

CAIRN INDIA HOLDINGS LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

CAIRN INDIA HOLDINGS LIMITED

Directors:

Sanjay Kumar Pandit
Iain Quenault
Paul Glennon

Auditors:

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Secretary:

Appointed as Secretary with effect from March 02, 2021
GlenQ Secretaries Limited of Hilary House,
19 Hilary Street, St Helier,
Jersey JE2 4SX

Resigned as Secretary with effect from March 02, 2021

Vistra Secretaries Limited
4th Floor, 22-24 New Street,
St. Paul's Gate
St. Helier
Jersey
JE1 4TR

Registered Office:

Hilary House,
19 Hilary Street,
St Helier,
Jersey JE2 4SX.

Registered No:

94164

CAIRN INDIA HOLDINGS LIMITED

Directors' Report

The directors present their report and financial statements for the year ended 31 March 2020.

Principal Activities and Business Review

The Company's principal activity is that of an investment company. In the previous year, as part of its cash management activities, Cairn India Holdings Limited (CIHL), entered into a tripartite agreement with Volcan Limited (Volcan) and one of its subsidiaries. Under the agreement, CIHL purchased an economic interest in a structured investment for the equity shares of Anglo American Plc (AA Plc), a company listed on the London Stock Exchange, from Volcan for a total consideration of US\$ 541 million (GBP 428 million). The ownership of the underlying shares, and the associated voting interests, remained with Volcan and the investment would mature in two tranches in April 2020 and October 2020.

During the year, based on market view and as a profit booking strategy, CIHL requested Volcan to early exit Mandatorily Exchangeable Bonds (MXB) structure and transfer the AA Plc share realization proceed to CIHL. Accordingly, on July 25, 2019, CIHL entered into an amendment with Volcan to agree terms of settlement of Structured Investment Deed (SID) on early unwinding of MXBs. Simultaneously, on July 25, 2019 Volcan entered into an agreement with J.P. Morgan Securities Plc. (JPM), for appointment of JPM as share sale agent ('Block Trade Agreement') for the sale of shares of AAP. JPM subsequently sold shares to third party buyers at market rate (based on accelerated book building process) and the amount so realised from such resale net of deferred payment liability of CIHL under Structured Investment Deed (SID) and transaction expenses/charges were transferred by Volcan to CIHL

The Actual net settlement proceeds from the sale of 24.7 million shares of AAP was approximately ~ US\$ 639m (GBP 518m) (settled at GBP 21/ share which is ~4% bulk purchase discount to closing price of AAP). The net settlement price represents the actual price Volcan realised from selling the shares of AAP to an unrelated third-party net of associated transaction costs. On 13th and 14th August 2019, CIHL received total sum of US\$ 397.6 million(GBP 328 million) (net of associated liabilities of US\$ 228.7 million (GBP 189 million) and balance of US\$ 12.4 million (GBP 10 million) has been recorded as receivables as at March 31, 2020.

In the year 2017-18, the Company invested USD 157.8 mn in AvanStrate Inc. a manufacturing unit of glass substrate for TFT colour LCD based in Japan. Significant changes in the market and economic environment in which ASI operates has led to decrease in demand and profitability in the glass substrate business. Accordingly, the company had assessed the fair value of all its assets and liabilities which led to an impairment charge of \$ 7.49 m during the year ended March 31, 2020. Also, the Company has recorded reduction in fair value of loans of USD 82.42m. Also, Company has booked an expected credit loss of \$9.47m on inter company loans to ASI.

During the year ended 31 March 2020, the Company made a profit of \$195.11m (year ended 31 March 2019: \$286.3m). The Company paid a dividend amounting to USD 300 mn during the year ended 31 March 2020.

Consolidated accounts are not produced for the Company and its subsidiaries, however, the results of the Company are included within the consolidated accounts of the intermediary parent undertaking, Vedanta Resources Limited.

Future Developments

The Company will continue to be an investment company working on new business developments.

Financial Instruments

Details of the Company's financial risk management: objectives and policies are disclosed on note 18 of the financial statements.

Going Concern

The Company has prepared the financial statements on a going concern basis. Management has considered a number of factors in concluding on their going concern assessment.

Owing to uncertainty arising from COVID-19, there was significant reduction in oil prices leading to reduced profits in the current year. However, since period end oil price has recovered to pre-Covid-19 levels. The virus and associated uncertainty have therefore had an impact on the Management's assessment of the ability of the Company to continue as a going concern.

CAIRN INDIA HOLDINGS LIMITED

Directors' Report (continued)

The Company monitors and manages its funding position and liquidity requirements throughout the year and routinely forecasts its future cash flows and financial position.

The company has a strong financial position. It has a loan facility of \$500m for its subsidiary CEHL and it has also provided inter-company loans (including loan of \$934m to TSHL current outstanding \$834m). The going concern assessment was done at a consolidated level (i.e. including its wholly owned subsidiary CEHL which has a participating share of 35% in Rajasthan Oil & Gas block).

Management has considered the Company's ability to continue as a going concern in the period up to 31 March 2022 ("the going concern period") and carried out detailed assessment under various scenarios i.e. Base case, a Downside case and a Worst case. These scenarios have different levels of sensitivity on key factors e.g. Brent price, production, Capex projects phasing, Opex spend and timing & quantum of payment related to audit exceptions notified by DGH. For this assessment, under different scenarios, different levels of production forecast and price forecasts were considered

Base case : Q4 FY21 173 kboepd and FY22 182 kboepd at a Brent price of Q4 FY21 50/bbl; FY22 53/bbl;

Downside case : Q4 FY21 144 kboepd and FY22 160 kboepd and Brent price reduced by 10% from base case

Reasonable worst case : Q4 FY21 144 kboepd and FY22 144 kboepd and Brent price reduced by 10% from base case

Company has sufficient headroom in Base Case and Downside Case and reasonable Worst Case even without considering the receipt of contractual cash flows on inter-group loans.

Additionally, as per facility agreement for the loan received, Company has also prepared projections on covenant compliance as on Mar 21, Sep 21 & Mar 22 and the Company will be compliant to the covenant requirements as per facility agreement.

Conclusion

Based on above assessment Directors have a reasonable expectation that the Company will meet its commitments as they fall due over the going concern period. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

Directors

The directors who held office during the year and subsequently are as follows:

Sanjay Kumar Pandit (with effect from 8 November 2018)

Clive Wright (with effect from 25 January 2019 and resigned on 17 May 2019)

Marc Walter Harris (with effect from 1 March 2019 and resigned w.e.f. 2 March 2021)

Gayle Swanson (with effect from 17 May 2019 and resigned w.e.f. 2 March 2021)

Iain Quenault (with effect from 2 March 2021)

Paul Glennon (with effect from 2 March 2021)

By Order of the Board

Director

19 Hilary Street, St Helier,
Jersey JE2 4SX

31 Mar 2021

CAIRN INDIA HOLDINGS LIMITED

Statement of directors' responsibilities in relation to the financial statements

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

Jersey Company law requires the directors to prepare financial statements for each financial period in accordance with any generally accepted accounting principles. The financial statements of the Company are required by law to give a true and fair view of the state of affairs of the Company at the year end and of the profit or loss of the Company for the year then ended. In preparing these financial statements, the directors should:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable;
- specify which generally accepted accounting principles have been adopted in their preparation; 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 keeping accounting records which are sufficient to show and explain its transactions and are such as to disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements prepared by the Company comply with the requirements of the Companies (Jersey) Law 1991. 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAIRN INDIA HOLDINGS LIMITED

Opinion

We have audited the financial statements of Cairn India Holdings Limited (the "company") for the year ended 31 March 2020 which comprise the Income Statement, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows and the related notes 1 to 21, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union.

In our opinion, the financial statements:

- ▶ give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- ▶ have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- ▶ have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) 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 below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, 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.

Emphasis of Matter

We draw attention to Note 7a of the accompanying financial statements which describes the uncertainty surrounding the extension of the Production Sharing Contract (PSC) for the Rajasthan oil and gas block following the demands that have been raised on Cairn Energy Hydrocarbons Limited (CEHL), a wholly owned subsidiary of the Company. Management has concluded that the PSC has in effect been extended. Were the PSC not to be extended it would have a significant and pervasive impact on the financial statements. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) 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.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAIRN INDIA HOLDINGS LIMITED

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- ▶ proper accounting records have not been kept by the company, or proper returns adequate for our audit have not been received from branches not visited by us; or
- ▶ the financial statements are not in agreement with the company's accounting records and returns; or
- ▶ we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, 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 the directors 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) 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 Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CAIRN INDIA HOLDINGS LIMITED**

Use of our report

This report is made solely to the company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. 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.



Richard Addison
for and on behalf of Ernst & Young LLP,
London
1 April 2021

Notes:

1. The maintenance and integrity of the Vedanta Limited web site, company's inter-mediate holding company, is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CAIRN INDIA HOLDINGS LIMITED

Income Statement

For the year ended 31 March 2020

	Notes	Year ended March 2020 \$	Year ended March 2019 \$
Administrative expenses	2(a)	(4,220,721)	(3,186,597)
Operating loss	2	(4,220,721)	(3,186,597)
Investment revenue	4	457,944,480	322,009,214
Finance costs	5a	(14,391,089)	(24,593,623)
Other gains and losses	5b	1,620,514	(7,139,637)
Special items	5c	(245,012,160)	-
Profit before taxation		195,941,024	287,089,357
Taxation	6	(826,265)	(802,417)
Profit for the year		195,114,759	286,286,940

The accompanying notes form an integral part of these financial statements

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CAIRN INDIA HOLDINGS LIMITED

Statement of Comprehensive Income

For the year ended 31 March 2020

	Year ended March 2020	Year ended March 2019
	\$	\$
Profit for the year	195,114,759	286,286,940
Total comprehensive income for the year	195,114,759	286,286,940

The accompanying notes form an integral part of these financial statements

CAIRN INDIA HOLDINGS LIMITED

Balance Sheet

As at 31 March 2020

	Notes	31 March 2020 \$	31 March 2019 \$
Non-current assets			
Investments in subsidiaries	7a	836,920,000	682,349,851
Financial asset investments	7b	-	689,831,032
Other receivables	8	285,297,961	260,693,170
Financial instruments (derivatives)	9	-	5,592,980
Current assets			
Other receivables	8	21,157,821	5,514,500
Short-term investments	10	777,749,537	410,372,275
Financial instruments (derivatives)	9	966,585	3,603,433
Cash and cash equivalents	11	20,119,144	159,722,003
Total assets		1,942,211,048	2,217,679,244
Non-current liabilities			
Long term borrowings	12	478,536,589	-
Other payables	14	-	143,624,361
Financial instruments (derivatives)	9	33,318,966	19,278,968
Current liabilities			
Borrowings	12	14,958,156	379,302,212
Other payables	14	7,126,632	161,952,757
Total liabilities		533,940,343	704,158,298
Net assets		1,408,270,705	1,513,520,946
Equity			
Called-up share capital	15	755,567,901	755,567,901
Share premium	16 a)	458,227,729	458,227,729
Other equity	16 b)	(5,494,180)	(5,494,180)
Retained earnings		199,969,255	305,219,496
Total equity		1,408,270,705	1,513,520,946

The financial statements were approved by the Board of Directors on 31 Mar 2020, and were signed on its behalf by



Director
31st Mar 2021

The accompanying notes form an integral part of these financial statements

CAIRN INDIA HOLDINGS LIMITED

Statement of Cash Flows

For the year ended 31 March 2020

	Notes	Year ended March 2020 \$	Year ended March 2019 \$
Profit before taxation		195,941,024	287,089,357
Adjustments:			
Interest income	4	(20,427,110)	(27,217,435)
Fair value loss/(gain) on financial asset investments (structured investment)	4	51,143,954	(148,900,587)
Interest costs		14,391,089	24,577,372
Impairment loss (included under special items)	5c	245,012,160	-
Change in fair value of financial assets (net of realised/unrealised gain)	4	68,889,787	22,623,980
Expected credit loss provision on Inter-company loans	5b	9,967,664	-
Unrealized foreign exchange loss (net)	5b	(11,598,125)	7,156,177
Bank charges paid		(91,369)	(93,579)
Dividend income	4	(557,079,625)	(168,515,173)
Operating (loss) before working capital changes		(3,850,551)	(3,279,888)
(Increase)/Decrease in other receivables		1,483,900	(1,433,214)
Increase/(Decrease) in other payables		(526,474)	1,885,745
Cash (used in) operations		(2,893,125)	(2,827,357)
Interest paid		(12,772,462)	(21,567,470)
Dividend paid		(300,000,000)	-
Dividend received	4	554,497,186	168,515,173
Interest received		11,861,492	34,453,414
Net cash from operating activities (A)		250,693,091	178,573,760
Cash flows from investing activities			
Loans given to related parties	17	(86,978,317)	(85,670,000)
Sale of financial asset investments (structured investment)	17	397,623,620	-
Purchase of financial asset investments (structured investment)	17	(63,027,953)	(253,781,750)
Investment made in subsidiaries	17	(399,580,000)	(100,000)
Proceeds from redemption of Short - term investment		1,979,638,023	1,285,228,216
Purchase of Short - term investment		(2,361,260,433)	(906,796,500)
Realised gain/(loss) on currency forward		30,150,170	(22,179,962)
Net cash (used in) / from investing activities (B)		(503,434,890)	16,700,004
Cash flows generated from financing activities			
Proceeds from long-term borrowings		492,500,000	-
Repayment of long-term borrowings		(379,302,212)	(47,025,583)
Corporate guarantee commission paid	5	(8,962)	(1,196,767)
Net cash from / (used in) financing activities (C)		113,188,826	(48,222,350)
Net increase/(decrease) in cash and cash equivalents (A+B+C)		(139,552,975)	147,051,414
Effect of exchange differences on cash & cash equivalents		(49,884)	12,667,959
Cash and cash equivalents at beginning of year		159,722,003	2,630
Cash and cash equivalents at the end of the year	11	20,119,144	159,722,003

The accompanying notes form an integral part of these financial statements

CAIRN INDIA HOLDINGS LIMITED

Statement of Changes in Equity

For the year ended 31 March 2020

	Share Capital \$	Share Premium \$	Other Equity* \$	Retained Earnings \$	Total \$
	(Note 15)	(Note 16 a)	(Note 16 b)		
At 1 April 2018	755,567,901	458,227,729	(5,494,180)	19,397,556	1,227,699,006
Profit for the year	-	-	-	286,286,940	286,286,940
Impairment of loan (Note 17)	-	-	-	(465,000)	(465,000)
At 31 March 2019	755,567,901	458,227,729	(5,494,180)	305,219,496	1,513,520,946
Profit for the year	-	-	-	195,114,759	195,114,759
Dividend paid during the year				(300,000,000)	(300,000,000)
Impairment of loan (Note 17)	-	-	-	(365,000)	(365,000)
At 31 March 2020	755,567,901	458,227,729	(5,494,180)	199,969,255	1,408,270,705

* Other equity includes waiver of intergroup balances.

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

CAIRN INDIA HOLDINGS LIMITED

Notes to the financial statements

For the year ended 31 March 2020

1 Accounting Policies

a) Basis of preparation

The Company is a private company incorporated under the Companies (Jersey) Law 1991. The registered office is located at Hilary House, 19 Hilary Street, St Helier, Jersey JE2 4SX.

These financial statements have been prepared in accordance with the accounting policies set out below and were consistently applied to all periods presented unless otherwise stated.

The financial statements have been prepared on a going concern basis using historical cost convention and on an accrual method of accounting, except for certain financial assets and liabilities which are measured at fair value as explained in the accounting policies below.

The financial statements have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991 and in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and adopted by the European Union as they apply to the year ended 31 March 2020.

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Principal Activities and Business Review on page 2. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are presented in the financial statements and supporting notes. In addition, notes 18 and 19 to the financial statements includes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Company has taken exemption under paragraph 4(a) of IFRS 10 Consolidated Financial Statements from preparing consolidated financial statements.

Going Concern

The Company has prepared the financial statements on a going concern basis. Management has considered a number of factors in concluding on their going concern assessment.

Owing to uncertainty arising from COVID-19, there was significant reduction in oil prices leading to reduced profits in the current year. However, since period end oil price has recovered to pre-Covid-19 levels. The virus and associated uncertainty have therefore had an impact on the Management's assessment of the ability of the Company to continue as a going concern.

The Company monitors and manages its funding position and liquidity requirements throughout the year and routinely forecasts its future cash flows and financial position.

The company has a strong financial position. It has a loan facility of \$500m for its subsidiary CEHL and it has also provided inter-company loans (including loan of \$934m to TSHL current outstanding \$834m). The going concern assessment was done at a consolidated level (i.e. including its wholly owned subsidiary CEHL which has a participating share of 35% in Rajasthan Oil & Gas block).

Management has considered the Company's ability to continue as a going concern in the period up to 31 March 2022 ("the going concern period") and carried out detailed assessment under various scenarios i.e. Base case, a Downside case and a reasonable Worst Case. These scenarios have different levels of sensitivity on key factors e.g. Brent price, production, Capex projects phasing, Opex spend and timing & quantum of payment related to audit exceptions notified by DGH. For this assessment, under different scenarios, different levels of production forecast and price forecasts were considered

Base case : Q4 FY21 173 kboepd & FY22 182 kboepd at a Brent price of Q4 FY21 50/bbl; FY 22 53/bbl
Downside case : Q4 FY21 144 kboepd & FY22 160 kboepd and Brent price reduced by 10% from base case
Reasonable worst case : Q4 FY21 144 kboepd & FY22 144 kboepd and Brent price reduced by 10% from base case

CAIRN INDIA HOLDINGS LIMITED

Notes to the financial statements (continued)

For the year ended 31 March 2020

1 Accounting Policies (continued)

a) Basis of preparation (continued)

Company has sufficient headroom in Base Case and Downside Case and reasonable Worst Case even without considering the receipt of contractual cash flows on inter-group loans.

Additionally, as per facility agreement for the loan received, Company has also prepared projections on covenant compliance as on Mar 21, Sep 21 & Mar 22 and the Company will be compliant to the covenant requirements as per facility agreement

Conclusion

Based on above assessment Directors have a reasonable expectation that the Company will meet its commitments as they fall due over the going concern period. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

b) Accounting standards

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by IASB and as adopted by the European Union as they apply to the year ended 31 March 2020. IFRS as adopted by the European Union differs in certain respects from IFRS as issued by the IASB. However, the differences have no impact on the financial statements for the years presented.

The Company has adopted all new or amended and revised accounting standards and interpretations ('IFRSs') issued by IASB and as adopted by the European Union effective for the year ended 31 March 2020. Based on an analysis by the Company, the application of the new IFRSs has not had a material impact on the financial statements in the current reporting period and we do not anticipate any significant impact on future periods from the adoption of these new IFRSs.

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are not expected to have a significant impact on the Company's financial statements. The Company has not early adopted any amendment, standard or interpretation that has been issued but is not yet effective.

c) Presentation currency

The functional and presentation currency of Cairn India Holdings Limited is US Dollars ("\$\$"). The Company's policy on foreign currencies is detailed in note 1(k). All amounts have been rounded to the nearest dollar, unless otherwise indicated.

d) Investment revenue

Investment revenue constitutes the following items:

Interest income

Interest income is recognised using the effective interest rate method on an accrual basis and is recognised as investment income in the income statement. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses.

Dividend income

Dividend income is recognised in the income statement only when the right to receive payment is established, provided it is probable that the economic benefits associated with the dividend will flow to the Company, and the amount of the dividend can be measured reliably.

Fair value gain/ (loss)

The fair value assessment is done at each reporting date and resultant gain/(loss) in relation to financial assets is accounted for as investment income / (loss) in the income statement in respective period.

CAIRN INDIA HOLDINGS LIMITED

Notes to the financial statements (continued)

For the year ended 31 March 2020

1 Accounting Policies (continued)

e) 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.

(a) Financial Assets – Initial recognition

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

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

Debt instruments at amortised cost

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

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

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

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

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

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

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

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

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

In addition, the Company may elect to designate a debt instrument, which otherwise meets amortised cost or FVOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch').

Equity instruments

All equity investments in scope of IFRS 9 are measured at fair value. Equity instruments which are held for trading and contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies are classified as at FVTPL. For all other equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the Company decides to classify an equity instrument as at FVOCI, then all fair value changes on the instrument, excluding dividends, are recognised in the OCI.

There is no recycling of the amounts from OCI to profit and loss, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity. For equity instruments which are classified as FVTPL, all subsequent fair value changes are recognised in the the income statement.

CAIRN INDIA HOLDINGS LIMITED

Notes to the financial statements (continued)

For the year ended 31 March 2020

1 Accounting Policies (continued)

e) Financial instruments – initial recognition and subsequent measurement (continued)

(b) Financial Asset - Derecognition

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

(c) Impairment of financial assets

In accordance with IFRS 9, the Company applies expected credit loss (“ECL”) model for measurement and recognition of impairment loss on the following financial assets:

- i) Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, debt securities and deposits
- ii) Financial assets that are debt instruments and are measured as at FVOCI
- iii) Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of IFRS 15.

At each reporting date, for recognition of impairment loss on other financial assets and risk exposure, the Company determines whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the Company reverts to recognising impairment loss allowance based on 12-month ECL.

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

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive, discounted at the original EIR. ECL impairment loss allowance (or reversal) during the year is recognised as income/expense in profit or loss. The statement of financial position presentation for various financial instruments is described below:

i) Financial assets measured at amortised cost: ECL is presented as an allowance, i.e., as an integral part of the measurement of those assets in the balance sheet. The Company does not reduce impairment allowance from the gross carrying amount.

ii) Debt instruments measured at FVOCI: Since financial assets are already reflected at fair value, impairment allowance is not further reduced from its value. Rather, ECL amount is presented as ‘accumulated impairment amount’ in the OCI.

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

(a) Financial liabilities – Initial recognition & Subsequent measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or as 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 financial liabilities at amortised cost, net of directly attributable transaction costs.

The Company’s financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

CAIRN INDIA HOLDINGS LIMITED

Notes to the financial statements (continued)

For the year ended 31 March 2020

1 Accounting Policies (continued)

e) Financial instruments – initial recognition and subsequent measurement (continued)

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. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. For liabilities designated as FVTPL, fair value gains/losses attributable to changes in own credit risk are recognised in OCI. These gains/losses are not subsequently transferred to profit or loss. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the income statement. The Company has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost (Loans and Borrowings 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 income statement 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 income statement.

(b) Financial liabilities – Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

(c) Embedded Derivatives

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract – with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

If the hybrid contract contains a host that is a financial asset within the scope of IFRS 9, the Company does not separate embedded derivatives. Rather, it applies the classification requirements contained in IFRS 9 to the entire hybrid contract.

Derivatives embedded in all other host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement, unless designated as effective hedging instruments.

(d) 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 recognised at the proceeds received, net of direct issue costs.

CAIRN INDIA HOLDINGS LIMITED

Notes to the financial statements (continued)

For the year ended 31 March 2020

1 Accounting Policies (continued)

e) Financial instruments – initial recognition and subsequent measurement (continued)

(e) 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 or to realise the asset and settle the liability simultaneously.

(f) Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

In order to hedge its exposure to foreign exchange, interest rate, and commodity price risks, the Company enters into forward, option, swap contracts and other derivative financial instruments. The Company does not hold derivative financial instruments for speculative purposes.

Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to the income statement when the hedge item affects profit or loss or treated as basis adjustment if a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment
- Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting. The documentation includes the Company's risk management objective and strategy for undertaking hedge, the hedging/economic relationship, the hedged item or transaction, the nature of the risk being hedged, hedge ratio and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

(a) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the income statement immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(a) Fair value hedges (continued)

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the income statement.

Hedge accounting is discontinued when the Company revokes the hedge relationship, the hedging instrument or hedged item expires or is sold, terminated, or exercised or no longer meets the criteria for hedge accounting.

CAIRN INDIA HOLDINGS LIMITED

Notes to the financial statements (continued)

For the year ended 31 March 2020

1 Accounting Policies (continued)

e) Financial instruments – initial recognition and subsequent measurement (continued)

(b) Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the income statement.

Amounts recognised in OCI are transferred to the income statement when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised in OCI are transferred to the initial carrying amount of the non-financial asset or liability

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

f) Investments in subsidiaries

The Company's investments in subsidiaries are carried at cost less provisions resulting from impairment. Cost includes all transaction expenses that are directly attributable to the acquisition of investments. The recoverable value of investments is the higher of its fair value less costs to sell and value in use. Fair value less costs of disposal is the price that would be received to sell the asset in an orderly transaction between market participants and does not reflect the effects of factors that may be specific to the entity and not applicable to entities in general. Fair value for oil and gas assets is generally determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset, including any expansion prospects, and its eventual disposal, using assumptions that an independent market participant may take into account. These cash flows are discounted at an appropriate post-tax discount rate to arrive at the net present value. Value in use is based on the discounted future net cash flows of the oil and gas assets held by the subsidiary. Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and its eventual disposal. The cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted. Value in use is determined by applying assumptions specific to the Company's continued use and cannot take into account future development. These assumptions are different to those used in calculating fair value and consequently the value in use calculation is likely to give a different result to a fair value calculation.

Discounted future net cash flows for IAS 36 purposes are calculated using a consensus short and long-term oil price forecast and the appropriate gas price as dictated by the relevant gas sales contract, escalation for costs and a post-tax discount rate. Forecast production profiles are determined on an asset by asset basis, using appropriate petroleum engineering techniques.

Investment in CEHC

During the year ended 31 March 2020, the company has recorded an impairment of USD 237.5 mn due to reduction in recoverable value of PPE in RJ block held by CEHC mainly driven by reduction in crude prices forecast.

The below summary represents the Investment in subsidiary and the net assets value against it:-

As at 31st March 2020	\$ mn
Investment in subsidiary	1,074.44
Property, Plant & Equipment value (FVLCDs)	632.80
Other Net Assets*	204.12
Net Assets Value	836.92
Net Impairment loss	237.52

*Fair value of other net assets approximates its carrying value.

CAIRN INDIA HOLDINGS LIMITED

Notes to the financial statements (continued)

For the year ended 31 March 2020

1 Accounting Policies (continued)

f) Investments in subsidiaries (continued)

Sensitivity Analysis for change in key parameters is below:

Parameter	Valuation Increase /(Decrease)
Increase in Brent (1\$/bbl)	\$20.8m
Increase in WACC (1%)	(\$31.3m)

Investment in ASI

Significant changes in the market and economic environment in which ASI operates has led to decrease in demand and profitability in the glass substrate business. Accordingly, the company had assessed the fair value of all its assets and liabilities which led to a noncash impairment charge during the year ended 31 March 2020.

The impairment assessments are based on a range of estimates and assumptions, including:

Estimates/ assumption	Basis
Future sales volume	Existing customer relationships, unperformed contracts and expected wins
Commodity prices	Management's best estimate
Discount rates	Cost of capital risk-adjusted for the risk specific to the asset/ CGU

The projections of future sales volume are based on the existing customer relationships, unperformed contracts and revenue from contracts with new customers which are in the advanced stage of discussions or are probable wins based on management judgement. Any subsequent changes to cash flows due to changes in the above-mentioned factors could impact the carrying value of the assets.

Consequently, a fair valuation exercise has been carried out by an independent external expert & implied value per share has been determined based on valuation techniques. The below summary indicates the impairment charges in respect to investment in ASI.

As on 31 March 2020	
No of Shares held by CIHL	51,251,800
Implied Value per Share*	-
Net Asset Value	-
Book Value (\$ Million)	7.49
Net Impairment Loss (\$ Million)	(7.49)

*100% enterprise value was allocated to loan receivable and none was left for equity hence impaired fully.

Hence, an impairment charge of \$7.49 mn in Avanstrate Inc. has been taken in the books on the basis of above-mentioned calculation method. Also, based on the fair valuation exercise the Company has recorded reduction in fair value of loans of USD 82.42m

g) Current and non-current classification

The Company presents assets and liabilities in the consolidated statement of financial position based on current / non-current classification. An asset is classified as current when it satisfies any of the following criteria:

- it is expected to be realized in, or is intended for sale or consumption in, the Company's normal operating cycle.
- it is held primarily for the purpose of being traded;
- it is expected to be realized within 12 months after the reporting date; or
- it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date

CAIRN INDIA HOLDINGS LIMITED

Notes to the financial statements (continued)

For the year ended 31 March 2020

1 Accounting Policies (continued)

g) Current and non-current classification (continued)

All other assets are classified as non-current

A liability is classified as current when it satisfies any of the following criteria:

- it is expected to be settled in the Company's normal operating cycle;
- it is held primarily for the purpose of being traded;
- it is due to be settled within 12 months after the reporting date; or
- the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

h) Cash and cash equivalents

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

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

i) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

j) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs, allocated between share capital and share premium.

k) Foreign currencies

The Company translates foreign currency transactions into the functional currency, US dollar (US \$), at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in other currencies are translated into the functional currency at the rate of exchange prevailing at the Balance Sheet date. Exchange differences arising are taken to the Income Statement except for those incurred on borrowings specifically allocable to development projects, which are capitalised as part of the cost of the asset.

Non – monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss respectively).

l) Taxation

The tax expense represents the sum of current tax payable and deferred tax.

Current tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

CAIRN INDIA HOLDINGS LIMITED

Notes to the financial statements (continued)

For the year ended 31 March 2020

1 Accounting Policies (continued)

l) Taxation (continued)

Deferred tax

Deferred tax is provided, using the balance sheet method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Exceptions to this principle are:

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future;
- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interested in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised
- When the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

The carrying amount of deferred tax assets are reviewed at each balance sheet date and is adjusted to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax relating to items recognised outside profit or loss is recognised either in OCI or directly in equity.

Deferred tax assets and liabilities are only offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxable entity and the same taxation authority and the Company intends either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

m) Special items

Special items are those not considered to be part of the normal operation of the business.

n) Key estimations and assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of expenses, assets and liabilities, and the accompanying disclosures and disclosure of contingent liabilities at the date of these financial statements and the reported amounts of revenues and expenses for the years presented. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience, but actual results may differ materially from the amounts included in the financial statements.

CAIRN INDIA HOLDINGS LIMITED

Notes to the financial statements (continued)

For the year ended 31 March 2020

1 Accounting Policies (continued)

n) Key estimations and assumptions (continued)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods affected.

The information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as given below:

(i) Impact of COVID-19

The outbreak of novel Coronavirus (COVID-19) pandemic globally and in India and the consequent lockdown restrictions imposed by national governments is causing significant disturbance and slowdown of economic activity across the globe. The commodity prices including oil have seen significant volatility with downward price pressures due to major demand centers affected by lockdown.

The Company has taken proactive measures to comply with various regulations/ guidelines issued by the Government and local bodies to ensure safety of its workforce and the society in general.

The Company has considered possible effects of COVID-19 on the recoverability of its investments and loan receivables. The Company has considered forecast consensus, industry reports, economic indicators and general business conditions to make an assessment of the implications of the Pandemic. The Company has also performed sensitivity analysis on the assumptions used basis the internal and external information/ indicators of future economic condition. Based on the assessment, the Company has recorded necessary adjustments and has disclosed the same as special items.

(ii) Impairment testing

To ascertain the fair value of all the components related to ASI acquisition to be recorded in the financial statements of CIHL, a fair valuation exercise has been carried out by an independent external expert. Since all the components such as receivables, conversion/ put option, equity are closely interlinked, the valuation was carried out for all the components after considering the projected earnings estimates of ASI, future cash flows, coupon interest repayments, principal repayment ability after repayment of interest payments etc. with the help of valuation techniques (discounted cash flow). During the year ended 31st March 2020, the company has recorded an impairment in relation to its investment of USD 237.5 mn due to reduction in recoverable value of PPE in RJ block held by CEHC mainly driven by reduction in crude prices forecast. Refer Note (f) above.

(iii) Fair value measurement

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of estimation is required in establishing fair values. Estimates include considerations of inputs such as stock prices, vesting terms, exercise price, volatility, risk free rate of return, equity value and other factors. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See note 7a for further details.

CAIRN INDIA HOLDINGS LIMITED

Notes to the financial statements (continued)

For the year ended 31 March 2020

2 Operating Loss

a) Operating loss is stated after charging:

	Year ended March 2020	Year ended March 2019
	\$	\$
Administrative expenses	4,220,721	3,186,597
	<hr/> 4,220,721	<hr/> 3,186,597

b) Continuing operations

All profits in the current period and preceding year were derived from continuing operations.

c) Administrative expenses

Administrative expenses include \$13,006 (year ended March 2019: \$ 51,148) on account of directors remuneration.

3 Auditors' Remuneration

Fees amounting to \$21,470 (year ended 31 March 2019: \$10,464) are payable to the Company's auditors for the audit of the Company's accounts for the year 2019-20. The Company has a system in place for the award of non-audit work to the auditors which, in certain circumstances, requires Audit Committee approval of its parent company.

CAIRN INDIA HOLDINGS LIMITED

Notes to the financial statements (continued)

For the year ended 31 March 2020

4 Investment Revenue

	Year ended March 2020	Year ended March 2019
	\$	\$
Interest Income – Financial assets measured at FVTPL	7,041,533	17,329,907
Interest income- financial assets at amortised cost	13,385,576	9,887,527
Fair value (loss)/gain on financial asset investments (structured investment) at FVTPL (Refer note 17(6))	(51,143,954)	148,900,587
Dividend income	557,079,625	168,515,173
Change in fair value of financial assets (net)*	(68,418,300)	(22,623,980)
	457,944,480	322,009,214

*Includes gain of \$ 26.6m (March 2019: loss of \$18.6m) on forward currency contracts, loss of \$ 4.8m (March 2019: \$25.5m) on conversion option and loss of \$ 13.6m (March 2019: \$5.1m) on put option.

5a Finance Costs

	Year ended March 2020	Year ended March 2019
	\$	\$
Interest on borrowings	10,296,658	18,555,908
Bank and other charges	3,090,723	168,742
Amortisation of borrowing costs	994,746	4,672,206
Corporate guarantee commission	8,962	1,196,767
	14,391,089	24,593,623

5b Other gains and losses

	Year ended March 2020	Year ended March 2019
	\$	\$
Foreign exchange (loss)/gain (net)	11,588,178	(7,139,637)
Expected credit loss provision on Inter Company Loans	(9,967,664)	
	1,620,514	(7,139,637)

5c Special items

	Year ended March 2020	Year ended March 2019
	\$	\$
Impairment of investments	(245,012,160)	-
	(245,012,160)	-

The company has recorded an impairment in relation to its investment in subsidiaries i.e. CEHC & ASI. During the year ended 31st March 2020, the company has recorded an impairment in relation to its investment of USD 237.5 mn due to reduction in recoverable value of PPE in RJ block held by CEHC mainly driven by reduction in crude prices forecast.

In case of ASI, impairment was driven mainly due to significant changes in the market and economic environment in which ASI operates. This led to decrease in demand and profitability in the glass substrate business. CIHL's investment in ASI was independently valuated and based on it, impairment charge of \$ 7.49 mn was taken. Further details are available in note 1 (f)

CAIRN INDIA HOLDINGS LIMITED

Notes to the financial statements (continued)

For the year ended 31 March 2020

6 Taxation on Profit

Profits arising in the Company for the year ended 31 March 2020 of assessment will be subject to Jersey tax at the standard corporate income tax rate of 0% (2019: 0%).

a) Analysis of tax charge during the year

	Year ended March 2020 \$	Year ended March 2019 \$
Current tax	826,265	802,417
Total current tax	826,265	802,417
Deferred tax	-	-
Total deferred tax	-	-
Total tax charge	826,265	802,417

6 Taxation on Profit

Factors affecting tax charge for year

A reconciliation of income tax (credit)/expense applicable to profit before tax at the applicable tax rate to tax (credit)/expense at the Company's effective tax rate is as follows:

	Year ended March 2020 \$	Year ended March 2019 \$
Profit before taxation	195,941,024	287,089,357
Corporation tax at the standard Jersey rate of 0% (Apr'18-Mar'19- 0%)	-	-
Effects of:		
Withholding tax deducted on interest income from foreign jurisdictions	826,265	802,417
Total tax charge	826,265	802,417
Effective tax rate	0.42%	0.28%

7a Investments in Subsidiaries

	Year ended March 2020 \$	Year ended March 2019 \$
Cost and net book value:		
Opening investment		
Cairn Energy Hydrocarbons Limited	674,864,432	674,764,432
AvanStrate Inc.	7,485,419	7,827,211
Investments made during the year		
Cairn Energy Hydrocarbons Limited (Refer note 17)	399,580,000	100,000
Impairment of cost of investment		
Cairn Energy Hydrocarbons Limited	(237,524,433)	-
AvanStrate Inc.	(7,485,418)	(341,792)
	836,920,000	682,349,851

CAIRN INDIA HOLDINGS LIMITED

Notes to the financial statements (continued)

For the year ended 31 March 2020

7a Investments in Subsidiaries (continued)

a) During the year, the Company made the following investments in Cairn Energy Hydrocarbons Limited:

- 141,946,369 shares @ GBP 1.00 amounting to \$175,000,000 on 04th October 2019
- 140,473,526 shares @ GBP 1.00 amounting to \$172,000,000 on 09th October 2019
- 19,155,620 shares @ GBP 1.00 amounting to \$25,000,000 on 31st January 2020
- 1,982,816 shares @ GBP 1.00 amounting to \$2,580,000 on 04th February 2020
- 19,282,535 shares @ GBP 1.00 amounting to \$25,000,000 on 13th February 2020

During the year an impairment loss on the investment in Cairn Energy Hydrocarbons Limited (being wholly owned subsidiary), has been recorded based on the entity valuation (consisting of recoverable value of CEHC's share in Rajasthan block and other net assets of CEHC).

An impairment loss on the investment in Avanstrate Inc., has been recorded based on the valuation report received from independent third-party valuer.

During the previous year, the Company made the following investments in Cairn Energy Hydrocarbons Limited:

- 30,590 shares @ GBP 1.00 amounting to \$40,000 on 19th July 2018
 - 45,710 shares @ GBP 1.00 amounting to \$60,000 on 14th September 2018
- b) The directors, in their meeting held on 28 December, 2017, had approved an investment of \$157.8m for a 51.63% stake in the voting rights in Japanese manufacturer for LCD glass substrate, AvanStrate Inc. ("ASI") and its two subsidiaries AvanStrate Taiwan ("AST") and AvanStrate Korea ("ASK").

The transaction consists of three elements:

- acquisition of 51.63% of equity stake of ASI for a nominal consideration of \$8,827 (JPY 1.0m)
- acquisition of \$150.6m (JPY 17,058m) debt in ASI & ASK with a face value of \$299.0m from banks;
- extension of \$7.2m (JPY 814.8m) loan to ASI.

As per the shareholding agreement (SHA) entered with the other majority shareholder holding 46.6% in ASI, Company has a convertible call option to convert part of the loan into equity of ASI and it has issued put option to the other majority shareholder. These are exercisable as per the terms mentioned below.

The non-controlling shareholders of ASI have been given an option to offload their shareholding to the Company. The option is exercisable after 5 years from the date of acquisition (i.e. 28 December 2017) at a price higher of \$0.757 per share and the fair market value of the share. Therefore, the Company has recorded a derivative liability of \$33.3m (March 2019: \$19.3m) as fair value change through profit & loss. (Refer note 9)

The Company has an option to purchase the entire shares of non-controlling shareholders of ASI. The non-controlling shareholders have the option to reject the offer if the company does not make an offer for the entire shareholding. The option is exercisable after 5 years from the date of acquisition at a price higher of \$1.0816 per share and fair market value of the share multiplied by 150%, 140% or 130%, depending upon the time of exercise. The Call Option is exercisable in whole and not in part, since the Call option is out of money, the same has not been recognised in these financial statements.

The Company was also entitled to convert the loan extended by it to ASI into the equity shares of ASI. The option was exercisable from January 1, 2018 to December 31, 2020 at a price of \$86.0 per share, subject to a condition that the shareholding of non-controlling shareholders of ASI should not fall below 20%.

Accordingly, Company has recognised an asset of \$1.0m (March 2019: \$5.6m) representing the fair value of conversion option. The Company had option to exercise the said option on December 31, 2020 and has hence disclosed the same as current. However, this option has not been exercised by December 31, 2020 and had lapsed.

CAIRN INDIA HOLDINGS LIMITED

Notes to the financial statements (continued)

For the year ended 31 March 2020

7a Investments in Subsidiaries (continued)

As a part of the overall transaction, the Company had also acquired a financial asset (\$ 141.1 mn) in the nature of loan receivable which at initial recognition has been recorded at fair value being the transaction value of acquisition of ASI after allocating values to put option, call option and conversion option from the total consideration paid. At the end of financial year 2019-20, a fair valuation exercise of total investments in ASI has been carried out by CIHL, based on which the above amounts (\$136.1m i.e. closing balance as at 31 March 2020) were recorded in the financial statements. The valuation has been carried out by an external expert. Based on the sensitivities carried out for ASI, increase in volume assumptions by 1% would lead to increase in fair value by US\$ 2.27m and decrease in discount rate by 1% would lead to a increase in fair value by US\$ 6.42m

In the opinion of the Directors, the value of shares in the Company's subsidiary undertakings (Cairn Energy Hydrocarbons Limited and AvanStrate Inc.) is not less than the amounts at which these are shown in the Balance Sheet.

Details of the primary investments in which the Company held 20% or more of the nominal value of any class of share capital are as follows:

Company	Country of incorporation	Proportion of voting rights an ordinary shares	Nature of Business
Cairn Energy Hydrocarbons Limited	Scotland	100%	Exploration & production
Cairn Energy Gujarat Block 1 Limited	Scotland	100%	Exploration & production
Cairn Energy India Pty Limited	Australia	100%	Exploration & production
AvanStrate Inc.	Japan	51.63%	LCD Glass substrate
Indirect Holding			
Cairn South Africa (Pty) Limited	South Africa	100%	Exploration & production
Cairn Mauritius Holding Limited	Mauritius	100%	Holding company
Cairn Mauritius Pvt Limited	Mauritius	100%	Holding company
Cairn Lanka Pvt Limited	Sri Lanka	100%	Exploration & production
AvanStrate Korea Inc.	Korea	51.63%	LCD Glass substrate
AvanStrate Taiwan Inc.	Taiwan	51.63%	LCD Glass substrate

During the year 2019-20, the following subsidiaries were liquidated/deregistered as a result of which these holdings were reduced to nil:

Cairn Energy Discovery Limited	Scotland
Cairn Exploration (No. 2) Limited	Scotland

The Company holds interest in RJ-ON-90/1 oil and gas field, through its subsidiary Cairn Energy Hydrocarbons Limited. The Production Sharing Contract ('PSC') for the said field provides for an extension of the contract at the same terms by a maximum period of ten years, in case there is a continued production of commercial natural gas from the said field.

On 26 October 2018, the Government of India (GoI) acting through the Directorate General of Hydrocarbons (DGH) granted its approval for a ten-year extension of the PSC for the Rajasthan Block (RJ), with effect from 15 May 2020 subject to certain conditions.

The key conditions stated by DGH and the Company's position is detailed below:

CAIRN INDIA HOLDINGS LIMITED

Notes to the financial statements (continued)

For the year ended 31 March 2020

7a Investments in Subsidiaries (continued)

a) Submission of Audited Accounts and End of Year Statement

Condition regarding submission of audited accounts and End of Year Statement for adoption by Management Committee of the Block has been delinked by DGH vide letter dated 3 December 2019 as a pre-condition to PSC extension.

b) Profit Petroleum

DGH has issued a letter on 12 May 2020 asking contractors to make payment of \$520m (CEHL share \$182m) and stating that in case of continued default the present PSC shall expire on 14 May 2020. Company responded to this letter noting that it was unsustainable unless the dispute stands resolved as per process prescribed in the PSC and demanded that the same should be withdrawn. It was also clarified that the same should be de-linked as a condition for the extension. Further, failing confirmation of appointment of sole expert by the GoI for ~7 months, Company served Notice of Arbitration dated 14 May 2020. The Government of India (GOI) has responded to company's notice of arbitration on 29 June 2020 and raised claims of \$1,031m (CEHL Share -\$516m) (representing audit exceptions notified by DGH upto FY 2017-18) plus consequential impact until the expiry of the current PSC on 14 May 2020.

The Company believes that it has sufficient as well as reasonable basis (pursuant to PSC provisions & approvals), supported by legal advice, for having claimed such costs and for allocating common costs between different DAs. In the Company's opinion, these computations of the aforesaid demand/audit exceptions are not appropriate and the accounting adjustments sought for issues pertaining to Year 2007 and onwards are based on assumptions that are not in consonance with the approvals already in place. The Company's view is also supported by independent legal opinion and the Company has been following the process set out in PSC to resolve these aforesaid matters.

On 23 September 2020 GOI had filed an application for interim relief before Delhi High Court seeking payment of all disputed dues. The bench was not inclined to pass ex-parte order and it was put to the Govt why the matter should not be relegated to the Tribunal which stands constituted already. The matter is now listed for hearing on 12 April 2021.

On Vedanta Limited's applicant u/s 17 of the Arbitration and conciliation Act, 1996, on 23 December 2020, the tribunal has ordered that Government of India (GOI) should not take any action, directly or indirectly, to enforce against the Claimants (i.e. Vedanta Limited and CEHL) any of the amounts at issue in this arbitration, including by way of a purported condition to any extension of the Production Sharing Contract ("PSC"); any steps to impair or terminate any rights of the Claimants under the PSC or otherwise to expropriate the Claimants' investment in the RJ Block; and direction by the GOI upon a third party with respect to the amounts at issue in this arbitration. Also, GOI should not take any other steps likely to aggravate the dispute pending the Tribunal's final resolution of the Parties' claims, including whether the audit exceptions give rise to any liability on the part of the Claimants; and/or alter the status quo ante as at the time the arbitration was commenced. During the arbitral period, the GOI continues to extend the contractual arrangements under the PSC on the terms of the current extension, which includes a 10% increase in payment to the GOI pursuant to its current policy, on a without prejudice basis. The GOI has challenged the said order before the Delhi High Court u/s 37 of the Arbitration and conciliation Act, 1996. The same is listed on 12 April 2021.

Further to above stated letter from GoI on 26 October 2018, in view of pending non-finalisation of the Addendum to PSC, the extraordinary situation prevailing on account of COVID-19 and non-finalisation of issues including the aforesaid DGH demand, the GoI granted, vide letter dated 14 May 2020, permission to the Company to continue petroleum operations in Rajasthan block, till the execution of the Addendum to PSC or for a period of three months from 15 May 2020, whichever is earlier, which is further extended to 30 April 2021. The applicability of the PRE-NELP extension policy (entailing 10% higher profit petroleum) to Rajasthan Block production Sharing Contract is challenged by Cairn vide an affidavit filed on 26 July 2017. On 26th March 2021, the Division bench of Delhi high Court has set aside a single judge order of 31 May 2018 which directed the government to extend the tenure of the PSC for a period of 10 years, till 2030, on the same terms and conditions. All available legal remedies (including appeal to Supreme Court) are being evaluated for further action as appropriate. Nevertheless, Government of India, in their submissions to the Delhi High Court, has not objected to Vedanta obtaining a 10 year extension of Rajasthan PSC. The legal dispute only relates to additional 10% profit petroleum rather than Vedanta's right to obtain 10 year extension. Further, on 30 March, 2021, Vedanta has paid the additional 10% profit petroleum to the Government due from 15th May 2020 till 31st Dec 2020. Based on above and Company's intention to extend the PSC, as demonstrated, in Management view it is considered virtually certain that Rajasthan PSC has in effect been extended by 10 years.

CAIRN INDIA HOLDINGS LIMITED

Notes to the financial statements (continued)

For the year ended 31 March 2020

7a Investments in Subsidiaries (continued)

Further in our view, the demand raised by the Government linked to PSC extension, is untenable and has not resulted in creation of any liability and cannot be a ground for non-extension. In addition, all necessary procedures prescribed in the PSC including appropriate dispute resolution process, in respect of the stated audit observation have also been satisfied. Accordingly, in our view, all the conditions of the PSC extension approval granted vide DGH letter dated 26 October 2018 stands addressed and no material liability would devolve upon the Company.

An adverse decision from the Government of India on the PSC extension could result in a substantial loss of value and could have a material adverse effect on Vedanta's results of operations and financial condition

7b Financial asset investment

Financial asset investments represent investments classified and accounted for as fair value through profit or loss

	31 March 2020	31 March 2019
	\$	\$
As at April 2019	689,831,032	-
Purchase of structured investment (Refer note 17)	-	540,964,776
Sale of structured investment (Refer note 17)	(638,687,079)	-
Movement in fair value	(9,916,265)	129,413,392
Exchange difference	(41,227,688)	19,452,864
As at March 2020	-	689,831,032

During the year, based on market view and as a profit booking strategy, CIHL requested Volcan to early exit MXB structure and transfer the AAP share realization proceed to CIHL. Consequently on 13th and 14th August 2019, CIHL received total sum of US\$ 397.6 million (net of associated liabilities of US\$ 228.7 million) and balance of US\$ 12.4 million has been recorded as receivables as at March 31, 2020 from the sale of Structured investments.

CAIRN INDIA HOLDINGS LIMITED

Notes to the financial statements (continued)

For the year ended 31 March 2020

8 Other Receivables

	31 March 2020	31 March 2019
	\$	\$
Non-Current Assets		
Amount owed by group companies*	295,265,625	260,693,170
Less: Expected credit loss	(9,967,664)	-
Non-Current Assets	285,297,961	260,693,179
Current Assets		
Amount owed by group companies*	8,743,027	4,073,305
Others	12,414,794	29,547
Current Asset Total	21,157,821	4,102,852
Financial (A)	306,455,782	264,796,022
Current Assets		
Prepayments	-	1,411,648
Non-Financial (B)	-	1,411,648
Total (A) + (B)	306,455,782	266,207,670

Neither past due nor impaired	292,979,932	264,796,022
Past due but not impaired		
Less than 1 month	55,557	-
Between 1-3 months	956,055	-
Between 3-12 months	12,374,706	-
Greater than 12 months	89,532	-
Total	306,455,782	264,796,022

*Amount owed by group companies includes the loan given (inclusive of accrued interest) to THL Zinc Holding BV amounting to \$86.2m (March 2019: \$86.2m), Fujairah Gold amounting to \$74.0m (March 2019: \$nil), Avanstare Inc. amounting to \$128.5m (March 2019: \$136.8m), Avanstare Korea amounting to \$15.2m (March 2019: \$42.3m) and Cairn Lanka Private Limited amounting to \$0.1m (March 2019: \$0.1m) (Also refer note 17).

9 Financial instruments (derivatives)

	31 March 2020	31 March 2019
	\$	\$
Non-Current Financial Asset		
Fair value of Conversion option (at FVTPL) (Refer note 19)	-	5,592,980
Current Financial Assets		
Fair value of currency forward contract (at FVTPL)	-	3,603,433
Fair value of Conversion option (at FVTPL) (Refer note 19)	966,585	-
Total	966,585	9,196,413
Non-Current Financial Liabilities		
Fair value of Put option liability (at FVTPL) (Refer Note 19)	33,318,966	19,278,968
Total	33,318,966	19,278,968

CAIRN INDIA HOLDINGS LIMITED

Notes to the financial statements (continued)

For the year ended 31 March 2020

10 Short-term Investments

	31 March 2020	31 March 2019
	\$	\$
Bank deposits*	752,522,676	18,404,955
Investment in bonds	24,245,387	111,653,634
Investment in mutual funds	981,474	279,439,362
Escrow account	-	874,324
Total	777,749,537	410,372,275

*Bank deposits are made for varying periods depending on the cash requirements of the company and interest is earned at respective fixed deposit rates. The increase in current year is on account amount realised from Mutual funds and structured investments are held as bank deposits

11 Cash and Cash Equivalents

	31 March 2020	31 March 2019
	\$	\$
Cash at bank	20,119,144	18,876
Bank deposits	-	159,703,127
	20,119,144	159,722,003

Cash at bank earns interest at floating rates based on daily deposit rates.

12 Borrowings

	31 March 2020	31 March 2019
	\$	\$
Total Non-current borrowings	478,536,589	-
Total current borrowings	14,958,156	379,302,212

- During the year, Company has repaid term loan amounting to \$379.3m (i.e. amount which was outstanding as on 31 March 2019) and has availed borrowing facility of USD 500m during the current year at interest rate - Libor + Applicable margin (Interest rate as on 31st December 2020 is 3.50%) for a period of 5 years that will be repaid in 18 quarterly instalments as defined in loan agreement. The Company had taken the loan for the purpose of capital and operating expenditure incurred through its subsidiary Cairn Energy Hydrocarbons Limited ("CEHC") in Rajasthan oil and gas block.
- The said loan is charge on CEHC's all banks accounts, cash, investments, receivables and current assets (excluding any shares issued to CEHC by its subsidiaries, all of its right, title and interest in and to Production Sharing Contract of RJ-ON-90/1 block and all of its fixed assets of any nature).
- The Company has not defaulted in the repayment of principal and interest as at Balance sheet date.
- The loan is subject to certain financial and non-financial covenants. The Company has complied with the covenants as per terms of the loan agreement.

CAIRN INDIA HOLDINGS LIMITED

Notes to the financial statements (continued)

For the year ended 31 March 2020

13 Net Debt Movement ⁽¹⁾

\$

	Cash and cash equivalents	Short-term Investments*	Financial asset investment net of related liabilities	Total cash and Short - term investments	Debt carrying value due within one year	Debt carrying value due after one year	Total Net Debt
At 1 April 2018	2,630	805,228,111	-	805,230,741	(51,595,168)	(374,732,627)	378,902,946
Cash flow	147,051,416	(390,416,732)	253,781,750	10,416,433	-	42,353,377	52,769,810
Other non-cash changes ⁽²⁾	12,667,957	(4,439,104)	136,770,309	144,999,163	(327,707,044)	332,379,250	149,671,369
At 1 April 2019	159,722,003	410,372,275	390,552,059	960,646,338	(379,302,212)	-	581,344,125
Cash flow	(139,552,975)	361,405,338	(334,595,668)	(91,651,910)	364,344,056	(479,531,334)	(206,839,188)
Other non-cash changes ⁽²⁾	(49,884)	5,971,924	(55,956,391)	(71,125,747)	-	994,745	(70,131,002)
At 31 March 2020	20,119,144	777,749,537	-	797,868,681	(14,958,156)	(478,536,589)	304,373,935

*Includes Non-Current bank deposits. (Refer note 10)

- 1) Net debt is a Non IFRS measure and represents total debt after fair value adjustments under IAS 32 and IFRS 9 as reduced by cash and cash equivalents, short-term investments and structured investment, net of the deferred consideration payable for such investments (referred above as Financial asset investment net of related liabilities) (refer note 17).
- 2) Other non-cash changes comprise of amortisation of borrowing costs, fair value movement in investments, reclassification between debt due within one year and debt due after one year. It also includes fair value movement on structured investment and accrued interest on other investments.

14 Other Payables

	31 March 2020	31 March 2019
	\$	\$
Non-current		
Other payables (at amortised cost)*	-	143,624,361
Current		
Other payables (at amortised cost) *	7,126,632	161,952,757
Total	7,126,632	305,577,118

Non-interest bearing other payables are normally settled in a 30 to 60 days term. Fair values of other payables are not materially different from the carrying values presented.

*During the year, based on market view and as a profit booking strategy, CIHL requested Volcan to early exit MXB structure and transfer the AAP share realization proceed to CIHL. Consequently on 13 and 14 August 2019, CIHL received total sum of US\$ 397.6 million (net of associated liabilities of US\$ 228.7 million) and balance of US\$ 12.4 million has been recorded as receivables as at 31 March 2020 from the sale of Structured investments.

During the year, Company has paid two instalments of SID liability payable as per the Structure Investment Deed dated 14 February 2019, amounting to US\$ 63.0 million (net of realized foreign exchange gain of US\$ 7.5 million) to Volcan.

CAIRN INDIA HOLDINGS LIMITED

Notes to the financial statements (continued)

For the year ended 31 March 2020

15 Share Capital

	31 March 2020 Number	31 March 2019 Number
Authorised shares		
Ordinary shares of £1 each	1,200,000,000	1,200,000,000
Redeemable preference shares of £1,000 each	600,000	600,000
	1,200,600,000	1,200,600,000

Rights and obligations attaching to the shares

The rights and obligations attaching to the ordinary and redeemable preference shares are set out in the Articles.

Each ordinary share carries the right to one vote at general meetings of the Company and is entitled to dividends.

The holders of the redeemable preference shares do not have the right to receive notice of any general meeting of the company nor the right to attend, speak or vote any such general meeting. The redeemable preference shares don't confer on their holders the right to receive any dividend. On winding up or redemption, at the time of such return of capital, holders of redeemable preference shares shall get priority over any other class of shares. Also, redeemable preference shares are convertible into ordinary shares only at the option of the Company.

	31 March 2020 Number of shares	31 March 2020 \$	31 March 2019 Number of shares	31 March 2019 \$
Paid up amount				
At 31 March	420,810,062	755,567,901	420,810,062	755,567,901

16 a) Share Premium

	31 March 2020 \$	31 March 2019 \$
Share Premium	458,227,729	458,227,729

b) Other Equity

	31 March 2020 \$	31 March 2019 \$
Other Equity	(5,494,180)	(5,494,180)

Other equity consists of debts owing from Cairn India Holdings Limited to other group companies which were waived in earlier years, and have been recognised directly in equity.

CAIRN INDIA HOLDINGS LIMITED

Notes to the financial statements (continued)

For the year ended 31 March 2020

17 Related Party Transactions

The following table provides the relationship between Group companies with whom the Company has entered into transactions during the year and the balances outstanding at the Balance sheet date:

Name of company	Relationship
Cairn Energy Hydrocarbons Limited	Subsidiary
Vedanta Resources Limited	Intermediate Parent Company
AvanStrate Inc	Subsidiary
AvanStrate, Korea	Subsidiary
Cairn Lanka Private Limited	Fellow Subsidiary
THL Zinc Holding BV	Fellow Subsidiary
Vedanta Limited	Holding Company
Sterlite Technologies Limited	Same controlling party
Volcan Investments Limited	Ultimate controlling entity
Twin Star Mauritius Holding Limited	Fellow Subsidiary
Bloom Fountain	Fellow Subsidiary
Akarsh Hebbar	KMP of AvanStrate Inc and related to Director of parent company

CAIRN INDIA HOLDINGS LIMITED

Notes to the financial statements (continued)

For the year ended 31 March 2020

17 Related Party Transactions (continued)

The following table provides the total amount of transactions which have been entered into with group companies during the year and the balances outstanding at the Balance sheet date:

		31 March 2020	31 March 2019
		\$	\$
Transactions during the year			
Dividend received	Note 1	554,497,186	168,000,000
Interest income on bonds	3	2,482,500	3,902,750
Loan given to AvanStrate Inc.	7	13,878,410	-
Interest income on loan	3,7	9,301,189	7,587,530
Loans given to related parties	3	73,205,000	85,670,000
Impairment of loan	3	365,000	465,000
Capital investment	2	399,580,000	100,000
Corporate guarantee released		436,197,544	59,452,456
Guarantee commission paid	5	8,963	1,156,767
Redemption of debt bonds in the market	3	-	28,500,000
Support services taken from Vedanta Limited		15,600	15,600
Expense reimbursement to Vedanta Resources Limited		1,72,232	-
Management Consultancy services -Akarsh Hebbar	9	699,996	845,830
Management Consultancy services -Sterlite Technologies Limited	10	2,006,164	1,910,959
Volcan Investments Limited – (Sale)/Purchase of structured investment	6	(397,623,620)	540,964,776
Volcan Investments Limited – Payment of deferred liability	6	63,027,953	-
Balances owed by /(to) group companies/related parties			
Cairn Energy Hydrocarbons Limited		74,289	74,289
THL Zinc Holding BV (including interest accrued)	4	86,156,055	86,238,992
Fujairah Gold (including interest accrued)	4	74,009,327	-
AvanStrate Inc. (Face value)	7	219,993,771	201,405,699
AvanStrate, Korea (Face value)	7	115,025,427	112,395,146
Vedanta Resources Limited.	8	(1,012,232)	(840,000)
Cairn Lanka Private Limited		105,000	105,000
Management Consultancy services -Akarsh Hebbar	9	(29,167)	(29,167)
Management Consultancy services -Sterlite Technologies Limited	10	(485,000)	(1,910,959)
Volcan Investments Limited – Deferred consideration payable	6	-	(299,244,642)
Volcan Investments Limited – Fair value of structured investment at year end	6	-	689,831,032
AvanStrate Inc. – interest accrued	7	7,681,972	3,589,366
Volcan Investments Limited-receivable	6	12,374,706	-
Fair Value of Bonds			
Vedanta Resources Limited	3	13,534,290	32,191,250
Corporate Guarantee outstanding			
Vedanta Limited	5	-	436,197,544

CAIRN INDIA HOLDINGS LIMITED

Notes to the financial statements (continued)

For the year ended 31 March 2020

17 Related Party Transactions (continued)

(1) The Company received dividends of \$554.5m (year ended 31 March 2019: \$168.0m) from Cairn Energy Hydrocarbons Limited, its subsidiary. During the year CEHC has reduced its paid-up share capital and share premium reserves by \$401.5m and transferred it to retained earnings thus creating distributable reserves.

(2) The Company has made an investment of \$399.6m (March 2019: \$0.1m) in the equity of Cairn Energy Hydrocarbons Limited during the year ended 31st March 2020.

(3) Company had purchased the debt bonds of Vedanta Resources Limited, its parent company from secondary market. The Company earned interest income of \$2.5m (year ended 31 March 2019:\$3.9m) on bonds. The balance outstanding at the balance sheet date is at carrying value of \$ 13.5m (year ended 31 March 2019: \$32.2m) which includes accrued interest of \$ 0.8m (31 March 2019: \$0.8m). During the year bonds worth \$0.0m were matured (31 March 2019: \$28.5m).

(4) The Company advanced a loan of \$0.4m (31 March 2019: \$0.5m) to its fellow subsidiaries Twin Star Mauritius Holdings Limited and Bloom Fountain in different tranches which were impaired during the year. This impairment has been recorded directly in the statement of changes in equity. No interest was accrued on the same.

During the current year the Company advanced a loan to its fellow subsidiaries Fujairah Gold and THL Zinc Holding BV amounting to \$72.7m and 0.1m respectively. On the said loans, interest income and accrued interest amounting to \$5.3m and \$2.2m were recorded in the books.

(5) The Company during the year 2017-18 received a corporate guarantee from its holding company, Vedanta Limited for an amount of \$748.7m towards the loan facility undertaken representing 115% of the loan facility availed. There was no balance outstanding as on 31st March 2020 since the loan was completely settled during the year. The Company has paid a corporate guarantee commission amounting to \$0.009m (March 2019: \$1.2m) to Vedanta Limited during the year. During the year corporate guaranteed amounting \$ 436.19m outstanding as on 31st March 2019 has been released.

(6) In December 2018, as part of its cash management activities, Cairn India Holdings Limited (CIHL), entered into a tripartite agreement with Volcan Limited (Volcan) and one of its subsidiaries. Under the agreement, CIHL purchased an economic interest in a structured investment for the equity shares of Anglo American Plc (AA Plc), a company listed on the London Stock Exchange, from Volcan for a total consideration of US\$ 541 million (GBP 428 million), determined based on an independent third-party valuation. The ownership of the underlying shares, and the associated voting interests, remained with Volcan and the investment would mature in two tranches in April 2020 and October 2020. As part of the agreement, CIHL also received a put option (embedded derivative) from the aforementioned subsidiary, the value of which was not material at initial recognition. In February 2019, certain terms of the aforesaid agreement were modified, and it was converted into a biparty agreement between CIHL and Volcan. The revision in the terms did not have any material effect on the fair value of the instrument on that date.

CAIRN INDIA HOLDINGS LIMITED

Notes to the financial statements (continued)

For the year ended 31 March 2020

17 Related Party Transactions (continued)

As per the revised agreement, if the share price of AA Plc remain above the Put exercise price, CIHL would be entitled to an amount determined based on the share price of AA Plc multiplied by 14.6 million and 10.1 million shares respectively on the aforementioned two maturity dates. Alternatively, CIHL also has an option to realise the instrument for US\$ 358 million (GBP 274 million) and US\$ 247 million (GBP 189 million) on the respective maturity dates

During the year, based on market view and as a profit booking strategy, CIHL requested Volcan to early exit MXB structure and transfer the AAP share realization proceed to CIHL. Accordingly, on July 25, 2019, CIHL entered into an amendment with Volcan to agree terms of settlement of SID on early unwinding of MXBs. Simultaneously, on July 25, 2019 Volcan entered into an agreement with J.P. Morgan Securities Plc. (JPM), for appointment of JPM as share sale agent ('Block Trade Agreement') for the sale of shares of AAP. JPM subsequently sold shares to third party buyers at market rate (based on accelerated book building process) and the amount so realised from such resale net of deferred payment liability of CIHL under SID and transaction expenses/charges were transferred by Volcan to CIHL.

The Actual net settlement proceeds from the sale of 24.7 million shares of AAP was approximately ~ US\$ 639m (GBP 518m) (settled at GBP 21/ share which is ~4% bulk purchase discount to closing price of AAP). The net settlement price represents the actual price Volcan realised from selling the shares of AAP to an unrelated third-party net of associated transaction costs. On 13th and 14th August 2019, CIHL received total sum of US\$ 397.6 million (net of associated liabilities of US\$ 228.7 million) from the sale of Structured investments. The SID liability amounting to US\$ 63.0 million (net of realized foreign exchange gain of US\$ 7.5 million) has been settled during the year. The balance of US\$ 12.4 million has been recorded as receivables as at March 31, 2020. Post year end, Directors have decided to waive recovery of the amount from Volcan.

(7) During the year 2017-18, the Company has paid an amount of \$150.6m to acquire control in AvanStrate Inc., Japan and its two subsidiaries AvanStrate, Taiwan ("AST") and AvanStrate, Korea ("ASK"). As a part of the integrated transaction, the Company has entered into put, call, conversion option (refer note 7 for further details) and acquired financial instruments having a face value of \$220.0m (March 2019: \$201.4m) and \$115.0m (March 2019: \$112.4m) from AvanStrate Inc., Japan and AvanStrate, Korea respectively. The said instruments are in different tranches and carry interest rates ranging from six months JPY TIBOR + 1% to 2.5%. The first interest payment was due in April 2018 and thereafter every six months. The loans are repayable in half yearly instalments starting April 2021 till October 2027.

The terms of interest payments have been amended during the year. As per the modified terms, the interest payments which were earlier due in 2018-19 and 2019-20 were initially extended to April 2020 and after the year end, they have been further extended to October 2020. The Company is in process to extend the terms of interest payments from October 2020 to April 2021.

During the current year the company received Interest income of \$4.0m (March 2019: \$3.9m) on loan given to AvanStrate Inc., Japan and its two subsidiaries AvanStrate, Taiwan ("AST") and AvanStrate, Korea ("ASK"), amounting to \$136.0m (March 2019: \$175.6m). Interest accrued thereon amounts to \$7.7m (March 2019: \$3.6m).

During the year, the Company advanced a loan amounting to \$13.88m. The Company has recorded reduction in fair value of loans of \$ 82.42m on the basis of third-party valuation report from Duff & Phelps. (Refer note 1(f) above). In addition, Company has recorded an expected credit loss of \$9.47m on the above inter-company loans.

(8) The Company reimbursed consultancy expenses of \$0.2m to its intermediate parent company Vedanta Resources Limited during the year.

(9) During the year, the Company has incurred fees for consultancy services to KMP of AvanStrate Inc. amounting to \$0.7m (March 2019: \$0.8m) and have an amount outstanding of \$0.03m.

(10) The Company incurred consultancy fees to Sterlite Technologies Limited for assistance in, and improve on, the management and operations of AvanStrate Inc.

Remuneration of key management personnel

Professional fees paid to the consultants for their directorship services to the Company amounted to \$0.01m (year ended 31 March 2019: \$0.02m)

CAIRN INDIA HOLDINGS LIMITED

Notes to the financial statements (continued)

For the year ended 31 March 2020

18 Financial Risk Management: Objectives and Policies

The Company manages its financial risk along with its subsidiaries at consolidated level (the 'Cairn India Holdings Group').

The Company treasury function is responsible for managing investment and funding requirements including banking and cash flow monitoring. It must also recognise and manage interest and foreign exchange exposure whilst ensuring that the Company has adequate liquidity at all times in order to meet its immediate cash requirements.

The Company may from time to time, opt to use derivative financial instruments to minimise its exposure to fluctuations in foreign exchange and interest rates. The risk management policies cover areas such as liquidity risk, interest rate risk, foreign exchange risk, counterparty credit risk, equity price risk and capital management.

Liquidity risk

The Cairn India Holdings Group generates sufficient cash flows from the current operations which together with the available cash and cash equivalents and short terms investments provide liquidity both in the short term as well as in the long term. As of 31 March 2020, the Group has taken a loan facility of \$500.0m (31 March 2019: 379.3m). The Company also has uncommitted secured working capital facility worth \$25.0m (31 March 2019: \$25.0m). As at 31 March 2020, there were no outstanding amounts under these facilities. In addition, as at 31 March 2020, the Group had \$nil of trade finance facilities (31 March 2019: \$nil) in place to cover the issue of bank guarantees / letter of credit. Fixed rates of bank commission and charges apply to these facilities. As of 31 March 2020 there were no outstanding amounts under the facility (31 March 2019: \$ nil).

The Cairn India Holdings Group currently has surplus cash which it has placed in a combination of fixed term deposits, marketable bonds and money market mutual funds with a number of International and Indian banks, financial institutions and corporates, ensuring sufficient liquidity to enable the Cairn India Holdings Group to meet its short/medium-term expenditure requirements.

The Cairn India Holdings Group is conscious of the current environment and constantly monitors counterparty risk. Policies are in place to limit counterparty exposure. The Cairn India Holdings Group monitors counterparties using published ratings and other measures where appropriate.

CAIRN INDIA HOLDINGS LIMITED

Notes to the financial statements (continued)

For the year ended 31 March 2020

18 Financial Risk Management: Objectives and Policies (continued)

Liquidity risk (continued)

The maturity profile of the Company's financial liabilities based on the remaining period from the balance sheet date to the contractual maturity date is given in the table below:

At 31 st March 2020	< 1 year	1-3 years	3-5 years	>5 years	Total
Non-Derivative- Other Payables	7,126,632	-	-	-	7,126,632
Derivative -Put Option	-	33,318,966	-	-	33,318,966
Borrowings*	35,567,767	212,123,813	314,451,117	-	562,142,697

At 31 st March 2019	< 1 year	1-3 years	3-5 years	>5 years	Total
Non Derivative - Other Payables	6,332,476	19,278,968	-	-	25,611,444
Derivative - Liability for structured investment	155,620,281	143,624,361	-	-	299,244,642
Borrowings*	379,302,212	-	-	-	379,302,212

* includes contractual interest payment of \$68.6m (March 2019: \$nil) based on interest rate prevailing at the end of the reporting period

At 31 March 2020, the Company has access to the following funding facilities:

At 31 st March 2020	Total facility	Drawn	Undrawn
Fund/Non-fund based	500,000,000	500,000,000	-
Total	500,000,000	500,000,000	-
At 31 st March 2019	Total facility	Drawn	Undrawn
Fund/Non-fund based	652,892,661	652,892,661	-
Total	652,892,661	652,892,661	-

Interest rate risk

Surplus funds are placed on short/medium-term deposits at fixed/floating rates and loan to subsidiaries. It is Cairn India Holding's policy to deposit funds with banks or other financial institutions that offer the most competitive interest rate at time of issue. The requirement to achieve an acceptable yield is balanced against the need to minimise liquidity and counterparty risk

The Company has borrowing of \$500m towards Oil and Gas business. The borrowing is linked to floating rates. Further short/medium-term borrowing arrangements are available at floating rates. The treasury functions may from time to time opt to manage a proportion of the interest costs by using derivative financial instruments like interest rate swaps. However, no such instruments have been used by the Company during the current and previous year. The Company also has a loan receivable from AvanStrate Inc. along with AvanStrate Korea, THL Zinc Holding BV and Fujairah Gold amounting to \$136.0m, \$85.2m and \$72.7m respectively.

CAIRN INDIA HOLDINGS LIMITED

Notes to the financial statements (continued)

For the year ended 31 March 2020

18 Financial Risk Management: Objectives and Policies (continued)

Interest rate risk (continued)

The exposure of the Company's financial assets to interest rate risk is as follows:

	31 March 2020			31 March 2019		
	Floating rate	Fixed rate	Non-interest bearing	Floating rate	Fixed rate	Non-interest bearing
Financial Assets*	285,010,107	796,881,996	23,398,945	540,132,532*	290,636,041	703,149,172*

*Intercompany loans of \$ 260m has been reclassified from non-interest bearing to floating rate in comparative figures consistent with the terms of the agreement.

The exposure of the Company's financial liabilities to interest rate risk is as follows:

	31 March 2020			31 March 2019		
	Floating rate	Fixed rate	Non-interest bearing	Floating rate	Fixed rate	Non-interest bearing
Financial liabilities	497,212,999	-	36,727,344	382,487,953	-	321,670,345

Considering the net debt position with respect to floating rate instruments as at 31 March 2020 and the investment in bank deposits, foreign currency bonds and foreign mutual funds, any increase in interest rates would result in a net loss and any decrease in interest rates would result in a net profit. The sensitivity analysis below has been determined based on the exposure to interest rates at the balance sheet date.

The below table illustrates the impact of a 0.5% to 2.0% increase in interest rate of floating rate financial assets and liabilities on profit/(loss) and represents management's assessment of the possible change in interest rates.

	31 March 2020	31 March 2019
Change in interest rates	Effect on profit	Effect on profit
0.5%	(1,061,014)	(788,223)
1.0%	(2,122,029)	(1,576,446)
2.0%	(4,244,058)	(3,152,892)

CAIRN INDIA HOLDINGS LIMITED

Notes to the financial statements (continued)

For the year ended 31 March 2020

18 Financial Risk Management: Objectives and Policies (continued)

Foreign currency risk

The Company manages exposures that arise from non-functional currency receipts and payments by matching receipts and payments in the same currency and actively managing the residual net position.

In order to minimise Company's exposure to foreign currency fluctuations, currency assets are matched with currency liabilities by borrowing or entering into foreign exchange contracts in the applicable currency if deemed appropriate.

The Group also aims where possible to hold surplus cash, debt and working capital balances in functional currency which in most cases is US dollars, thereby matching the reporting currency and functional currency of most companies in the Group. This minimises the impact of foreign exchange movements on the Company's Statement of Financial Position.

Where residual net exposures do exist and they are considered significant the Company and Group may from time to time, opt to use derivative financial instruments to minimise its exposure to fluctuations in foreign exchange and interest rates. The carrying amount of the Company's financial assets and liabilities in different currencies are as follows:

	31 March 2020		31 March 2019	
	Financial Assets	Financial Liabilities	Financial Assets	Financial Liabilities
USD	957,677,597	498,900,112	659,189,690	385,634,687
JPY	135,238,619	34,896,882	184,015,460	20,030,618
GBP	12,374,706	107,288	690,705,356	299,244,643
Others	126	36,061	7,239	-
Total	1,105,291,048	533,940,343	1,533,917,745	704,909,948

The Company's exposure to foreign currency arises where a Group company holds monetary assets and liabilities denominated in a currency different to the functional currency. Set out below is the impact of a 10% change in the US dollar on profit/ (loss) arising as a result of the revaluation of the company's foreign currency financial instruments:

	31 March 2020	
	Closing exchange rate (\$)	Effect of 10% strengthening of US dollar on net earning
JPY	108.11	10,034,174
GBP	0.81	1,226,742

CAIRN INDIA HOLDINGS LIMITED

Notes to the financial statements (continued)

For the year ended 31 March 2020

18 Financial Risk Management: Objectives and Policies (continued)

Foreign currency risk (continued)

A 10% weakening of US dollar would have an equal and opposite effect on the company's financial statements.

	31 March 2019	
	Closing exchange rate (JPY/\$)	Effect of 10% strengthening of US dollar on net earning
JPY	110.64	16,548,814
GBP	1.31	39,146,071

The sensitivities are based on financial assets and liabilities held at 31 March 2020 and 31 March 2019 where balances are not denominated in the company's functional currency. The sensitivities do not take into account the company's sales and costs and the results of sensitivities could change due to other factors such as change in the value of financial assets and liabilities as a result of non-foreign exchange influenced factors.

Credit risk

Credit risk from investments with banks and other financial institutions is managed by the Treasury functions in accordance with the Board approved policies of the Company. Investments of surplus funds are only made with approved counterparties who meet the appropriate rating and/or other criteria and are only made within approved limits. The respective Boards continually re-assess the Company's policy and update as required. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty failure.

During the year, Company has booked an expected credit loss of \$9.97m on inter-company loans.

The maximum credit risk exposure relating to financial assets is represented by the carrying value as at the Balance Sheet date. (Refer Note 8 and Note 17 for Structured Investment)

CAIRN INDIA HOLDINGS LIMITED

Notes to the financial statements (continued)

For the year ended 31 March 2020

18 Financial Risk Management: Objectives and Policies (continued)

Capital management

The objective of the Company's capital management structure is to ensure that there remains sufficient liquidity within the Company to carry out committed work programme requirements. The Company monitors the long term cash flow requirements of the business in order to assess the requirement for changes to the capital structure to meet that objective and to maintain flexibility.

The Company manages its capital structure and makes adjustments to it, in light of changes to economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital, issue new shares for cash, repay debt, put in place new debt facilities or undertake other such restructuring activities as appropriate.

Net debt are non-current and current as reduced by cash and cash equivalents, bank deposits/balance and current investments. Equity comprises of all components.

No changes were made in the objectives, policies or processes during the year ended 31 March 2020.

The Company's capital and net debt were made up as follows:

	31 March 2020	31 March 2019
	\$	\$
Cash and cash equivalents	20,119,144	159,722,003
Short-term investments and bank deposits	777,749,537	410,372,275
Less: Current maturities of long-term borrowings	(14,958,156)	(379,302,212)
Less: Long term borrowings	(478,536,589)	-
Net funds	304,373,936	190,792,066
Equity	1,408,270,705	1,513,520,946
Total capital	1,712,644,641	1,704,313,012
Gearing	17.8%	11.2%

19 Financial Instruments

The Company calculates the fair value of assets and liabilities by reference to amounts considered to be receivable or payable on the Balance Sheet date. The Company's financial assets, together with their fair values are as follows:

Financial assets	Fair value through profit or loss	Amortised cost	Total carrying value	Total fair value
As at March 2020	\$	\$	\$	\$
Cash and cash equivalents	-	20,119,144	20,119,144	20,119,144
Short-term investments and bank deposits	25,226,860	752,522,677	777,749,537	777,749,537
Other receivables (including non-current)	109,977,160	196,478,622	306,455,782	306,455,782
Financial instruments (derivatives)	966,585	-	966,585	966,585
	136,170,605	969,120,443	1,105,291,048	1,105,291,048

An analysis of the ageing of amounts owed is provided in note 8

CAIRN INDIA HOLDINGS LIMITED

Notes to the financial statements (continued)

For the year ended 31 March 2020

19 Financial Instruments (continued)

Financial liabilities	Fair value through profit or loss	Amortised cost	Total carrying value	Total fair value
As at March 2020	\$	\$	\$	\$
Other payables	-	7,126,632	7,126,632	7,126,632
Financial instruments (derivatives)	33,318,966	-	33,318,966	33,318,966
Short term borrowings	-	14,958,156	14,958,156	14,958,156
Long term borrowings	-	478,536,589	478,536,589	478,536,589
	33,318,966	500,621,377	533,940,343	533,940,343

Financial assets	Fair value through profit or loss	Amortised cost	Total carrying value	Total fair value
As at March 2019	\$	\$	\$	\$
Cash and cash equivalents	-	159,722,003	159,722,003	159,722,003
Short-term investments and bank deposits	391,092,996	19,279,279	410,372,375	410,372,375
Other receivables (including non-current)	133,682,383	131,113,639	264,796,022	264,796,022
Financial asset investment	689,831,032	-	689,831,032	689,831,032
Financial instruments (derivatives)	9,916,413	-	9,916,413	9,916,413
	1,223,802,824	310,114,921	1,533,917,745	1,533,917,745

	Fair value through profit or loss	Amortised cost	Total carrying value	Total fair value
	\$	\$	\$	\$
Other payables*	-	305,577,118	305,577,118	305,577,118
Financial instruments (derivatives)	19,278,968	-	19,278,968	19,278,968
Short term borrowings	-	379,302,212	379,302,212	379,302,212
Long term borrowings	-	-	-	-
	19,278,968	684,879,330	704,158,298	704,158,298

*includes \$299m pertaining to structured investment.

Investments in equity of subsidiaries, associates and joint ventures which are carried at cost are not covered under IFRS 7 and hence not been included above.

CAIRN INDIA HOLDINGS LIMITED

Notes to the financial statements (continued)

For the year ended 31 March 2020

19 Financial Instruments (continued)

Fair value hierarchy

IFRS 7 requires additional information regarding the methodologies employed to measure the fair value of financial instruments which are recognised or disclosed in the accounts. These methodologies are categorised per the standard as:

Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from price); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Particulars	As at 31 March 2020		
	Level 1	Level 2	Level 3
Financial assets			
At fair value through profit or loss			
Short-term investments	981,474	24,245,386	-
Other receivables (including non-current)			109,977,160
Financial instruments (derivatives)	-	-	966,585
Total	981,474	24,245,386	110,743,945

Particulars	As at 31 March 2020		
	Level 1	Level 2	Level 3
Financial Liabilities			
At amortised cost			
Borrowings	-	493,494,745	-
At fair value through profit or loss			
Financial instruments (derivatives)	-	-	33,318,966
Total	-	493,494,745	33,318,966

Particulars	As at 31 March 2019		
	Level 1	Level 2	Level 3
Financial assets			
At fair value through profit or loss			
Short-term investments	311,630,612	79,462,384	-
Financial asset investments (structured investment held at fair value)	-	689,831,032	-
Other receivables (including non-current)			133,682,383
Financial instruments (derivatives)	-	3,603,433	5,592,980
Total	311,630,612	772,896,849	139,275,363

CAIRN INDIA HOLDINGS LIMITED

Notes to the financial statements (continued)

For the year ended 31 March 2020

19 Financial Instruments (continued)

Fair value hierarchy (continued)

Particulars	As at 31 March 2019		
	Level 1	Level 2	Level 3
Financial Liabilities			
At amortised cost			
Borrowings	-	379,302,212	-
Liability for structured investment	-	299,244,643	-
At fair value through profit or loss			
Financial instruments (derivatives)	-	-	19,278,968
Total	-	678,546,855	19,278,968

The fair value of the financial assets and liabilities are at the amount that would be received to sell an asset and paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used to estimate the fair values:

- Investments traded in active markets are determined by reference to quotes from the financial institutions; for example: Net asset value (NAV) for investments in mutual funds declared by mutual fund house. For other listed securities traded in markets which are not active, the quoted price is used wherever the pricing mechanism is same as for other marketable securities traded in active markets. Other current investments and structured investments are valued by referring to market inputs including quotes, trades, poll, primary issuances for securities and /or underlying securities issued by the same or similar issuer for similar maturities and movement in benchmark security, etc.
- Financial assets forming part of Trade and other receivables, cash and cash equivalents (including restricted cash and cash equivalents), bank deposits, and financial liabilities forming part of trade and other payables and short-term borrowings: Approximate their carrying amounts largely due to the short-term maturities of these instruments. Also, in case of financial assets receivable from ASI, a fair valuation exercise has been carried out by an independent external expert & accordingly amounts were recorded in the financial statements.
- Other non-current financial assets and financial liabilities: Fair value is calculated using a discounted cash flow model with market assumptions, unless the carrying value is considered to approximate to fair value.
- Long-term fixed-rate and variable rate borrowings: For all other long-term fixed-rate and variable-rate borrowings, either the carrying amount approximates the fair value, or fair value has been estimated by discounting the expected future cash flows using a discount rate equivalent to the risk-free rate of return adjusted for the appropriate credit spread.
- Quoted financial asset investments: Fair value is derived from quoted market prices in active markets.
- Derivative financial assets/liabilities: The Company enters into derivative financial instruments with various counterparties. Interest rate swaps, foreign exchange forward contracts and commodity forward contracts are valued using valuation techniques, which employs the use of market observable inputs. The most frequently applied valuation techniques by the Group include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves and forward rate curves of the underlying commodity. Commodity contracts are valued using the forward LME rates of commodities actively traded on the listed metal exchange i.e. London Metal Exchange, United Kingdom (UK).

For all other financial instruments, the carrying amount is either the fair value, or approximates the fair value.

The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationship and the value of other financial instruments recognised at fair value.

The estimated fair value amounts as at 31 March 2020 have been measured as at that date. As such, the fair values of these financial instruments subsequent to reporting date may be different than the amounts reported at each year-end.

CAIRN INDIA HOLDINGS LIMITED

Notes to the financial statements (continued)

For the year ended 31 March 2020

19 Financial Instruments (continued)

Non-qualifying/economic hedge

The Company enters into derivative contracts which are not designated as hedges for accounting purposes, but provide an economic hedge of a particular transaction risk or a risk component of a transaction. Hedging instruments consist of currency forward, conversion and put options. Fair value changes on such derivative instruments are recognised in the income statement.

The fair value of the Company's open derivative positions as at 31 March 2020, recorded within financial instruments (derivative) is as follows:

	As at 31 March 2020		As at 31 March 2019	
	Liabilities	Asset	Liabilities	Asset
Current				
Non Qualifying hedges				
- Forward foreign currency contracts	-	-	-	3,603,433
- Conversion Option	-	966,585	-	-
Total	-	-	-	3,603,433
Non-current				
Non Qualifying hedges				
- Other				
Put option	33,318,966	-	19,278,968	-
Conversion option	-	-	-	5,592,980
Total	33,318,966	-	19,278,968	5,592,980
Grand total	33,318,966	966,585	19,278,968	9,196,413

20 Ultimate Parent Company

The Company is a wholly-owned subsidiary of Vedanta Limited which in turn is a subsidiary of Vedanta Resources Limited. Volcan Investments Limited ("Volcan") is the ultimate controlling entity and controls Vedanta Resources Limited. Volcan is controlled by persons related to the Executive Chairman, Mr. Anil Agarwal.

The results of the Company are consolidated into intermediate parent company, viz. Vedanta Resources Limited. The registered office of Vedanta Resources Limited, is 5th Floor, 6 St. Andrew Street, London, EC4A 3AE. Copies of Vedanta Resources Limited's financial statements will be available on its website.

21 Subsequent events

- In April 2020 Company has made further equity investment of \$26.9 m in Cairn Energy Hydrocarbons Limited.
- The Company received dividend of \$ 297.80m (\$105m in June 2020, \$16m in August 2020, \$94.8m in September 2020 and \$82m in October 2020) from Cairn Energy Hydrocarbons Limited (CEHL).
- Subsequent to year end, the Company has provided additional loans under an existing facility to THL Zinc Holding BV (subsidiary of Vedanta Resources Limited), Fujairah Gold (subsidiary of Vedanta Resources Limited) and ASI (subsidiary of the Company) amounting to \$112 m, \$9.1 m and 16.5 m respectively.
- In June 2020, the Company entered into an unsecured loan agreement with Twin Star Holding Limited (TSHL) (subsidiary of Vedanta Resources Limited) for \$475 m at an interest rate of 7% per annum repayable after one year from the date of the agreement. Additionally, the Company has provided a guarantee to Standard Chartered Bank (SCB), one of the lenders of TSHL. To secure the guarantee, CIHL had made a bank deposit of \$425 million with SCB and the same is hypothecated with SCB. The Company had charged 1% of guarantee commission in lieu of the above guarantee from TSHL.

CAIRN INDIA HOLDINGS LIMITED

Notes to the financial statements (continued)

For the year ended 31 March 2020

21 Subsequent events (continued)

In October 2020, the original agreements were amended wherein the overall facility was increased to \$934m and repayment terms were changed from 1 year to due in four tranches starting from June 2021 to December 2023. An additional loan of USD 525 million was disbursed to TSHL and \$100 million has been since repaid by TSHL. The additional loan was partly made by pre-maturing the deposit of \$ 425 million pledged with SCB after which the guarantee was extinguished. The overall facility amount was then restricted to \$ 834 million which is current total outstanding balance of loan. The original agreement has been amended to include an enabling provision to transfer \$307m of the loan to THL Zinc. This has not been exercised by TSHL as of date of the financial statements

In December 2020, Company has carried out a fair value and ECL assessment of the loan and has recorded a fair value adjustment of USD 107.9m in equity and an ECL provision of USD 13.8m was recorded in Profit & Loss account. The interest rates were revised from 7% to 14% w.e.f. 5 June 2020 and 14% to 15% w.e.f. 13 October 2020 to align with market interest rates. On 31 March 2021, the interest rates have been further revised to 9.6% w.e.f. 15 March 2021. Company is in the process of carrying out an updated assessment to compute revised fair value adjustment & ECL impact.

Given that the aforementioned transaction was entered subsequent to the year end, in accordance with IAS 10, no accounting effect of the same is required to be recorded in these financial statements.

- Subsequently to year end, MoPNG vide letter dated May 14, 2020 granted permission to continue petroleum operation in RJ-ON-90/I block which is now further extended till 31 March 2021.
- The Company was also entitled to convert the loan extended by it to ASI into the equity shares of ASI. The option was exercisable from January 1, 2018 to December 31, 2020 at a price of \$86.0 per share, subject to a condition that the shareholding of non-controlling shareholders of ASI should not fall below 20%. This option has not been exercised by 31 December 20 and now time period mentioned in the contract has been lapsed.