Registered number: SC172470

CAIRN ENERGY HYDROCARBONS LIMITED

REPORT & FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

Cairn Energy Hydrocarbons Limited

Directors:

Suniti Bhat
David Rudge
Paul Cooper

Auditors:

Ernst & Young LLP
G1 Building
5 George Square
Glasgow
G2 1DY

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:

SC172470

Cairn Energy Hydrocarbons Limited

Strategic Report

The directors present their strategic report for the year ended 31 March 2016.

Principal Activities and Business Review

Cairn India is one of the largest independent oil and gas exploration and production companies in India. Cairn India operates the Rajasthan Block with a participating interest of 70% with ONGC holding the rest. The Rajasthan block is a world class asset and is of significant national importance. With a 23.5% contribution to the domestic crude production target of Government for FY2016, it has significantly reduced the crude import requirement in the country. To date, thirty eight discoveries have been made in the Rajasthan block RJ-ON-90/1 and 50 wells have been drilled as part of the exploration and appraisal drilling campaign till 31st March 2016 since resumption of exploration in March 2013.

In Rajasthan, Cairn India operates Block RJ-ON-90/1 under a PSC signed on 15 May 1995. The main Development Area (DA-1; 1,859 km2), which includes discoveries namely Mangala, Aishwariya, Raageshwari and Saraswati is shared between Cairn India and ONGC. Further Development Areas (DA-2; 430 km2), including the Bhagyam, NI and NE fields and (DA-3; 822 km2) comprising of the Kaameshwari West Development Area, is also shared between Cairn India and ONGC in the same proportion. The Rajasthan Block has gross proved plus probable reserves and resources of 1,191 mmboe, which includes reserves (2P) of 233 mmboe and resources (2C) of 958 mmboe.

We have successfully executed EOR project in Mangala and are working towards replicating the same for Bhagyam and Aishwariya fields. We are also investing in developing Rajasthan potential beyond the MBA fields and presently focusing on - Barmer Hill, Satellite Fields and RDG Gas. Each of them is at various stages of development and production.

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

The Company has a 50% interest in the exploration area and a 35% interest in the development area of block RJ-ON-90/1 in India. Average gross production from the Rajasthan block for the year ended 31 March 2016 was 169,609 boepd and working interest production was 118,726 boepd.

The Company derived gross revenue from oil and gas production of $ 609.7m (year ended March 2015: $1,122.7m) from permit interests in India. During the current year the Company made a loss of $80.9m (year ended March 2015: profit of $342.0m). Dividend amounting to $230.4m has been paid during the year (year ended March 2015: $333.0m).

	Year ended March 2016 $'000	Year ended March 2015 $'000
Revenue	609,723	1,122,704
Operating Profit	(20,852)	489,893
Profit/(Loss) for the year	(80,964)	342,043
Margin (%)	(13.28%)	30.46%

Revenue is reported post profit sharing with the GoI in all the producing blocks and the royalty expense in the Rajasthan block.

Operations & Projects

During the quarter, the Block produced 15.3 mmboe of oil equivalent, achieving total production for the year of 62.1 mmboe. Cumulative oil production till 31 March 2016 is 341 million barrels, driven by water flood recovery. Successful implementation of Mangala EOR will enhance the recovery from the Block.

A total of 85 new wells were brought online during the year, with 12 wells added in Q4FY16. In addition, almost 66 wells have been converted into polymer injection for Mangala EOR at the end of FY2016. The gross average production for FY2016 was 169,609 boepd, 3% lower YoY. Production was lower primarily on account of natural decline and underperformance at Bhagyam reservoir. However, an excellent performance by Mangala EOR and contribution from Aishwariya infill program partly made-up for the decline

Development Area (DA) 1, comprising the Mangala, Aishwariya, Saraswati and Raageshwari oil & gas fields, produced at a gross average of 150,918 boepd during the quarter. Ramp up in production from Mangala EOR and execution of infill wells campaign in Aishwariya helped in production sustenance in the field. Our Mangala EOR project is on track and producing the result as expected.

Cairn Energy Hydrocarbons Limited

Strategic Report (continued)

Operations & Projects (continued)

DA 2 comprising of Bhagyam, NI and NE field produced gross average 16,732 boepd during the quarter. The production was lower on account of natural decline and consistent rise in water cut in Bhagyam. This is being addressed through better reservoir management initiatives across the field and eventual polymer flood EOR. Production from NI and NE satellite fields was robust after bringing them online during FY15.

The appraisal program for the Barmer Hill tight oil developments has been completed with the results broadly as per our expectation. Valuable data gathered through the campaign is now being used towards a full field development plan. The Aishwariya Barmer Hill field is likely to be developed before Mangala and a plan for the same is currently under preparation. We have achieved sub-surface technical alignment with our JV partner and are also progressing on technical alignment for surface facility. Achieving alignment with the JV will help us expedite the FDP approval process when submitted.

Gas sales during the year were 14.1 mmscfd, amounting to total sales of 5.1 bscf. During FY2016, average gas production from RDG increased to 27 mmscfd from 16 mmscfd in FY2015. We are also working on phased ramp-up of gas production by some low cost augmentation of the existing facility and installation of additional gas compressor stations. Tendering process for new gas processing terminal and rig services is also progressing well. For RDG Gas development project, we signed an agreement with GSPL during the year which will reduce our capital expenditure by over 100 million dollars through exclusion of pipeline from our scope of work.

Cairn India successfully delivered the first cargo of Rajasthan crude oil through the Bhogat terminal to MRPL after commissioning the facilities in November 2015. We are realizing superior pricing on this contract. The project included construction of almost 66 kms of Salaya-Bhogat Pipeline (SBPL) section, storage terminal and marine export facilities at Bhogat. The terminal consists of tankages with storages capacity of about 2.1 million barrels of Rajasthan crude. It also has associated facilities for operation of terminal and export of crude through marine route.

Water injection capacity at Mangala Processing Terminal has been upgraded through building a new 30" water pipeline from thumbli and installing an additional injection water pump. Capacity of injection water system has been increased to around 700,000 barrels of water per day now. Intent of this additional facility is to increase Voidage Replacement Ratio through enhanced injection water capacity. A higher ratio will help to maintain field pressure resulting into an improvement in overall recovery.

Sales

Crude oil sales arrangements are in place with Public Sector Refineries (PSU) and private refiners. The crude is currently being supplied to four refineries.

The Rajasthan crude is well established in the market, generating adequate demand and thereby creating value for its stakeholders. In accordance with the RJ-ON-90/1 PSC, the crude is benchmarked to Bonny Light, West African low sulphur crude that is frequently traded in the region, with appropriate adjustments for crude quality.

Resource Base

During FY2016, the firm has enhanced its hydrocarbons in-place in Rajasthan by 0.5 billion boe, taking the total drilled and tested hydrocarbons in-place to 1.9 billion boe since resumption of exploration in March 2013, with an additional 0.45 billion boe drilled and awaiting testing. Set against a target of establishing 2C resources of 530 mmboe across the FY2014-2016, we have established 200 mmboe of 2C resources over this period, with an additional 70 mmboe of 2C resources drilled and awaiting testing.

The 3D seismic acquisition program continued in Rajasthan, with a total of 432 km2 acquired during this year. The processing of newly acquired 3D seismic data is ongoing with a focus upon identification of additional prospects that will act to replenish the exploration prospect inventory. The Rajasthan seismic crew was demobilized in December 2015.

Cairn Energy Hydrocarbons Limited

Strategic Report (continued)

Risk Factors

The Company is subject to a variety of risks including those which derive from the nature of the oil and gas exploration and production business and relate to the countries in which it conducts its activities. Outlined below is a description of the principal risk factors that may affect performance. Such risk factors are not intended to be presented in any order of priority. Any of the risks, as well as the other risks and uncertainties referred to in this report, could have a material adverse effect on business performance. In addition, the risks set out below may not be exhaustive and additional risks and uncertainties, not presently known to the Company, or which the Company currently deems immaterial, may arise or become material in the future

Crude oil and natural gas reserves are estimates and actual recoveries may vary significantly
There are numerous uncertainties inherent in estimating crude oil and natural gas reserves. Reservoir engineering follows a subjective process of estimating underground accumulations of crude oil and natural gas. It is well understood that these cannot be measured in an exact manner. Through enhanced understanding of the reservoirs, achieved by undertaking additional work, these risks are gradually mitigated. Reserves estimations involve a high degree of judgement and it is a function of the quality of the available data and the engineering and geological interpretation. Results of drilling, testing, and production may substantially change the reserve estimates for a given reservoir over a period of time.

For these reasons, actual recoveries may vary substantially. Such variation in results may materially impact Cairn India's actual production, revenue and expenditures

International prices for oil & gas are volatile, and have a significant effect on us
The majority of our revenue is derived from sales of crude oil and natural gas in India. The price that we receive for these hydrocarbons is linked to their international prices. Historically, international prices for crude oil and natural gas have fluctuated as a result of many macro-economic, geo-political and regional factors. Crude price has declined significantly over last 3 quarters and the near future outlook continues to be bearish. Substantial or extended declines in international crude oil and gas prices could have an adverse effect on the economics of existing/ proposed projects, capex outlay, results of operations and financial condition.

Execution challenges in respect of 3-year Work Programme
To capitalize on the potential of our resources, Cairn India has regular plans to implement sustenance and growth projects. Some of these projects have long execution timelines, have interdependencies, and are brown-field involving tie-ins with existing facilities. To successfully execute the work programme, the Company has to rely on multiple equipment and services providers and construction contractors. Ensuring the delivery of services and equipment as per schedule, of the right quality and cost, managing security of men and materials at remote sites, and ensuring all compliances are met, could pose a potential challenge.

Under our PSCs and the regulatory framework that we are governed by, we are required to obtain necessary approvals from our Joint Venture ("JV") partners, Management Committee (comprising of nominees of GoI, JV partners and our management), and other relevant regulatory authorities.

Any delays due to above dependencies may delay our project execution and have an adverse impact on project completion and consequently on operational and financial performance.

Enhanced Oil Recovery (EOR) project may not achieve all its objectives
Following a successful EOR polymer flood pilot at Mangala, a Field Development Plan for full field application of polymer flood in the Mangala field is currently under advanced stages of implementation. In terms of scale, the project is one of the largest of its kind across the globe. Risks associated with the project include lower than expected recovery, inadequate processing of produced fluids thereby impacting performance of surface facilities and managing the polymer supply chain. In addition, the use of such a recovery technique may significantly increase the operational costs. All these factors could have an adverse impact on Cairn India's production, operations and profitability

Health and safety related performance of our staff including contractors / sub-contractors
Compliance with applicable health and safety requirements and regulations are an inherent part of our business which imposes controls on aspects such as, but not limited to, the storage, handling and transportation of petroleum products, employee exposure to hazardous substance etc. Cairn India also depends on multiple contractors for the delivery of projects, construction, on-going operations, maintenance activities and road transportation of individuals and materials. Inadequate health and safety performance either on our part or non- performance of our contractors is considered a key risk to personnel safety and company's reputation.

Project Assessment and Delivery
Prior to sanction of any development project it is necessary to determine with suitable accuracy the resource base, the optimal production profile of the field, the costs of development, the time it will take to complete the development as well as commencing or concluding commercial arrangements with buyers for the sale of the oil or gas produced. Risks during the pre-sanction period are typically technical, engineering, commercial or regulatory in nature. Specific risks include the possible over-estimation of crude oil and natural gas initially in place and recoverable, inadequate technical and geophysical assessment, inaccurate cost estimations, not securing appropriate long-term commercial agreements or, where required, applicable governmental or regulatory consents, permits, licences or approvals. This can cause delays to the commercialisation of reserves and this may have a material effect on medium to long-term cash flow and income.

Post sanction, project delivery is particularly subject to technical, commercial, contractual, and economic risks. Projects can be unsuccessful for many reasons, including availability, competence and capability of human resources and contractors, mechanical and technical difficulties and infrastructure constraints, resulting in cost increases, delays in completion and deferral of income from production from the field under development. In addition, some development projects may require the use of new and advanced technologies or produce hydrocarbons from challenging reservoirs, which can exacerbate such problems.

Operations
The Company's revenues are dependent on the continued production from its operating facilities in India. Operational risks include maintaining asset integrity, which can be affected by a number of factors including not following prescribed operating and maintenance procedures resulting in reduced plant availability, unplanned shutdowns and/or equipment failure. The location of some of the Company's operations may get exposed to natural hazards such as cyclones, flooding and earthquakes, these factors may have an adverse effect on planned output levels, cost control, or a potentially material impact on the Company's reputation and the results of the Company's operations.

Commercial
Our PSC does not permit to export crude oil, which could restrict our ability to monetize reserves. Under the PSC the Company is obliged to sell 100% of its crude oil production to the GOI, which nominates the buyer(s). GOI has only nominated part of the Rajasthan crude production volume to PSU refineries and allowed for sale of balance volume to domestic private refineries. The company has entered into annual contract with Private Sector Refineries for balance volume of crude oil. However, there is still a risk of reduced/ lower off take by Private Sector Refineries due to operational issues in refineries which could impact Company's ability to sell all of the oil that it can produce. The Bhogat terminal is now operational providing us with additional evacuation options for RJ crude oil across coastal refineries.

Regulatory uncertainties may impact the Company's business
The Company's business might be affected by changes in legal and regulatory conditions by the central, state, local laws and regulations such as production restrictions, changes in taxes, royalties and other amounts payable to the various governments or their agencies

Exchange Rates
The Company's Statement of Cash Flows, Income Statement and Balance Sheet are reported in US Dollars and may be significantly affected by fluctuations in exchange rates.

Insurance
Consistent with good industry practice, an insurance programme is in place to mitigate significant losses. There is a risk, however, that the Company's insurance policies may not be sufficient in covering all losses which it or any third parties may suffer. If the Company suffers an event for which it is not adequately insured, there is a risk that this could have a material adverse effect on its business, results of operations and financial condition. The insurance programme is also subject to certain limits, deductibles and other terms and conditions.

Attracting and retaining talent at technical, managerial and leadership level is a challenge.
We depend on specialized skill sets and key talent such as geologists, geophysicists, reservoir engineers, petroleum engineers and other upstream energy specialists. Attracting and retaining scarce top quality talent in the upstream oil & gas sector is a key challenge. We are dependent to a large degree, on the continued service and performance of our senior management team and other key team members in our business units and functions. The loss or diminution of such talent pool could have an adverse effect on our delivery of business objectives.

Corporate Responsibility (CR)
The Company recognises that applying its CR Policies and 'Guiding Principles' in all activities is essential in maintaining its 'licence to operate' and business reputation. CR risks occur when any part of the business fails to implement these Policies and 'Guiding Principles'. CR risks that could affect the Company's ability to deliver projects on time and within budget include inadequate stakeholder engagement, failure to put in place appropriate controls to mitigate environmental and social impacts, not having adequate processes in place to protect human rights in activities in our 'sphere of influence' and the ineffective implementation of health and safety policies, which could also lead to health problems and injuries at the Company's worksites.

The Company's producing fields and construction projects carry significant health, safety and environmental risks. The Company seeks to minimise these risks though deployment of incident management systems. These provide the basis for managers and supervisors to conduct investigations and identify risk exposures and implement appropriate steps to minimise the risks to people, facilities and the environment. Road transportation has been identified as a key safety risk in our activities and appropriate measures are in place aimed at minimising the potential for accidents or environmental impacts

War, Terrorist Attack and Natural Disasters
The Company's business may be adversely affected by a war, terrorist attack, natural disaster or other catastrophe.

Risks and uncertainties of the Cairn India Group, which includes this Company, is discussed in detail within the annual report of the parent undertaking, Cairn India Limited.

By Order of the Board

Paul Cooper
Date: 20 April 2016

Cairn Energy Hydrocarbons Limited

Directors' Report

The directors present their report and financial statements for the year ended 31 March 2016.

Directors

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

Suniti Bhat
David Rudge
Paul Cooper

Financial Instruments

For details of the Company's financial risk management: objectives and policies see note 24 of the Notes to the Accounts.

Directors' benefits

In the current period no director has received or become entitled to receive any benefit, other than benefits as emoluments or a fixed salary as a full-time employee of the company or a related body corporate, by reason of a contract made by the company or a related body corporate with the director or with a firm of which he or she is a member, or with an entity in which he or she has a substantial financial interest.

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.

Charitable and Political Donations

The Company did not make any political or charitable contributions in UK during the year (year ended March 2015: $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.

Disclosure of Information to Auditors

The directors of the Company who held office at 31 March 2016 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.

Event after balance sheet date

No significant event has occurred after balance sheet date

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

Paul Cooper
Suite 12, 55 Park Lane
London, W1K 1NA
20 April 2016

Cairn Energy Hydrocarbons Limited

Directors' Responsibility Statement

The directors are responsible for preparing the Strategic Report, 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 HYDROCARBONS LIMITED (Registration Number: SC172470)

We have audited the financial statements of Cairn Energy Hydrocarbons Limited for the year ended 31 March 2016 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes 1 to 26. 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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 8, 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 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 financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material management or inconsistencies, we consider the implications for our report.

Opinion on the 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 2016 and of its loss for the year en 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 matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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.

Ernst & Young LLP

James Nisbet (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Glasgow
20 April 2016

Cairn Energy Hydrocarbons Limited
Income Statement
For the year ended 31 March 2016

	Notes	**Year ended March 2016 $'000**	Year ended March 2015 $'000
Revenue	2	**609,723**	1,122,704
Cost of sales			
Production costs	3(a)	**(339,729)**	(357,219)
Exploration costs written off	3(a)	**(732)**	(10,053)
Depletion and decommissioning charge	3(a)	**(254,338)**	(264,102)
Gross (Loss)/Profit		**14,924**	491,330
Impairment of investment	11	**(35,450)**	-
Administrative expenses		**(326)**	(1,437)
Operating (Loss)/Profit	3	**(20,852)**	489,893
Finance income	5	**992**	2,419
Finance costs	6	**(40,918)**	(16,904)
(Loss)/Profit before taxation		**(60,778)**	475,408
Taxation	7	**(20,186)**	(133,365)
(Loss)/Profit for the year		**(80,964)**	342,043

Cairn Energy Hydrocarbons Limited
Statement of Comprehensive Income
For the year ended 31 March 2016

	Notes	**Year ended March 2016 $'000**	Year ended March 2015 $'000
(Loss)/Profit for the year		**(80,964)**	342,043
Total comprehensive income for the year		**(80,964)**	342,043

Cairn Energy Hydrocarbons Limited

Balance Sheet

As at 31 March 2016

	Notes	31 March 2016 $'000	31 March 2015 $'000
Non-current assets			
Intangible exploration/appraisal assets	8	**363,836**	334,266
Property, plant and equipment – development/producing assets	9	**628,954**	815,476
Property, plant and equipment - other	10	**-**	-
Investments in subsidiaries	11	**33**	35,100
Deferred tax assets	17	**458,004**	507,248
Income tax assets		**1,483**	-
Other assets		**3,530**	-
		1,455,840	1,692,090
Current assets			
Inventory	14	**35,214**	28,999
Trade and other receivables	12	**48,871**	114,006
Bank deposits		**11,661**	48,767
Income tax assets		**33,816**	21,086
Cash and cash equivalents	13	**8,948**	380
		138,510	213,238
Total assets		**1,594,350**	1,905,328
Current liabilities			
Trade and other payables	15	**(267,351)**	(265,467)
		(267,351)	(265,467)
Non-current liabilities			
Provisions	16	**(30,780)**	(32,248)
		(30,780)	(32,248)
Total liabilities		**(298,131)**	(297,715)
Net assets		**1,296,219**	1,607,613
Equity			
Called-up share capital	18	**457,478**	457,478
Share premium	19	**19,573**	19,573
Other equity	20	**181,624**	181,624
Retained earnings		**637,544**	948,938
Total equity attributable to the equity holders		**1,296,219**	1,607,613

Signed on behalf of the Board

Paul Cooper
20 April 2016

Cairn Energy Hydrocarbons Limited

Statement of Cash Flows

For the year ended 31 March 2016

	Note	**Year ended March 2016 $'000**	Year ended March 2015 $'000
Cash flows from operating activities			
(Loss)/Profit before taxation		**(60,778)**	475,408
Unsuccessful exploration costs		**732**	10,053
Depletion and decommissioning charge		**254,338**	264,102
Finance income		**(992)**	(2,419)
Finance costs		**40,918**	16,904
Net interest paid		**(616)**	(1,132)
Income tax paid		**(23,693)**	(69,871)
Foreign exchange differences		**676**	15,078
Provision in dimunition in value of investment		**35,450**	-
Trade and other receivables movement		**66,808**	91,291
Trade and other payables movement		**22,772**	(1,212)
Inventory movement		**(6,215)**	(3,601)
Net cash from operating activities		**329,400**	794,601
Cash flows from investing activities			
Expenditure on exploration/appraisal assets		**(30,302)**	(140,311)
Expenditure on development/producing assets		**(94,879)**	(291,944)
Interest received		**1,512**	1,696
Expenditure on Property, plant and equipment – other		**-**	-
Investment in subsidiary		**(383)**	(6,600)
Payment to site restoration funds		**(3,530)**	-
Deposits made		**37,106**	(34,407)
Net cash used in investing activities		**(90,476)**	(471,566)
Cash flows from financing activities			
(Payments)/proceeds (to)/from related parties		**74**	(813)
Dividend paid		**(230,430)**	(333,010)
Amount borrowed		**-**	-
Repayment of borrowings		**-**	-
Net cash used in financing activities		**(230,356)**	(333,823)
Net increase/(decrease) in cash and cash equivalents		**8,568**	(10,788)
Opening cash and cash equivalents at beginning of the year		**380**	11,168
Closing cash and cash equivalents	13	**8,948**	380

Cairn Energy Hydrocarbons Limited

Statement of Changes in Equity

For the year ended 31 March 2016

	Equity Share Capital $'000	Share Premium $'000	Other Equity $'000	Retained Earnings $'000	**Total $'000**
At 1 April 2014	457,478	19,573	181,624	939,905	**1,598,580**
Profit for the period	-	-	-	342,043	**342,043**
Dividend distributed during the year	-	-	-	(333,010)	**(333,010)**
At 1 April 2015	**457,478**	**19,573**	**181,624**	**948,938**	**1,607,613**
Loss for the year	-	-	-	(80,964)	**(80,964)**
Dividend distributed during the year	-	-	-	(230,430)	**(230,430)**
At 31 March 2016	**457,478**	**19,573**	**181,624***	**637,544**	**1,296,219**

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

1 Accounting Policies

a) **Basis of preparation**

The financial statements of the Company for the year ended 31 March 2016 were authorised for issue in accordance with a resolution of the directors 20 April 2016. The Company is a private company incorporated and domiciled in Scotland. The registered office is located at Summit House, 4-5 Mitchell Street, Edinburg, 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 Business Review on pages 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 24 and 25 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 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 2016. 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 European Union effective for the year ended 31 March 2016. 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 2015:

- Amendments to IAS 19: Defined Benefit Plans: Employee Contributions effective 1 July 2014
- Annual Improvements to IFRSs 2010-2012 Cycle effective I July 2014
- Annual Improvements to IFRSs 2011-2013 Cycle effective I July 2014

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 14 Regulatory Deferral Accounts for annual periods beginning on or after 01 January 2016
- IFRS 15 Revenue from Contracts with customers period beginning on or after 01 January 2017
- Amendments to IAS 16 and IAS 38- Clarifications of Acceptable Methods of Depreciation and Amortization for annual periods beginning on or after 01 January 2016
- Amendments to IFRS 11-Accounting for Acquisition of interest in Joint Operations for annual periods beginning on or after 01 January 2016
- Annual Improvements to IFRSs 2012-2014 Cycle for annual periods beginning on or after 01 January 2016
- Amendments to IAS 27-Equity Method in Separate Financial Statements for annual periods beginning on or after 01 January 2016
- Amendments to IFRS 10 and IAS 28-Sale or contribution of assets between an investor and its Associate or Joint venture for annual periods beginning on or after 01 January 2016
- Amendments to IFRS 10, IFRS 12 and IAS 28-Investment Entities: Applying the Consolidation Exception for annual periods beginning on or after 01 January 2016
- Amendments to IAS 1-Disclosure Initiative for annual periods beginning on or after 01 January 2016

1 Accounting Policies (continued)

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(h).

d) **Joint Arrangements**
The Company participates in unincorporated Joint Arrangements which involves the joint control of assets used in the Company's oil and gas exploration and producing activities. The Company accounts for its share of assets, liabilities, income and expenditure of the Joint Operation in which the Company holds an interest, classified in the appropriate Balance Sheet and Income Statement headings. The Company's principal licence interests are jointly operations.

The Company has an interest in the following unincorporated Joint Operations:

	Working interest
Block RJ-ON-90/1 exploration area	50.0%
Block RJ-ON-90/1 development areas	35.0%

e) **Revenue and other income**
Revenue from operating activities
Revenue represents the Company's share of oil, gas and condensate production, recognised on a direct entitlement basis and tolling income received for third party use of operating facilities and pipelines in accordance with agreements.

Interest income
Interest income is recognised using the effective interest rate method on an accruals basis and is recognised within "Finance income" in the Income Statement.

f) **Oil and gas intangible exploration/appraisal assets and property, plant & equipment - development/ producing assets**
The Company follows a successful efforts based accounting policy for oil and gas assets.

Costs incurred prior to obtaining the legal rights to explore an area are expensed immediately to the Income Statement.

Expenditure incurred on the acquisition of a licence interest is initially capitalised on a licence-by-licence basis. Costs are held, undepleted, within exploration/appraisal assets until such time as the exploration phase on the licence area is complete or commercial reserves have been discovered.

Exploration expenditure incurred in the process of determining exploration targets is capitalised initially within exploration/appraisal assets and subsequently allocated to drilling activities. Exploration/appraisal drilling costs are initially capitalised on a well-by-well basis until the success or otherwise of the well has been established. The success or failure of each exploration/appraisal effort is judged on a well-by-well basis.

Drilling costs are written off on completion of a well unless the results indicate that hydrocarbon reserves exist and there is a reasonable prospect that these reserves are commercial.

Following appraisal of successful exploration wells, if commercial reserves are established and technical feasibility for extraction demonstrated, then the related capitalised exploration/appraisal costs are transferred into a single field cost centre within development/producing assets after testing for impairment (see below). Where results of exploration drilling indicate the presence of hydrocarbons that are ultimately not considered commercially viable, all related costs are written off to the Income Statement.

All costs incurred after the technical feasibility and commercial viability of producing hydrocarbons has been demonstrated are capitalised within development/producing assets on a field-by-field basis. Subsequent expenditure is capitalised only where it either enhances the economic benefits of the development/producing asset or replaces part of the existing development/producing asset. Any remaining costs associated with the part replaced are expensed.

1 Accounting Policies (continued)

f) Oil and gas intangible exploration/appraisal assets and property, plant & equipment - development/ producing assets (continued)

Net proceeds from any disposal of an exploration asset are initially credited against the previously capitalised costs. Any surplus proceeds are credited to the Income Statement. Net proceeds from any disposal of development/producing assets are credited against the previously capitalised cost. A gain or loss on disposal of a development/producing asset is recognised in the Income Statement to the extent that the net proceeds exceed or are less than the appropriate portion of the net capitalised costs of the asset.

Depletion

The Company depletes separately, where applicable, any significant components within development/producing assets, such as fields, processing facilities and pipelines, which are significant in relation to the total cost of a development/producing asset.

The Company depletes expenditure on property, plant & equipment - development/producing assets on a unit of production basis, based on proved and probable reserves on a field-by-field basis. In certain circumstances, fields within a single development area may be combined for depletion purposes.

Impairment

Exploration/appraisal assets are reviewed regularly for indicators of impairment following the guidance in IFRS 6 'Exploration for and Evaluation of Mineral Resources' and tested for impairment where such indicators exist. In such circumstances the exploration asset is allocated to development/producing assets within the same operating segment and tested for impairment. Any impairment arising is recognised in the Income Statement for the year. Where there are no development/producing assets within an operating segment, the exploration/appraisal costs are charged immediately to the Income Statement.

Impairment reviews on development/producing assets are carried out on each cash-generating unit identified in accordance with IAS 36 'Impairment of Assets'. The Company's cash generating units are those assets which generate largely independent cash flows and are normally, but not always, single development areas.

At each reporting date, where there are indicators of impairment, the net book value of the cash generating unit is compared with the associated expected discounted future net cash flows. If the net book value is higher, then the difference is written off to the Income Statement as impairment. Discounted future net cash flows for IAS 36 purposes are calculated using an consensus short and long-term oil price forecast and the appropriate gas price as dictated by the relevant gas sales contract, escalation for costs of and a pre-tax discount rate Forecast production profiles are determined on an asset by asset basis, using appropriate petroleum engineering techniques.

Where there has been a charge for impairment in an earlier period that charge will be reversed in a later period where there has been a change in circumstances to the extent that the discounted future net cash flows are higher than the net book value at the time. In reversing impairment losses, the carrying amount of the asset will be increased to the lower of its original carrying value or the carrying value that would have been determined (net of depletion) had no impairment loss been recognised in prior periods.

Property, plant and equipment - other

Property, plant and equipment are measured at cost less accumulated depreciation and impairment and depreciated over their expected useful economic lives as follows:

	Annual Rate (%)	Depreciation Me
Tenants' improvements	10 – 33*	straight line
Vehicles and equipment	25 – 50	straight line

* Depreciation is charged over the shorter of the economic life or the remaining term of the lease.

There are no restrictions on title and no amount is pledged as security for the Fixed Assets.

1 Accounting Policies (continued)

g) Inventory

Inventory of oil is held at the Balance Sheet date are valued at the lower of cost or net realisable value based on the estimated selling price.

Inventories of stores and spares related to production activities are valued at cost or net realizable value whichever is lower.

h) Foreign currencies

The Company translates foreign currency transactions into the functional currency, $, 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 except for those incurred on borrowings specifically allocable to development projects, which are capitalised as part of the cost of the asset.

Rates of exchange to $1 were as follows:

	31 March 2016	**Average Year ended March 2016**	31 March 2015	Average Year ended March 2015
Sterling	**0.698**	**0.666**	0.677	0.623
Indian Rupee	**66.333**	**65.695**	62.5908	61.221

i) Decommissioning

At the end of the producing life of a field, costs are incurred in removing and decommissioning production facilities. The Company recognises the full discounted cost of dismantling and decommissioning as an asset and liability when the obligation arises. The decommissioning asset is included within property, plant & equipment – development/producing assets with the cost of the related installation. The liability is included within provisions. Revisions to the estimated costs of decommissioning which alter the level of the provisions required are also reflected in adjustments to the decommissioning asset. The amortisation of the asset, calculated on a unit of production basis based on proved and probable reserves, is included in the "Depletion and decommissioning charge" in the Income Statement, and the unwinding of the discount on the provision is included within "Finance costs".

j) 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.

Oil and gas reserves

Cairn estimates oil and gas reserves on a proved and probable entitlement interest basis. Gross reserve estimates are based on forecast production profiles over the remaining life of the field, determined on an asset-by-asset basis, using appropriate petroleum engineering techniques. Net entitlement reserve estimates are subsequently calculated using the Group's current oil price and cost recovery assumptions. Estimated reserve quantities are:

Proven plus probable oil reserves	**Direct working interest basis (mmboe)**	**Direct entitlement interest basis (mmboe)**
At 1 April 2015	114.53	74.28
Revisions of previous estimates	(10.13)	(4.51)
Production	22.72	15.66
At 31 March 2016	**81.68**	**54.11**

Impairment testing

Discounted future net cash flows for IAS 36 purposes are calculated using commodity price, cost and discount rate assumptions on forecast production profiles. See notes 1(f) and 1(k) for further details.

1 Accounting Policies (continued)

j) Key estimations and assumptions (continued)

Depletion

Depletion charges are calculated on a field-by-field basis using oil and gas reserve estimates and future capital cost assumptions. See note 1(f).

Decommissioning estimates

The Company's provision for decommissioning oil and gas assets is based on current estimates of the costs for removing and decommissioning producing facilities, the forecast timing of settlement of decommissioning liabilities and the appropriate discount rate. See note 16.

Deferred tax

For certain of the Company's Indian assets, the measurement of deferred tax liabilities requires the estimation of an effective rate of tax to apply over a tax holiday period. This effective rate is determined by the extent to which temporary differences are forecast to unwind during the tax holiday period and requires an estimation of future depletion charges expected to apply to the relevant assets based on current oil and gas reserve estimates. Details on further estimates and assumptions used in calculating deferred tax liabilities are given in note 17.

k) 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, and loans and receivables and available-for-sale financial assets. The Company holds financial assets which are classified as loans and receivables, with the exception of derivative financial instruments which are held at fair value through profit or loss.

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

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

Derivative financial instruments

The Company uses derivative financial instruments such as foreign currency options to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are designated upon initial recognition as at fair value through profit or loss. The derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives during the year are taken directly to the Income Statement. The Company did not apply hedge accounting for derivative financial instruments held during the current and prior year.

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.

1 Accounting Policies (continued)

k) **Financial instruments (continued)**

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.

Bank deposits

Bank deposits with an original maturity of over three months are held as a separate category of current asset and presented on the face of the Balance Sheet.

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.

Trade payables and other non-derivative financial liabilities

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

Interest-bearing bank loans and borrowings

All interest-bearing bank loans and borrowings represent amounts drawn under the Group's revolving credit facilities, classified according to the length of time remaining under the respective facility. Loans are initially measured at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans are subsequently measured at amortised cost using the effective interest method. Interest payable is accrued in the Income Statement using the effective interest rate method.

Borrowing costs

Borrowing costs are recognised in the Income Statement in the period in which they are incurred except for borrowing costs incurred on borrowings directly attributable to development projects that are capitalised within the development/producing asset.

l) **Investments**

The Company's investments in subsidiaries are carried at cost less provisions resulting from impairment. The recoverable value of investments is the higher of its fair value less costs to sell and value in use. Value in use is based on the discounted future net cash flows of the oil and gas assets held by the subsidiary.

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

m) **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.

1 Accounting Policies (continued)

m) Taxation (continued)

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.

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.

n) Exceptional items

Exceptional items are those not considered to be part of the normal operation of the business. Such items are identified as exceptional and a full explanation is given in the Notes to the Accounts.

2 Revenue

	Year ended March 2016 $'000	Year ended March 2015 $'000
Revenue from the sale of oil	**596,226**	1,113,667
Revenue from the sale of gas	**13,103**	8,472
Other income	**394**	565
Revenue	609,723	**1,122,704**
Interest receivable	**992**	2,419
Total income	610,715	1,125,123

3 Operating profit

a) Operating (Loss)/ Profit is stated after charging/(crediting):

	Year ended March 2016 $'000	Year ended March 2015 $'000
Cess on crude oil	**196,677**	226,678
Increase/Decrease in inventory	**(2,235)**	655
Other production costs	**145,287**	129,886
Depletion and decommissioning	**254,338**	264,102
Exploration costs written off	**732**	10,053

b) Continuing operations
All profits and losses in the current and preceding year were derived from continuing operations.

c) Auditors' Remuneration
Fees amounting to $10,465 (year ended 31 March 2015: $10,784) are payable to the Company's auditors for the audit of the Company's annual accounts.

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.

d) Employee benefit expenses
Administrative expenses include $31,271 on account of employee benefit expenses. Company also contributes 8.5% of the basic salary to the pension fund. The breakdown of the liability is given as below:

Particulars	**31 March 2016** $'000	**31 March 2015** $'000
Balance as at 1 April	19	17
Contribution during the year	7	14
Less : payments made	(26)	(12)
Closing Balance	-	**19**

4 Directors' Emoluments

Being in Non-executive position Suniti Bhat is not entitled to any remuneration from the Company. Further, the other directors of the company David Rudge and Paul Cooper received a total remuneration of $14,263 for the year ended 31 March 2016 (year ended 31 March 2015: $15,241).

5 Finance Income

	Year ended March 2016 $'000	Year ended March 2015 $'000
Bank interest	**269**	2,329
Other interest (refer note 23)	**-**	90
Income from SRF deposit	**52**	-
Other income	**671**	-
	992	2,419

6 Finance Costs

	Year ended March 2016 $'000	Year ended March 2015 $'000
Bank loan interest	**88**	120
Other finance charges	**528**	1,013
Exchange loss	**37,812**	10,971
	38,428	12,104
Other finance charges - unwinding of discount (refer note 16)	**2,490**	4,800
	40,918	16,904

7 Taxation on profit

a) Analysis of tax charge/(credit) during the year

	Year ended March 2016 $'000	Year ended March 2015 $'000
Current tax	**7,768**	72,273
Deferred tax	**12,418**	61,092
Tax charge	**20,186**	133,365

b) Factors affecting tax charge/(credit) for year

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

	Year ended March 2016 $'000	Year ended March 2015 $'000
(Loss)/profit before taxation	**(60,778)**	475,408
Corporation tax at the standard UK rate of 20% (Apr'14-Mar'15- 21%)	**(12,156)**	99,836
Effects of:		
Permanent differences	**9,774**	12,167
Effect of higher tax rate	**10,857**	68,289
Indian Tax holiday	**(19,930)**	(66,249)
Deferred tax - impact of tax holiday	**31,641**	19,322
Total tax charge	**20,186**	133,365

7 Taxation on profit (continued)

The UK Government has announced that the main rate of UK Corporation tax for the year 2015 is 20% (2014 is 21%). Further, reduction in the main rate to 19% from 1st April 2017 and 18% effective from 1st April 2020 have been fully enacted into UK law in the period.

Company has elected for branch exemption and the same has been accepted by HMRC and the period ended 31st March 2016 is the first period for which the foreign branch exemption applies to the company. This exemption has the effect of exempting from UK Corporation tax all profits and losses attributable to the operations of the Indian branch of the company.

8 Intangible Exploration/Appraisal Assets

	South Asia $'000	**Total $'000**
Cost and net book value		
At 1 April 2014	204,008	204,008
Additions	140,311	140,311
Unsuccessful exploration costs	(10,053)	(10,053)
At 1 April 2015	**334,266**	**334,266**
Additions	30,302	30,302
Unsuccessful exploration costs	(732)	(732)
At 31 March 2016	**363,836**	**363,836**

9 Property, Plant & Equipment - Development/Producing Assets

	South Asia $'000	**Total $'000**
Cost and net book value		
At 1 April 2014	734,672	734,672
Additions	368,785	368,785
Adjustment to decommissioning asset on change of estimate	(23,879)	(23,879)
Depletion	(264,102)	(264,102)
At 1 April 2015	**815,476**	**815,476**
Additions	71,774	70,223
Adjustment to decommissioning asset on change of estimate	(3,958)	(3,958)
Depletion	(254,338)	(254,228)
At 31 March 2016	**628,954**	**627,513**

The net book value at 31 March 2016 includes $0.3m (31 March 2015: $3.6m) in respect of assets under construction which will be depleted once these Rajasthan fields commence production.

The Company holds interest in RJ-ON-90/1 oil and gas field. The Production Sharing Contract ('PSC') for the said field provides for an extension of the contract by a maximum period of ten years, in case there is a continued production of commercial natural gas from the said field. Since the management expects to continue with the production and sale of natural gas for a period of ten years even after the completion of the initial contract period, they believe that market participants would consider cash flows from the said asset for the said additional period of ten years as well without any modification in the term of PSC as per the legal opinions available to the Company. Accordingly, management has recomputed the recoverable value of its assets after considering the future discounted cash flows from RJ -ON-90/1 block. Basis the above valuation, the Company believes that there is no impairment in the carrying value of the assets.

10 Property, Plant & Equipment - Other Assets

	Vehicles & equipment $'000	**Total $'000**
Cost		
At 1 April 2015	605	605
Additions	-	-
At 31 March 2016	**605**	**605**
Depreciation		
At 1 April 2015	605	605
Charge for year	-	-
At 31 March 2016	**605**	**605**
Net book value at 31 March 2016	-	-
Net book value at 31 March 2015	-	-

11 Investments in Subsidiaries

	$'000
Cost and net book value:	
At 1 April 2015	35,100
Additions	383
Impairment of investment	(35,450)
At 31 March 2016	33

During the year ended 31 March 2016, the Company contributed $350,000 (year ended 31 March 2015: $6,600,000) in Cairn South Africa (PTY) Ltd.

As of 31 March 2016, the directors have assessed the recoverable amount of the investment in Cairn South Africa Pty Ltd. Due to uncertainty over the Fiscal Regime in South Africa and deferral of the execution of the Deed of Renewal for the 2nd Renewal Phase, there exists material uncertainty with regard to continuing exploration activities in the block. As a consequence, the entire exploration assets have been impaired in the books of Cairn South Africa Pty Ltd.

As a result of the above, the directors concluded that the investment in Cairn South Africa Pty Ltd will not be recovered and an impairment of $35,450 has been recognised. Also refer note 22.

On 14 August 2015, in terms of Share Purchase Agreement, the Company purchased 100% shareholding amounting to $32,563 in CIG Mauritius Holding Pvt Ltd from Cairn India Limited.

12 Trade and Other Receivables

	31 March 2016 $'000	31 March 2015 $'000
Trade receivables	**19,161**	81,266
Amounts owed by group companies	-	2
Other debtors	**7,428**	11,619
Joint Operation debtors	**20,609**	16,537
	47,198	109,424
Prepayments	**1,673**	4,582
	48,871	114,006

12 Trade and Other Receivables (Continued)

Joint Operation debtors for the Company include an amount in respect of outstanding and overdue cash calls of $133.7m (31 March 2015: $117.8m) receivable from the Rajasthan joint operation partner ONGC (Oil and Natural Gas Corporation Limited). Management is currently pursuing payment of this amount. The Company has already made a provision of $133.7m (31 March 2015: $117.8m) against outstanding and overdue cash calls.

As at 31 March 2016, the ageing analysis of trade and other receivables, excluding prepayments, is set out below:

	Total	Current	< 30 days	30-60 days	60-90 days	90-120 days	>120 days
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2015-16							
Neither past due nor impaired	**18,214**	18,214	-	-	-	-	-
Past due but not impaired	**28,984**	-	1,895	-	-	102	26,987
Past due and impaired	**133,666**	-	-	-	-	-	133,666
Allowance for doubtful debts	**(133,666)**	-	-	-	-	-	(133,666)
At 31 March 2016	**47,198**	18,214	1,895	-	-	102	26,987

As at 31 March 2015, the ageing analysis of trade and other receivables, excluding prepayments, is set out below:

	Total	Current	< 30 days	30-60 days	60-90 days	90-120 days	>120 days
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2014-15							
Neither past due nor impaired	85,569	85,569	-	-	-	-	-
Past due but not impaired	23,855		461	137	6,242	222	16,793
Past due and impaired	117,791	-	-	-	-	-	117,791
Allowance for doubtful debts	(117,791)	-	-	-	-	-	(117,791)
At 31 March 2015	**109,424**	85,569	461	137	6,242	222	16,793

The movement in allowance for doubtful debts individually or collectively impaired is as set out below.

	31 March 2016 $'000	31 March 2015 $'000
Joint operation debtors		
As at 1April	**117,791**	95,100
Increase in allowance capitalised in the Balance Sheet	**15,875**	22,691
	133,666	117,791

Included in the allowance for doubtful debts are individually impaired Joint Operation debtors with a balance of $133.7m (31 March 2015:$117.8m). These predominantly relate to outstanding Rajasthan cash calls which are currently being pursued by management.

13 Cash and Cash Equivalents

	31 March 2016 $'000	31 March 2015 $'000
Cash at bank	**8,686**	19
Short-term deposits	**262**	361
	8,948	380

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods from overnight deposits to three months depending on the cash requirements of the Company.

14 Inventory

	31 March 2016 $'000	31 March 2015 $'000
Oil inventories	**14,414**	12,179
Stores and spares	**20,800**	16,820
	35,214	28,999

15 Trade and Other Payables

	31 March 2016 $'000	31 March 2015 $'000
Joint Operation creditors	**201,326**	161,243
Joint Operation accruals	**32,844**	94,285
Amounts owed to group companies	**74**	-
Other taxation dues	**481**	182
Other creditors and accruals	**32,626**	9,757
	267,351	265,467

16 Provisions

Provisions for decommissioning – Non current

	$'000
At 1 April 2014	(51,327)
Change in decommissioning estimate	23,879
Discount unwind in the year	(4,800)
At 1 April 2015	**(32,248)**
Change in decommissioning estimate	3,958
Discount unwind in the year	(2,490)
At 31 March 2016	**(30,780)**

Decommissioning costs which were expected to be incurred during 2041. The provision has been estimated using existing technology at current prices and discounted using a real discount rate of 8.0% p.a. (2015: 7.8% p.a.). The decommissioning liability has reduced as there have been significant changes in technology and prices, as confirmed by an independent third party report.

17 Deferred tax asset

	Asset $'000
At 1 April 2014	593,741
Credit to Income Statement	(61,092)
Foreign exchange difference	(25,401)
At 1 April 2015	**507,248**
Credit to Income Statement	**(12,419)**
Foreign exchange difference	**(36,825)**
At 31 March 2016	**458,004**

	31 March 2016 $'000	31 March 2015 $'000
Deferred taxation – India		
Accelerated capital allowances	**(171,905)**	(153,024)
Other timing differences	**629,909**	660,272
	458,004	507,248

Considering the current business plans, including production profiles and oil price forecasts and managements expectation of an extension of the RJ-ON-90/1 PSC, management expects to recover the amount of Minimum Alternate tax paid to Government of India, which is in nature of an unused tax credit and included above, over its stipulated period of ten years from origination.

18 Share Capital

Authorised ordinary shares

Special Resolution was passed on 22 October 2009, whereby limit on the Authorised Share Capital of the Company was removed.

	31 March 2016 £1 Ordinary Number	**31 March 2016 £1 Ordinary $'000**	31 March 2015 £1 Ordinary Number	31 March 2015 £1 Ordinary $'000
Allotted, issued and fully paid ordinary shares				
	270,895,162	**457,478**	270,895,162	457,478

19 Share premium

	31 March 2016 $'000	31 March 2015 $'000
Share premium	**19,573**	19,573

20 Equity

Other equity	31 March 2016 $'000	31 March 2016 $'000
At 1 April	**181,624**	181,624
At 31 March	**181,624**	181,624

21 Capital Commitments

	31 March 2016 $'000	31 March 2015 $'000
Oil and gas expenditure:		
Property, plant and equipment – development/producing assets	**11,751**	144,688
– exploration assets	-	31,930
Contracted for	**11,751**	176,618

The above capital commitments represent the Company's share of obligations in relation to its interests in joint operations. As the joint operation in which the Company participates involves joint control of assets, these commitments also represent the Company's share of the capital commitments of the joint operation itself.

22 Contingent Liabilities

Indian Service Tax

Cairn India Limited, being the Operator of RJ-ON-90/1 block in which Company has participating interest, had received ten show cause notices (SCN's) related to period April 1, 2006 to March 31, 2015, citing non-payment of service tax on various services. Nine SCN's have been adjudicated by the department pertaining to the period 1 April 2006 to 31 March 2014 and company is contesting the demand adjudicated. In respect of last SCN, period 1 April 2014 to 31 March 2015, reply will be submitted in due course.
Out of the total service tax demanded by the Service tax authorities, $5.2m (31 March 2015: $13.5m) belongs to RJ-ON-90/1 block, and out of which Company share will be $1.8m (31 March 2015: $4.7m). Further, Company has already made the provision in its books of account to the tune of $1.1m (31 March 2015: $1.2m). The Operator is contesting the demands and believes that its position is likely to be upheld.

Entry Tax

Pursuant to the provisions of the Rajasthan Entry Tax Act, 1999, an entry tax demand has been raised for $3.72m (31 March 2015: $0.95m) plus penalty and interest which Cairn India Limited, being the Operator, has contested before the Deputy Commissioner. The Company believes that this levy is not constitutionally valid and its Special Leave Petition in this regard is pending before the Hon'ble Supreme Court.

Guarantees

It is normal practice for the Cairn India Group to issue guarantees in respect of obligations during the normal course of business.

22 Contingent Liabilities (continued)

Tax holiday on gas production
Section 80-IB (9) of the Income Tax Act, 1961 allows the deduction of 100% of profits from the commercial production or refining of mineral oil. The term 'mineral oil' is not defined but has always been understood to refer to both oil and gas, either separately or collectively.

The 2008 Indian Finance Bill appeared to remove this deduction by stating [without amending section 80-IB (9)] that "for the purpose of section 80-IB (9), the term 'mineral oil' does not include petroleum and natural gas, unlike in other sections of the Act". Subsequent announcements by the Finance Minister and the Ministry of Petroleum and Natural Gas have confirmed that tax holiday would be available on production of crude oil but have continued to exclude gas. The Company filed a writ petition to the Gujarat High Court in December 2008 challenging the restriction of section 80-IB to the production of oil. Gujarat High Court did not admit the writ petition on the ground that the matter needs to be first decided by lower tax authorities. A Special Leave Petition has been filed before Supreme Court against the decision of Gujarat High court.

In the event this challenge is unsuccessful, the potential liability for tax and related interest on tax holiday claimed on gas is approximately $6.09m (31 March 2015:$2.99m).

South Africa Carry
As part of the farm-in agreement for Block 1, Cairn South Africa Pty Ltd is required to carry PetroSA up to a gross expenditure of $100m for a work program including 3D and 2D seismic and at least one exploration well. At balance sheet date, $37m has been spent in exploration expenditure and a $63m carry (including drilling one well) remains. The Mineral and Petroleum Resources Development Bill has proposed several changes to the fiscal terms of contracts for companies currently operating in South Africa and for new exploration contracts which are currently under revision. In light of the given uncertainty, the management believes, which is also supported by legal advice, that it is possible but not probable that the liability of $ 63m would devolve toward Cairn South Africa Pty Ltd and accordingly no provision for liability has been recognized in the financial statements. The Company has extended letter of support to Cairn South Africa Pty Ltd to help it meet its future financial obligations.

Others
Other claims raised by contractors and vendors of the Company $2.6m (31 March 2015: Nil)

23 Related Party Transactions

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

		Year ended March 2016 $'000	Year ended March 2015 $'000
Transactions during the period			
Dividend paid (1)		**230,430**	333,010
Reimbursement of expenses to CIL		-	-
Loan given and received back (2)		-	50,000
Interest income on loan (2)		-	90
Assignment of intergroup balances		**39,927**	-
Waiver of inter group balances		**39,927**	-
Balances at 31 March			
Amounts owed by group companies	12	-	2
Amounts owed to group companies	15	**74**	-
		74	2

23 Related Party Transactions (continued)

(1) The company paid dividend of $230.4m (year ended 31 March 2015: $333.0m) to its holding company, Cairn India Holdings Limited. The dividend paid per share is $0.85 (year ended 31 March 2015:$1.23).

(2) Unsecured loan was given to fellow subsidiary THL Zinc and received back in the previous year. Interest rate of 3%+LIBOR p.a. is applicable on the amount of loan.

(3) During the current year, the Company received tax assets of $39,927 from its fellow subsidiary Cairn Energy Holdings Limited due to liquidation of the latter company. The same was subsequently written off.

The amounts outstanding are unsecured, repayable on demand and will be settled in cash. Interest, where charged, is at market rates. No guarantees have been given.

24 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 bank 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. During the year the Company did not enter into forward foreign exchange options to hedge the exposure of future Indian Rupee requirements. Refer to note 25 for further details.

The main risks arising from the Company's financial instruments are liquidity risk, interest rate 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
Cairn India Group entered into uncommitted secured working capital facility for aggregating $25m to fund its short term capital requirements. Uncommitted facility as of 31 March 2016 was $25m (31 March 2015: $75m). As at 31 March 2016, there were no outstanding amounts under these facilities. In addition, as at 31 March 2016, the Cairn India Group had $89.0m of trade finance facilities (31 March 2015: $105.9m) in place to cover the issue of bank guarantees / letter of credit. Fixed rates of bank commission and charges apply to these. A sum of $28.5m was utilised as at 31 March 2016 (31 March 2015: $18.9m).

The Cairn India Group currently has surplus cash which it has placed 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, ensuring sufficient liquidity to enable the Cairn India Group to meet its short/medium-term expenditure requirements.

The Cairn India Group is conscious of the current environment and constantly monitors counterparty risk. Policies are in place to limit counterparty exposure. The Cairn India Group 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'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 2015: $nil).

24 Financial Risk Management: Objectives and Policies (continued)

Interest rate risk table
The following table demonstrates the sensitivity of the Company's profit before tax to a change in interest rates (through the impact on floating rate borrowings and deposits). In addition there would be no change to development/producing assets carrying value as a result of the capitalisation of the borrowing costs for the Rajasthan development (2015: $nil).

	Increase/decrease in basis points	Effect on profit before tax
April 2015- March 2016	50	$909,504
April 2014- March 2015	50	$597,725

The amounts calculated are based on actual drawings and deposits in the periods for 50 basis point movement in the total rate of interest on each loan or deposit.

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. Generally the exposure has been limited given that receipts and payments have mostly been in US dollars and the functional currency of the Company is US dollars.

As a result of the Rajasthan developments, there has been an increased exposure between the Indian Rupee and US Dollar in the current period. This has now been significantly mitigated with the CE Group USD and INR facilities which allow matching of drawings and payments, out of which USD facility is held by the Company.

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 to hold working capital balances in the same currency as functional currency, 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 Balance Sheet.

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 fair value of the outstanding currency derivatives in Cairn India Holdings Group as at 31 March 2016 was $nil (31 March 2015: $nil).

The following table demonstrates the sensitivity to movements in the $:GBP and $:INR exchange rates, with all other variables held constant, on the Company's monetary assets and liabilities. The Group's exposure to foreign currency changes for all other currencies is not material.

	Effect on profit before tax $'000
April 2015-March 2016	
10% increase in Sterling to $	(1,062)
10% decrease in Sterling to $	1,298
10% increase in Indian Rupee to $	(39,809)
10% decrease in Indian Rupee to $	48,655
April 2014-March 2015	
10% increase in Sterling to $	(1,006)
10% decrease in Sterling to $	1,229
10% increase in Indian Rupee to $	(52,790)
10% decrease in Indian Rupee to $	64,521

24 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. 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 12.

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 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 2016.

The Company has $nil borrowings as at 31 March 2016. There is $25m amount of undrawn borrowing available at 31 March 2016.

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

	31 March 2016 $'000	31 March 2015 $'000
Trade and other payables	**267,351**	265,467
Less cash and cash equivalents	**(8,948)**	(380)
Net debt	**258,403**	265,087
Equity	**1,296,219**	1,607,613
Capital and net debt	**1,554,622**	1,872,700
Gearing ratio	**16.62 %**	14.15 %

25 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 and liabilities, together with their fair values are as follows:

25 Financial Instruments (continued)

Financial assets

	Carrying amount		Fair value	
	31 March 2016 $'000	31 March 2015 $'000	**31 March 2016 $'000**	31 March 2015 $'000
Cash and cash equivalents	**8,948**	380	**8,948**	380
Joint Operation debtors	**20,609**	16,537	**20,609**	16,537
Amounts owed by group companies	**-**	2	**-**	2
	29,557	16,919	**29,557**	16,919

All of the above financial assets are current and unimpaired with the exception of Joint Operation debtors. An analysis of the ageing of Joint Operation debtors is provided in note 12.

Financial liabilities

	Carrying amount		Fair value	
	31 March 2016 $'000	31 March 2015 $'000	**31 March 2016 $'000**	31 March 2015 $'000
Decommissioning provision	**30,780**	32,248	**30,780**	32,248
Joint Operation creditors	**201,326**	161,243	**201,326**	161,243
Amounts owed to group companies	**74**	-	**74**	-
	232,180	193,491	**232,180**	193,491

Maturity Analysis
The following table sets out the amount, by maturity, of the Company's financial liabilities:

At 31 March 2016

	Total $'000	Less than one year $'000	One to two years $'000	Two to three years $'000	Three to four years $'000	Four to five years $'000	More than five years $'000
Decommissioning provision**	**210,795**	-	-	-	-	-	**210,795**
Joint Operation creditors and accruals	**201,326**	**201,326**	-	-	-	-	-
Amounts owed to group companies	**74**	**74**	-	-	-	-	-
	412,195	**201,400**	-	-	-	-	**210,795**

At 31 March 2015

	Total $'000	Less than one year $'000	One to two years $'000	Two to three years $'000	Three to four years $'000	Four to five years $'000	More than five years $'000
Decommissioning provision**	**227,298**	-	-	-	-	-	227,298
Joint Operation creditors and accruals	**161,243**	161,243	-	-	-	-	-
Amounts owed to group companies	-	-	-	-	-	-	-
	388,541	161,243	-	-	-	-	227,298

25 Financial Instruments (continued)

* Bank loans include interest for the purposes of the maturity analysis.
** The decommissioning provision is discounted at a rate of 8.0% (31 March 2015: 7.8%) to give the net present value which is carried at the Balance Sheet date. The gross amount is included in the maturity analysis table in accordance with the requirements of IFRS.

Fair value hierarchy
The Group 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 2016 and 31 March 2015, the Company had no financial instruments in level 1, 2 or 3.

26 Ultimate Parent Company

The Company is a wholly-owned subsidiary of Cairn India Holdings Limited which in turn is a subsidiary of Cairn India 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.