved by the company's shareholders.

**RETIREMENT BENEFIT OBLIGATIONS**

Retirement benefits to employees are funded by contributions from the company and employees. Payments are made to pension schemes which are financially separate from the company. The company operates a defined contribution plan for its employees.



LISHEEN MILLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

1. ACCOUNTING POLICIES (Continued)

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The effects of adopting IFRS 9 are set out below

**Classification and measurement**

Under IFRS 9, there is a change in the classification and measurement requirements relating to financial assets. Previously, there were four categories of financial assets: loans and receivables, fair value through profit or loss, held to maturity and available for sale. Under IFRS 9, financial assets are either classified as amortised cost, fair value through profit or loss or fair value through other comprehensive income.

For debt instruments, the classification is based on two criteria: the company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' (SPPI) on the principal amount outstanding. A financial asset can only be measured at amortised cost if both of the following are satisfied:

- Business model: the objective of the business model is to hold the financial asset for the collection of the contractual cash flows
- Contractual cash flows: the contractual cash flows under the instrument relate solely to payments of principal and interest

The classification and measurement requirements of IFRS 9 did not have a significant impact on the company.

Financial assets

The following are the changes in the classification of the company's financial assets:

- Trade receivables, Other current financial assets (i.e., Other receivables) previously classified as Loans and receivables: these were assessed as being held to collect contractual cash flows and give rise to cash flows representing SPPI. These are now classified and measured as debt instruments at amortised cost.

Financial liabilities

The company has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the company's financial liabilities.

Other impacts

The change did not have material impact on the company's statement of cash flows.

**Impairment**

As all of the company's trade receivables and other current receivables which the company measures at amortised cost are short term (i.e., less than 12 months) and the company's credit rating and risk management policies in place, the change to a forward-looking ECL approach did not have a material impact on the amounts recognised in the financial statements.

**Financial instruments — initial recognition and subsequent measurement**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The company's financial instruments consist of investments, trade and other receivables, loans payable and trade and other payables.

**Financial assets**

Initial recognition and measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through OCI, or fair value through profit or loss.

The classification of financial assets at initial recognition that are debt instruments depends on the financial asset's contractual cash flow characteristics and the company's business model for managing them.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

The company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise to specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Interest received is recognised as part of finance income in the statement of profit or loss and other comprehensive income. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The company's financial assets at amortised cost include trade receivables and other receivables.

Derecognition

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 company's statement of financial position) when:

LISHEEN MILLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

1. ACCOUNTING POLICIES (Continued)

- The rights to receive cash flows from the asset have expired; or
- The company 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 transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay.

Impairment of financial assets

The company recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the company may also consider a financial asset to be in default when internal or external information indicates that the company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows and usually occurs when past due for more than one year and not subject to enforcement activity.

At each reporting date, the company assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

**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 trade and other payables and loans and borrowings including bank overdrafts.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9.

Loans and borrowings and trade and other payables

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

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

This category generally applies to interest-bearing loans and borrowings and trade and other payables.

Derecognition

A financial liability is derecognised when the associated obligation is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss and other comprehensive income.

**Offsetting of financial instruments**

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

LISHEEN MILLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

**1. ACCOUNTING POLICIES (Continued)**

**CLOSURE COSTS**

Provision is made for the estimated closure and related costs arising at the end of the economic useful life of the mill. This provision represents the present value, at the statement of financial position date, of the estimated costs of restoring the environment disturbance. Changes in these estimates and changes to the discount rate are dealt with prospectively in the financial statements.

**PROVISION FOR LIABILITIES**

Provisions are recognised when the company has a legal or constructive obligation as a result of a past event, a reliable estimate of that obligation can be made and it is probable that an outflow of economic benefits will be required to settle the obligation.

When the effect of the time value of money is material, provisions are recognised at a discounted rate. The discount rate is based on an inflation rate of 2% and the rate of return on the deposit and the finance charge is included in the statement of comprehensive income and added to the provision each financial year.

**2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

**Impairment**

Management reviews its property, plant and equipment, for possible impairment if there are events or changes in circumstances that indicate that carrying values of the assets may not be recoverable. In assessing the property, plant and equipment for impairment, factors leading to significant reduction in profits such as changes in commodity prices, business plans and changes in regulatory environment are taken into consideration. The carrying value of the assets of a cash generating unit (CGU) is compared with the recoverable amount of those assets, that is, the higher of fair value less costs of disposal and value in use. Recoverable value is based on the management estimates of commodity prices, market demand and supply, economic and regulatory climates, long-term plan, discount rates and other factors. Any subsequent changes to cash flow due to changes in the above-mentioned factors could impact the carrying value of the assets.

**Provision for closure costs**

Provision is made for costs associated with restoration and rehabilitation of the mineral processing site as soon as the obligation to incur such costs arises. Such restoration and closure costs are typical of mineral processing industries and they are normally incurred at the end of production life. Management estimates are based on local legislation and/or other agreements. The actual costs and cash outflows may differ from estimated because of changes in laws and regulations, changes in prices, analysis of site conditions and changes in restoration technology. Details of the closure provision are disclosed in note 11 (i).

LISHEEN MILLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

3 INTEREST RECEIVABLE AND SIMILAR INCOME

	2019	2018
	US\$	US\$
Interest receivable on intercompany loans	348,333	855,000
	<u>348,333</u>	<u>855,000</u>

4 PROFIT/(LOSS) BEFORE TAXATION

The profit/(loss) before taxation is stated after charging/(crediting):

	2019	2018
	US\$	US\$
Directors' remuneration		
- fees	-	-
- other emoluments including pension contributions	-	-
Depreciation	-	-
Gain on foreign currency exchange	453,440	722,383
Pension costs	-	-

Directors' remuneration and auditor's remuneration are borne by Lisheen Mine Partnership, a related entity.

5 EMPLOYEES AND REMUNERATION

The company had no employees as at 31 March 2019 and 2018.

LISHEEN MILLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

6 TAXATION

	US\$	US\$
Corporation tax (credit)/charge for the financial year	87,083	-
Prior year overprovision	(3,821)	441,720
Current tax(credit)/charge for the financial year	83,262	441,720
Deferred tax charge	-	-
Current tax	<u>83,262</u>	<u>441,720</u>

The tax on profit is greater than the charge at the standard rate of tax for the following reasons:

	2019 US\$	2018 US\$
Profit before taxation	263,810	4,129,917
Profit on ordinary activities before tax multiplied by the standard rate of corporation tax of 12.5%	32,976	516,240
<b>Factors affecting tax charge:</b>		
Non taxable income and non deductible expenses	(32,976)	(409,365)
Income taxable at higher rate	83,262	334,845
Current tax charge for the financial year	<u>83,262</u>	<u>441,720</u>

## LISHEEN MILLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

## 7 TANGIBLE ASSETS

	Plant, Equipment and Buildings US\$	Freehold Land  US\$	Total  US\$
<b>Cost:</b>			
At 1 April 2018	27,093,124	1,118,542	28,211,666
Disposals	-	-	-
At 31 March 2019	27,093,124	1,118,542	28,211,666
<b>Depreciation and Impairment:</b>			
At 1 April 2018	27,093,124	-	27,093,124
Disposals	-	-	-
At 31 March 2019	27,093,124	-	27,093,124
<b>Net Book Value At 31 March 2019</b>	<b>-</b>	<b>1,118,542</b>	<b>1,118,542</b>
	Plant, Equipment and Buildings US\$	Freehold Land  US\$	Total  US\$
<b>Cost:</b>			
At 1 April 2017	27,093,124	1,118,542	28,211,666
Disposals	-	-	-
At 31 March 2018	27,093,124	1,118,542	28,211,666
<b>Depreciation and Impairment:</b>			
At 1 April 2017	27,093,124	-	27,093,124
Disposals	-	-	-
At 31 March 2018	27,093,124	-	27,093,124
<b>Net Book Value At 31 March 2018</b>	<b>-</b>	<b>1,118,542</b>	<b>1,118,542</b>

LISHEEN MILLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

8 DEBTORS (Amounts due within one year)

	2019	2018
	US\$	US\$
Other debtors	27,720	289,588
Amounts due by group companies	24,790,481	25,535,186
Corporation tax	21,933	25,976
	<u>24,840,134</u>	<u>25,850,750</u>

Amounts due by Group Companies include a \$10m unsecured loan with an interest rate of 2.1% to Twinstar Holdings Ltd and a \$9m unsecured loan with an interest rate of 2% to Namzinc (Proprietary) Limited. Other intercompany amounts are unsecured non - interest bearing.

9 CASH AT BANK AND IN HAND

At 31 March 2019, the company's cash balance included funds of US\$1,664,609 (2018: US\$1,764,598) held in a current account for the purpose of Mine Closure activities. These funds were drawn down from the Restricted Cash account held in related companies.

10 CREDITORS (Amounts falling due within one year)

	2019	2018
	US\$	US\$
Amounts owed to group companies	2,675,224	3,002,751
Accruals	43,106	-
	<u>2,718,330</u>	<u>3,002,751</u>

Amounts owed to group companies are non interest bearing and repayable on demand.



## LISHEEN MILLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

## 11 PROVISION FOR LIABILITIES AND CHARGES

	2019	2018
	US\$	US\$
<b>(i) Provision for closure costs</b>		
Balance at beginning of financial year	3,214,180	7,894,120
Charge/(Release) for the financial year	<b>(812,493)</b>	<b>(2,296,145)</b>
Unwinding of discount rate	53,555	123,787
Paid during the financial year	-	<b>(3,494,593)</b>
Foreign exchange loss/(gain)	<b>(267,793)</b>	987,011
Balance at end of financial year	<u><u>2,187,449</u></u>	<u><u>3,214,180</u></u>

The provision represents the present value at the statement of financial position date of the estimated costs of restoring the environmental disturbance at the end of the economic useful life of the mineral processing site. These costs are expected to be incurred up to and including March 2020. The provision has been estimated using existing technology, at current prices inflated at 2% and discounted using a discount rate of 2.18%. The estimate of future costs to restore the environmental disturbance and reviewed and approved on a quarterly basis by the Environmental Protection Agency (Ireland), the Department of Communications, Climate Action and Environment and the Tipperary County Council through the mechanism of the Mine Closure and Rehabilitation Agreement.

## 12 CALLED-UP SHARE CAPITAL PRESENTED AS EQUITY

	2019	2018
	US\$	US\$
<b>Authorised</b>		
500,000 'A' ordinary shares @ US\$1 each	500,000	500,000
500,000 'B' ordinary shares @ US\$1 each	<u>500,000</u>	<u>500,000</u>
	<u><u>1,000,000</u></u>	<u><u>1,000,000</u></u>
<b>Allotted, issued and fully paid</b>		
1,000 'A' ordinary shares @ US\$1 each	1,000	1,000
1,000 'B' ordinary shares @ US\$1 each	<u>1,000</u>	<u>1,000</u>
	<u><u>2,000</u></u>	<u><u>2,000</u></u>

The rights attached to the above classes of ordinary shares are as below:

The holders of a majority of the issued 'A' ordinary shares may from time to time appoint additional persons to be directors but not more than two persons. 'B' ordinary shareholders do not have the aforementioned rights.

**LISHEEN MILLING LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019**

**13 PARENT COMPANY**

The company is a wholly owned subsidiary of Vedanta Lisheen Holdings Limited, incorporated in Ireland. Vedanta Limited is the smallest group company which prepares consolidated financial statements that are available to the public. The ultimate parent company is Vedanta Resources Plc, a company incorporated in the United Kingdom. The consolidated financial statements of Vedanta Resources Plc may be obtained from the Companies House, Cardiff, Wales.

**14 CONTINGENT LIABILITIES**

An amended corporation tax assessment for Lisheen Milling Limited has been issued by the Irish Revenue authorities in respect of the financial years 2006 - 2011. No provision in relation to the claim has been recognised in the financial statements, as the directors do not consider it probable that a significant liability will arise. In December 2011, Lisheen lodged a formal appeal in respect of this revised Revenue assessment. This appeal was held in May & June 2016. No decision has been received to date. Contingent liability is for an amount of €65.31m.

**15 SUBSEQUENT EVENTS**

There are no material events affecting the company since the financial year end.

**16 DIVIDEND**

No dividends were declared during the year.

**17 APPROVAL OF FINANCIAL STATEMENTS**

The directors approved the financial statements on 7 June 2019