Registered number: SC255308

CAIRN ENERGY GUJARAT BLOCK 1 LIMITED

REPORT & FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

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
3rd Floor, 11-12 St. James's Square
London
SW1Y4LB

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 2018. 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 2018. During the year, the Company earned a profit of $4,340 (Year ended 31 March 2017: profit of $3,562). No dividend has been paid or declared in respect of the year ended 31 March 2018 and 31 March 2017.

Future Developments

The Company did not trade during the year ended 31 March 2018. A similar outlook is expected for 2018-19.

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 11 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 2018 (Year ended 31 March 2017: $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 2018 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: 11 May 2018

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 2018 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Cash Flows, and the Statement of Changes in Equity and the related notes 1 to 13, 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 (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 March 2018 and of its profit 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.

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.

Use of our report

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.

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.

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.

Opinions 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 strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

- adequate accounting records have not been kept by the parent company, 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 the strategic report.

Responsibilities of directors

As explained more fully in the Directors' Responsibility 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.

Ernst & Young LLP

Mirco Bardella (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
11 May 2018

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 2018 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Cash Flows, and the Statement of Changes in Equity and the related notes 1 to 13, 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 (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 March 2018 and of its profit 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.

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.

Use of our report

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.

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.

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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

Cairn Energy Gujarat Block 1 Limited
Income Statement
For the year ended 31 March 2018

	Notes	**Year ended March 2018 $**	Year ended March 2017 $
Administrative expenses	3	**(619)**	(796)
Operating loss		**(619)**	(796)
Finance income	4	**5,555**	4,495
Finance costs	5	**(596)**	(137)
Profit before taxation		**4,340**	3,562
Taxation	6	**-**	-
Profit for the year		**4,340**	3,562

Cairn Energy Gujarat Block 1 Limited
Statement of Comprehensive Income
For the year ended 31 March 2018

	Year ended March 2018 $	Year ended March 2017 $
Profit for the year	**4,340**	3,562
Total comprehensive income for the year	**4,340**	3,562

Cairn Energy Gujarat Block 1 Limited
Balance Sheet
As at 31 March 2018

	Notes	**31 March 2018 $**	31 March 2017 $
Current assets			
Cash and cash equivalents	7	**-**	-
Bank deposits	7	**259,816**	254,962
Current tax receivable		**-**	620
		259,816	255,582
Total assets		**259,816**	255, 582
Current liabilities			
Bank overdraft	7	**(45)**	(151)
Total liabilities		**(45)**	(151)
Net assets		**259,771**	255,431
Equity			
Called-up share capital	8	**234,561**	234,561
Other equity		**458,634**	458,634
Retained earnings		**(433,424)**	(437,764)
Total equity attributable to the equity holders		**259,771**	255,431

Signed on behalf of the Board

Sunil Bohra
11 May 2018

Cairn Energy Gujarat Block 1 Limited
Statement of Cash Flows
For the year ended 31 March 2018

	Note	Year ended March 2018 $	Year ended March 2017 $
Cash flows from operating activities			
Profit before taxation		4,340	3,562
Finance income	4	(5,555)	(4,495)
Finance costs	5	596	137
Operating cash flows before movements in working capital		(619)	(796)
Increase in receivables		(620)	(14)
Net cash from/(used in) operating activities		1	(810)
Cash flows from investing activities			
Deposits made during the year		(4,578)	(4,302)
Interest received		5,279	4,302
Net cash from/(used in) investing activities		701	-
Cash flows from financing activities			
Bank fees	5	(596)	(137)
Net cash from/(used in) financing activities		(596)	(137)
Net increase/(decrease) in cash and cash equivalents		106	(947)
Cash and cash equivalents at the beginning of the year		(151)	796
Cash and cash equivalents at the end of the year	7	(45)	(151)

Cairn Energy Gujarat Block 1 Limited
Statement of Changes in Equity
For the year ended 31 March 2018

	Share Capital (Note 9) $	Other Equity* $	Retained Earnings $	Total $
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 1 April 2017	**234,561**	**458,634**	**(437,764)**	**255,431**
Profit for the year	-	-	**4,340**	**4,340**
Total comprehensive income for the year	-	-	**4,340**	**4,340**
At 31 March 2018	**234,561**	**458,634**	**433,424**	**259,771**

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

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

1 Accounting Policies

a) Basis of preparation

The financial statements of the Company for the year ended 31 March 2018 were authorised for issue in accordance with a resolution of the directors on 11 May 2018. 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 11 and 12 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.

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:

- expected to be realised or intended to be sold or consumed in the normal operating cycle and
- held primarily for the purpose of trading and
- expected to be realised within twelve months after the reporting period or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- it is expected to be settled in the normal operating cycle and
- it is held primarily for the purpose of trading and
- it is due to be settled within twelve months after the reporting period or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The company classifies all other liabilities are classified as non-current.

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 they apply to the year ended 31 March 2018. 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 2018. 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 as and when they become effective.

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 effective for periods beginning on or after 01 January 2018
- Amendments to IAS 28- IFRS 9 shall apply to long term interests in associates and joint ventures that form part of the net investment where the equity method is not applied. The amendments are effective for annual periods beginning on or after 1 January 2019.
- Amendment to IFRS 2-Classification and Measurement of Share-based Payment Transactions effective for annual periods beginning on or after 01 January 2018
- IFRS 16-Leases effective for annual periods beginning on or after 01 January 2019
- IFRS 17-Insurance contracts effective for annual periods beginning on or after 1 January 2021
- Amendments to IAS 40 clarifies when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments are effective for annual periods beginning on or after 1 January 2018
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration effective for annual periods beginning on or after 1 January 2018
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatment effective 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 the effective interest rate method, accounted for as finance income in the income statement.

e) 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)

Rates of exchange to $1 were as follows:

	31 March 2018	**Average Year ended March 2018**	31 March 2017	Average Year ended March 2017
Sterling	**0.7048**	**0.7158**	0.802	0.771
Indian Rupee	**65.0441**	**65.0213**	64.839	67.062

1 Accounting Policies (continued)

f) Loans and other receivables

Trade receivables are stated at their transaction value as reduced by appropriate allowances for estimated irrecoverable amounts. An allowance for impairment of trade receivables is made where there is an event, which based on previous experience, is an indication of a reduction in the recoverability of the carrying value of trade receivables.

Trade receivables are subsequently measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised on non-current receivables on specific items by applying the effective interest rate method.

g) Cash and cash equivalents

Cash and cash equivalents 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 cash equivalents as defined above, net of outstanding bank overdrafts.

h) Liquid Investments and bank deposits

Liquid investments represent short-term investments that do not meet the definition of cash and cash equivalents for one or more of the following reasons:

i) They have a maturity profile greater than 90 days;
ii) They may be subject to a greater risk of changes in value than cash;
iii) They are held for investment purposes.

These include short term marketable securities and other bank deposits.

Short term marketable securities are categorised as held for trading and are initially recognised at fair value with any gains or losses arising on remeasurement recognised in the income statement.

Other bank deposits are subsequently measured at amortised cost using the effective interest method.

The value of trading investments incorporates any dividend and interest earned on the held for trading investments.

i) Trade and other payables

Trade and other payables are recognised at their transaction cost, which is its fair value, and subsequently measured at amortised cost.

j) 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.

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

1 Accounting Policies (continued)

j) Taxation

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..

l) Equity Instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

m) 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 assets, liabilities, income, expenses and disclosures of contingent assets and liabilities at the date of these consolidated financial statements and the reported amounts of revenues and expenses for the years presented. Actual results may differ from these estimates under different assumptions and conditions.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods affected. The Company considers the following areas as the key sources estimation uncertainty:

Provisions and liabilities

Provisions and liabilities are recognised in the period when it becomes probable that there will be a future outflow of funds resulting from past operations or events that can be reasonably estimated. The timing of recognition requires the application of judgement to existing facts and circumstances which may be subject to change especially when taken in the context of the legal environment in India. The actual cash outflows may take place over many years in the future and hence the carrying amounts of the provisions and liabilities are regularly reviewed and adjusted to take into account the charging circumstances and other factors that influence the provision and liabilities.

2 Operating Profit

a) Discontinued operations

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

2 Operating Profit (continued)

b) Auditors' remuneration

Fees amounting to $5,896 (year ended March 2017: $6,049) 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 2018 $	Year ended March 2017 $
Consultancy charges	**-**	796
Other expenses	**619**	-
	619	796

4 Finance Income

	Year ended March 2018 $	Year ended March 2017 $
Interest income on bank deposits	**5,555**	4,495
	5,555	4,495

5 Finance Costs

	Year ended March 2018 $	Year ended March 2017 $
Bank Charges	**580**	151
Exchange loss/(Gain)	**2**	(14)
Bank interest	**14**	
	596	137

6 Taxation

Factors affecting tax charge for period

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

	Year ended March 2018 $	Year ended March 2017 $
Profit before taxation	**4,340**	3,562
Corporation tax at the standard UK rate of 19% (Apr'16- Mar'17- 20%)	**825**	712
Effects of:		
Utilisation of group taxation relief	**(825)**	(712)
Total tax charge	**-**	-

The UK Government has announced that the main rate of UK Corporation tax for the year ended 2018 is 19% (2017 is 20%). Further, a reduction in the main rate to 17% which is effective from 1 April 2020 was fully enacted into UK law in the previous period.

7 Net Funds

	Year ended March 2018 $	Year ended March 2017 $
Bank deposits	**259,816**	254,962
Bank overdraft	**(45)**	(151)
Total	**259,771**	254,811

Cash at bank earns interest at floating rates based on daily bank deposit rates. For the purpose of cash flow statement, cash and cash equivalents include bank overdraft.

8 Share Capital

	31 March 2018 £1 Ordinary Number	31 March 2017 £1 Ordinary Number
Authorised ordinary shares	**5,100,000**	5,100,000

	31 March 2018 £1 Ordinary Number	**31 March 2018 £1 Ordinary $**	31 March 2017 £1 Ordinary Number	31 March 2017 £1 Ordinary $
Allotted, issued and fully paid ordinary shares	**141,667**	**234,561**	141,667	234,561

9 Capital Commitments

There are no capital commitments as at the year ended 31 March 2018 (31 March 2017: nil).

10 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.

11 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 2018. 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.

Interest rate risk
Surplus funds are placed on short/medium-term deposits at fixed/floating rates. It is Cairn India Holdings Group'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.

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. At this time, however, there are no such instruments (31 March 2017: $nil).

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

11 Financial Risk Management: Objectives and Policies (continued)

(in $'000)

	31 March 2018			31 March 2017		
	Floating rate	**Fixed rate**	**Non-interest bearing**	**Floating rate**	**Fixed rate**	**Non-interest bearing**
Financial Assets	-	258,498	1,318	-	253,921	1,041

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

(in $'000)

	31 March 2018			31 March 2017		
	Floating rate	**Fixed rate**	**Non-interest bearing**	**Floating rate**	**Fixed rate**	**Non-interest bearing**
Financial liabilities	-	45	-	-	151	-

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.

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.

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

11 Financial Risk Management: Objectives and Policies (continued)

Capital Management (continued)

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 2018.

The company has $ nil borrowings as at 31 March 2018.

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

	31 March 2018 $	31 March 2017 $
Borrowings	-	-
Less: Cash and cash equivalents and bank deposits	**259,771**	254,811
Net debt	**(259,771)**	(254,811)
Equity	**259,771**	255,431
Capital and net debt	-	620
Gearing ratio*	-	-

** gearing ratio is less than zero hence disclosed as nil*

12 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	**Carrying amount**		**Fair value**	
	31 March 2018 $	31 March 2017 $	**31 March 2018 $**	31 March 2017 $
Bank Deposits	**259,816**	254,962	**259,816**	254,962
	259,816	254,962	**259,816**	254,962

All of the above financial assets are current.

There is an outstanding financial liability of $45 as at 31 March 2018 (year ended 31 March 2017: $151).

12 Financial instruments (continued)

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 2018 and 31 March 2017, the Company had no financial instruments in level 1, 2 or 3.

13 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 5th Floor, 6 St. Andrew Street, London, EC4A 3AE.

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