

Registered number: SC255308

CAIRN ENERGY GUJARAT BLOCK 1 LIMITED
REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

Cairn Energy Gujarat Block 1 Limited

Directors:

Sunil Bohra

Auditors:

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

Company Secretaries

Accomplish Secretaries Limited
18 South Street, Mayfair,
London- W1K 1DG
United Kingdom

Registered Office:

Summit House,
4-5 Mitchell Street, Edinburgh,
EH6 7BD, Scotland

Registered No:

SC 255308

Cairn Energy Gujarat Block 1 Limited

Directors' Report

The directors present their report and financial statements for the year ended 31 March 2017. The Company has taken advantage of the small companies' exemption from preparing a Strategic Report.

Principal Activities and Business Review

The Company's principal activity is the exploration for and development and production of oil and gas.

The Company did not have any operation during the year ended 31 March 2017. During the year, the Company earned a profit of \$3,562 (Year ended 31 March 2016: profit of \$2,294). No dividend has been paid or declared in respect of the year ended 31 March 2017 (Year ended 31 March 2016: \$nil).

Future Developments

The Company did not trade during the year ended 31 March 2017. A similar outlook is expected for 2017-18.

Risk Factors

Exchange Rates

The Company's cash flow, income statement and balance sheet are reported in US Dollars and may be significantly affected by fluctuations in exchange rates.

War, Terrorist Attack and Natural Disasters

The Company's business may be adversely affected by a war, terrorist attack, natural disaster or other catastrophe.

Political Climate

The Company cannot predict the impact of future changes in fiscal policy in the country in which it operates.

Financial Instruments

For details of the Company's financial risk management: objectives and policies see note 13 of the Notes to the Accounts.

Going Concern

The directors have considered the factors relevant to support a statement on going concern. They have a reasonable expectation that the Company has adequate financial resources to continue in operational existence for the foreseeable future and have therefore continued to use the going concern basis in preparing the financial statements.

Directors

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

Sunil Bohra

Charitable and Political Donations

The Company did not make any political or charitable contributions in UK during the year ended 31 March 2017 (Year ended 31 March 2016: \$nil).

Creditors Payment Policy

It is the Company's payment policy to ensure settlement of suppliers' services in accordance with the terms of the applicable contracts. In most circumstances, settlement terms are agreed prior to business taking place.

Cairn Energy Gujarat Block 1 Limited

Directors' Report (continued)

Disclosure of Information to Auditors

The directors of the Company who held office at 31 March 2017 confirm, as far as they are aware, there is no relevant audit information of which the Company's auditors are unaware. In making this confirmation, the directors have taken appropriate steps to make themselves aware of the relevant audit information and that the Company's auditors are aware of this information.

Auditors

In accordance with section 487(2) of the Companies Act 2006, the auditors, Ernst & Young LLP are deemed re-appointed.

By Order of the Board



Sunil Bohra

DLF Atria, Phase II,
Jacaranda Marg,
DLF City, Gurugram - 122 002
Haryana, India

Date: 15 May 2017

Cairn Energy Gujarat Block 1 Limited

Directors' Responsibility Statement

The directors are responsible for preparing the Directors' Report and the Company's financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards as adopted by the European Union.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom law and those International Financial Reporting Standards as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable IFRSs issued by the IASB and adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis, unless they consider that to be inappropriate.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 ENERGY GUJARAT BLOCK 1 LIMITED

We have audited the financial statements of Cairn Energy Gujarat Block 1 Limited for the year ended 31 March 2017 which comprise the Income Statement, Statement of Comprehensive Income, Balance Sheet, Statement of Cash Flow, Statement of Changes in Equity and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.

Respective responsibilities of directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the report and the financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- ▶ give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its loss for the year then ended;
- ▶ have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- ▶ have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

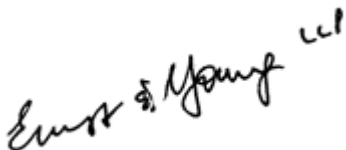
In our opinion, based on the work undertaken in the course of the audit the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Directors' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- ▶ adequate accounting records have not been kept, or 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 accounting records and returns; or
- ▶ certain disclosures of directors' remuneration specified by law are not made; or
- ▶ we have not received all the information and explanations we require for our audit; or
- ▶ the directors were not entitled to take advantage of the small companies' exemption in not preparing a Strategic Report.



Mirco Bardella (Senior statutory auditor)
for and on behalf of Ernst & Young LLP
London
17 May 2017

Cairn Energy Gujarat Block 1 Limited

Income Statement

For the year ended 31 March 2017

	Notes	Year ended March 2017 \$	Year ended March 2016 \$
Administrative expenses	3	(796)	-
Operating loss		(796)	-
Finance income	4	4,495	2,341
Finance costs	5	(137)	(47)
Profit before taxation		3,562	2,294
Taxation	6	-	-
Profit for the year		3,562	2,294

Cairn Energy Gujarat Block 1 Limited

Statement of Comprehensive Income

For the year ended 31 March 2017

	Year ended March 2017 \$	Year ended March 2016 \$
Profit for the year	3,562	2,294
Total comprehensive income for the year	3,562	2,294

Cairn Energy Gujarat Block 1 Limited

Balance Sheet

As at 31 March 2017

	Notes	31 March 2017 \$	31 March 2016 \$
Current assets			
Cash and cash equivalents	8	-	796
Bank deposits	8	253,921	249,619
Trade and other receivables	7	1,041	848
Current tax receivable		620	606
		255,582	251,869
Total assets		255,582	251,869
Current liabilities			
Bank overdraft	8	(151)	-
Total liabilities		(151)	-
Net assets		255,431	251,869
Equity			
Called-up share capital	9	234,561	234,561
Other equity		458,634	458,634
Retained earnings		(437,764)	(441,326)
Total equity attributable to the equity holders		255,431	251,869

Signed on behalf of the Board



Sunil Bohra
15 May 2017

Cairn Energy Gujarat Block 1 Limited

Statement of Cash Flows

For the year ended 31 March 2017

	Note	Year ended March 2017 \$	Year ended March 2016 \$
Cash flows from operating activities			
Profit before taxation		3,562	2,294
Finance income	4	(4,495)	(2,341)
Finance costs	5	137	47
Foreign exchange differences		-	(47)
Other receivables movement		(14)	48
Net cash from/(used in) operating activities		(810)	1
Cash flows from investing activities			
Deposits made during the year		(4,302)	(249,619)
Interest received		4,302	1,537
Net cash used in investing activities		-	(248,082)
Cash flows from financing activities			
Bank charges paid		(137)	-
Net cash from financing activities		(137)	-
Net decrease in cash and cash equivalents		(947)	(248,081)
Opening cash and cash equivalents at beginning of the year		796	248,877
Closing cash and cash equivalents	8	(151)	796

Cairn Energy Gujarat Block 1 Limited

Statement of Changes in Equity

For the year ended 31 March 2017

	Share Capital (Note 10) \$	Other Equity* \$	Retained Earnings \$	Total \$
At 1 April 2015	234,561	458,634	(443,620)	249,575
Profit for the year	-	-	2,294	2,294
Total comprehensive income for the period	-	-	2,294	2,294
At 1 April 2016	234,561	458,634	(441,326)	251,869
Profit for the year	-	-	3,562	3,562
Total comprehensive income for the year	-	-	3,562	3,562
At 31 March 2017	234,561	458,634	(437,764)	255,431

* Other equity represents waiver of intergroup balances and these are non-distributable.

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

Cairn Energy Gujarat Block 1 Limited

Notes to the Accounts

For the year ended 31 March 2017

1 Accounting Policies

a) Basis of preparation

The financial statements of the Company for the year ended 31 March 2017 were authorised for issue in accordance with a resolution of the directors on 15 May 2017. The Company is a private company incorporated and domiciled in Scotland. The registered office is located at Summit House, 4-5 Mitchell Street, Edinburgh, EH6 7BD, Scotland

The Company prepares its financial statements on a historical cost basis. Where there are assets and liabilities calculated on a different basis, this fact is disclosed in the relevant accounting policy.

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, note 13 and 14 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 its exposures to credit risk and liquidity risk.

The directors have considered the factors relevant to support a statement on going concern. They have a reasonable expectation that the Company has adequate financial resources to continue in operational existence for the foreseeable future and have therefore continued to use 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) as issued by the IASB and in accordance with IFRS as adopted by the European Union and as they apply to the year ended 31 March 2017. 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 2017. Based on an analysis by the Company, the application of the new IFRSs has not had a material impact on the financial statements in reported period and we do not anticipate any significant impact on future periods from the adoption of these new IFRSs.

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended IAS and IFRS effective as of 1 April 2016:

- IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception - Amendments to IFRS 10, IFRS 12 and IAS 28
- IFRS 11 Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11
- IFRS 14 Regulatory Deferral Accounts
- IAS 1 Disclosure Initiative - Amendments to IAS 1
- IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38
- IAS 16 and IAS 41 Agriculture - Bearer Plants - Amendments to IAS 16 and IAS 41
- IAS 27 - Equity Method in Separate Financial Statements - Amendments to IAS 27
- AIP IFRS 5 Non-current Assets Held for Sale and Discontinued Operations - Changes in methods of disposal
- AIP IFRS 7 Financial Instruments: Disclosures - Servicing contracts
- AIP IFRS 7 Financial Instruments: Disclosures - Applicability of the offsetting disclosures to condensed interim financial statements
- AIP IAS 19 Employee Benefits - Discount rate: regional market issue
- AIP IAS 34 Interim Financial Reporting - Disclosure of information 'elsewhere in the interim financial report'

Cairn Energy Gujarat Block 1 Limited

Notes to the Accounts (continued)

For the year ended 31 March 2017

1 Accounting Policies (continued)

b) Accounting standards (continued)

New IFRSs that have been issued but not yet come into effect

In addition to the above, IASB has issued a number of new or amended and revised accounting standards and interpretations (IFRSs) that have not yet come into effect. The Company has thoroughly assessed the impact of these IFRSs which are not yet effective and determined that we do not anticipate any significant impact on the financial statements from the adoption of these standards.

- IFRS 9-Financial Instruments effective for annual periods beginning on or after 01 January 2018
- IFRS 15-Revenue from Contracts with customers period beginning on or after 01 January 2018
- Amendments to IFRS 10 and IAS 28-Sale or contribution of assets between an investor and its Associate or Joint venture whose effective date has been deferred indefinitely
- Amendments to IAS 7-Disclosure Initiatives for annual periods beginning on or after 01 January 2017
- Amendments to IAS 12-Recognition of Deferred Tax Assets for Unrealised Losses for annual periods beginning on or after 01 January 2017
- Amendment to IFRS 2-Classification and Measurement of Share-based Payment Transactions for annual periods beginning on or after 01 January 2018
- IFRS 16-Leases for annual periods beginning on or after 01 January 2019

c) Presentation currency

The functional and presentation currency of the Company is US Dollars (“\$”). The Company’s policy on foreign currencies is detailed in note 1(e).

d) Finance income

Interest income

Interest income is recognised using accruals basis and is recognised within “Finance income” in the Income Statement.

e) Foreign currencies

The Company translates foreign currency transactions into the functional currency, US\$, at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currency 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.

Rates of exchange to \$1 were as follows:

	31 March 2017	Average Year ended March 2017	31 March 2016	Average Year ended March 2016
Sterling	0.802	0.771	0.698	0.666
Indian Rupee	64.839	67.062	66.333	65.595

f) Key estimations and assumptions

The Company has used estimates and assumptions in arriving at certain figures within the financial statements. The resulting accounting estimates may not equate with the actual results, which will only be known in time. Those areas believed to be key areas of estimation are noted below, with further details of the assumptions used listed at the relevant note.

g) Financial instruments

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.

Financial assets are categorised as financial assets held at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. The Company holds financial assets which are classified as loans and receivables.

Cairn Energy Gujarat Block 1 Limited

Notes to the Accounts (continued)

For the year ended 31 March 2017

1 Accounting Policies (continued)

g) **Financial instruments (continued)**

Financial liabilities generally substantiate claims for repayment in cash or with another financial asset. Financial liabilities are categorised as either fair value through profit or loss or loans held at amortised cost. All of the Company's financial liabilities are held at amortised cost.

Financial instruments are generally recognised as soon as the Company becomes party to the contractual regulations of the financial instrument.

Loans and other receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted on an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less any impairment. Trade and other receivables are recognised when invoiced. Interest income is recognised by applying the effective interest rate, except for short term receivables where the recognition of interest would be immaterial.

The carrying amounts of loans and other receivables are tested at each reporting date to determine whether there is objective material evidence of impairment, for example, overdue trade debt. Any impairment losses are recognised through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Income Statement or Balance Sheet in accordance with where the original receivable was recognised.

Cash and short term deposits

Cash and short term deposits comprise cash at bank and short term deposits with an original maturity of three months or less.

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

Trade payables and other non-derivative financial liabilities

Trade payables and other creditors are non-interest bearing and are measured at cost.

h) **Taxation**

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

The current tax is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Balance Sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred income tax liabilities are recognised for all taxable temporary differences except in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in Joint Arrangements where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future. A deferred income tax liability is not recognised if a temporary difference arises on 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.

Cairn Energy Gujarat Block 1 Limited

Notes to the Accounts (continued)

For the year ended 31 March 2017

1 Accounting Policies (continued)

h) Taxation (continued)

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, carry forward of unused tax assets and unused tax losses can be utilised, except where the deferred income tax asset relating to the deductible temporary timing difference 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. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in Joint Arrangements, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets are reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the periods in which 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 assets and liabilities are only offset where they arise within the same entity and tax jurisdiction and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2 Operating Profit

a) Discontinued operations

All profits and losses in the current and preceding year were derived from discontinued operations.

b) Auditors' remuneration

Fees amounting to \$6,049 (year ended March 2016: \$5,763) are payable to the Company's auditors for the audit of the Company's annual accounts and are payable by another group company.

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.

3 Administrative Expenses

	Year ended March 2017	Year ended March 2016
	\$	\$
Consultancy charges	796	-
	<hr/>	
	796	-

4 Finance Income

	Year ended March 2017	Year ended March 2016
	\$	\$
Interest income on bank deposits	4,495	2,341
	<hr/>	
	4,495	2,341

Cairn Energy Gujarat Block 1 Limited

Notes to the Accounts (continued)

For the year ended 31 March 2017

5 Finance Costs

	Year ended March 2017 \$	Year ended March 2016 \$
Bank Charges	151	-
Exchange loss/(Gain)	(14)	47
	<hr/>	<hr/>
	137	47

6 Taxation

Factors affecting tax charge for period

A reconciliation of income tax expense applicable to loss before tax at the applicable tax rate to tax expense at the Company's effective tax rate is as follows:

	Year ended March 2017 \$	Year ended March 2016 \$
Profit before taxation	3,562	2,294
Corporation tax at the standard UK rate of 20% (Apr'15- Mar'16- 20%)	712	459
Effects of:		
Other permanent difference	(712)	(459)
Total tax charge	-	-

The UK Government has announced that the main rate of UK Corporation tax for the year ended 2017 is 20% (2016 is 20%). Further, reduction in the main rate to 19% from 1st April 2017 and 17% effective from 1st April 2020 have been fully enacted into UK law in the period.

Cairn Energy Gujarat Block 1 Limited

Notes to the Accounts (continued)

For the year ended 31 March 2017

7 Trade and Other Receivables

	31 March 2017 \$	31 March 2016 \$
Other receivables	1,041	848
	1,041	848

As at 31 March 2017, the ageing of trade and other receivables is set out below:

	Total	Neither past due nor impaired	< 30 days	30-60 days	60-90 days	90-120 days	>120 days
	\$	\$	\$	\$	\$	\$	\$
At 31 March 2017	1,041	1,041	-	-	-	-	-
At 31 March 2016	848	848	-	-	-	-	-

There is no allowance for doubtful debts in the Company.

8 Net Funds

	Year ended March 2017 \$	Year ended March 2016 \$
Bank deposits	253,921	249,619
Cash and cash equivalents	-	796
Bank overdraft	(151)	-
Total	253,770	250,415

9 Share Capital

	31 March 2017 £1 Ordinary Number	31 March 2016 £1 Ordinary Number		
Authorised ordinary shares	5,100,000	5,100,000		
	31 March 2017 £1 Ordinary Number	31 March 2017 £1 Ordinary \$	31 March 2016 £1 Ordinary Number	31 March 2016 £1 Ordinary \$
Allotted, issued and fully paid ordinary shares	141,667	234,561	141,667	234,561

Cairn Energy Gujarat Block 1 Limited

Notes to the Accounts (continued)

For the year ended 31 March 2017

10 Capital Commitments

There are no capital commitments as at the year ended 31 March 2017 (31 March 2016: nil).

11 Related Party Transactions

No related party transactions have been incurred during the year.

Remuneration of key management personnel

Being in the non-executive position, Mr Sunil Bohra is not entitled for any remuneration from the Company. No remuneration has been paid to him by the Company.

12 Financial Risk Management: Objectives and Policies

The Company's primary financial instruments comprise cash, short and medium-term deposits, money market liquidity funds, marketable bonds, loans and other receivables and financial liabilities held at amortised cost. The Company's strategy has been to finance its operations through a mixture of retained profits and inter group borrowings. Other alternatives, such as equity finance and project finance are reviewed by the Board, when appropriate, to fund substantial acquisitions of oil and gas development projects.

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. Derivative financial instruments have not been used throughout the year ended 31 March 2017. It is, and has been throughout the period under review, the Company's policy that no trading in derivative financial instruments shall be undertaken.

The main risks arising from the Company's financial instruments are liquidity risk, foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks and these are summarised below:

Liquidity risk

The Company does not have any operations and is dependent on its Holding Company / Group companies for meeting its short / medium term expenditure requirements. The Company though has a policy of putting its surplus cash in a combination of money market liquidity funds, fixed term deposits, mutual funds and marketable bonds with a number of International and Indian banks, financial institutions and corporates to ensure sufficient liquidity to enable the Company to meet its short/medium-term expenditure requirements

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

Foreign currency risk

The Company manages exposures that arise from foreign currency transactions, by matching receipts and payments in the same currency, and actively managing the residual net position.

In order to minimise the 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 loan facilities are multi-currency and allow drawings denominated in US dollars, Sterling, Euro or such other currency as may be agreed between the lenders and the Company from time to time.

The Company reports in US dollars which, with most assets US dollar-denominated, minimises the impact of foreign exchange movements on the Company's Balance Sheet.

Cairn Energy Gujarat Block 1 Limited

Notes to the Accounts (continued)

For the year ended 31 March 2017

12 Financial Risk Management: Objectives and Policies (continued)

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 group. 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 Group's policy and update as required. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty failure.

At the year end the Company does not have any significant concentrations of bad debt risk, other than that disclosed in note 7.

The maximum credit risk exposure relating to financial assets is represented by the carrying value as at the Balance Sheet date.

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.

No changes were made in the objectives, policies or processes during the year ended 31 March 2017.

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

	31 March 2017	31 March 2016
	\$	\$
Trade and other payables	-	-
Less: Cash and cash equivalent and bank deposits	(253,770)	(250,415)
Net debt	(253,770)	(250,415)
Equity	255,431	251,869
Capital and net debt	1,661	1,454
Gearing ratio	-	-

13 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:

Cairn Energy Gujarat Block 1 Limited

Notes to the Accounts (continued)

For the year ended 31 March 2017

13 Financial Risk Management: Objectives and Policies (continued)

Financial Instruments (continued)

Financial assets	Carrying amount		Fair value	
	31 March 2017 \$	31 March 2016 \$	31 March 2017 \$	31 March 2016 \$
Cash and cash equivalent	-	796	-	796
Bank Deposits	253,921	249,619	253,921	249,619
Other receivables	1,041	848	1,041	848
	254,962	251,263	254,962	251,263

All of the above financial assets are current.

There is an outstanding financial liability of \$151 as at 31 March 2017 (year ended 31 March 2016: nil).

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

At 31 March 2017 and 31 March 2016, the Company had no financial instruments in level 1, 2 or 3.

14 Ultimate Parent Company

The Company is a wholly-owned subsidiary of Cairn India Holdings Limited. Vedanta Resources Plc is the intermediary holding company. Volcan Investments Limited ("Volcan") is the ultimate controlling entity and controls Vedanta Resources Plc.

The results of the Company are consolidated into intermediate parent company, viz. Vedanta Resources Plc. The registered office of Vedanta Resources Plc, is 2nd Floor, Vintners Place, 68 Upper Thames Street, London, EC4V 3BJ.

Copies of Vedanta Resources Plc's financial statements are available on its website.