Registered number: SC172470

CAIRN ENERGY HYDROCARBONS LIMITED

REPORT & FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

Cairn Energy Hydrocarbons Limited

Directors:

Suniti Bhat
David Rudge
Paul Cooper

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,
United Kingdom, SW1Y 4LB

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 2017.

Principal Activities and Business Review

Cairn Energy Hydrocarbons Limited (“Company”) is engaged in 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 the Rajasthan block RJ-ON-90/1 (“Rajasthan”) in India. Average gross production from the Rajasthan block for the year was 161,571 boepd and working interest production was 113,100 boepd.

The Rajasthan block is an onshore block. It is the principal production asset where the Company along with its Holding Company owns a 70% participating interest pursuant to the production sharing contract signed on 15 May 1995 that runs until May 2020. Joint operation partner, ONGC, has a 30% participating interest. The Rajasthan block is spread over 3,111 sq. kms west of Barmer district. The block consists of three contiguous development areas or DA: (i) DA 1, primarily comprising the Mangala, Aishwariya, Raageshwari and Saraswati or MARS fields; (ii) DA 2 primarily consisting of the Bhagyam, NI and NE and Shakti fields; and (iii) DA 3, comprising the Kaameshwari West fields.

The Mangala field was discovered in January 2004. This was followed by many other discoveries including the Aishwariya and Bhagyam fields. In the Rajasthan block, 38 discoveries have been established, since inception. The Mangala, Bhagyam and Aishwariya fields (collectively, the “MBA Fields”) are the largest in the Rajasthan Block and the Mangala field was the first to be developed, having commenced production of commercial crude oil in August 2009. In addition, Cairn India has completed the MPT, a centralised hub facility to handle crude oil production from the MBA Fields and other fields, such as Raageshwari, Saraswati and other satellite fields. Since June 2010, sales of crude oil from the Rajasthan Block are made through a pipeline (the “Pipeline”) of approximately 590 km running from the MPT to Salaya which further extends 73 km to Bhogat. In November 2015, the Salaya-Bhogat pipeline and terminal at Bhogat were commissioned and the first cargo of 500,000 barrels of Rajasthan crude oil was successfully loaded in December 2015 through the Bhogat terminal for Mangalore Refinery and Petrochemicals Limited (“MRPL”). The terminal provides access to a larger market for Rajasthan crude. The Bhogat terminal is a 160 hectare site located eight km from the Arabian Sea coast at Bhogat in Jamnagar District, Gujarat.

We have successfully executed the Enhanced Oil Recovery (“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 derived gross revenue from oil and gas production of $573.4m (year ended March 2016: $609.7m) from permit interests in India. During the current year, the Company made a profit of $74.0m (year ended March 2016: loss of $80.0m). Dividend amounting to $210.2m has been paid during the year (year ended March 2016: $230.4m).

	Year ended March 2017 $’000	**Year ended March 2016 $’000 (restated)**
Revenue	573,422	609,723
Operating Profit/(Loss)	74,133	(19,688)
Profit/(Loss) for the year	74,029	(80,046)
Margin (%)	12.91%	(13.13%)

Revenue is reported post profit sharing with the Government of India and the royalty expense in the Rajasthan block.

Operations & Projects

During the year, the Block achieved a total production of 59.0 mmboe. Cumulative oil production till 31 March 2017 is 399 million barrels.

The gross average production for FY2017 was 161,571 boepd, 5% lower YoY. Production was lower primarily on account of natural decline in the fields and planned maintenance shutdown in Rajasthan during the current year. However, this was partly offset by the excellent performance of Mangala EOR program. The production from Mangala EOR has increased to an average of 56 kbopd in Q4 FY2017 with the annual average at 51 kbopd.

Operations & Projects (continued)

Mangala EOR project, the world’s largest polymer flood continued to show exemplary performance, during the year the surface facilities modifications to handle the back-produced polymer fluids was commissioned and hook up of polymer injection wells were completed in-line with the plan. The polymer injection was maintained at target levels of 400,000 barrels of liquid per day.

Development Area (DA) 1, comprising the Mangala, Aishwariya, Saraswati and Raageshwari oil & gas fields, produced at a gross average of 146,423 boepd during the year.

DA 2 comprising of Bhagyam, NI and NE field produced gross average 15,148 boepd during the year.

Gas sales during the year were 9.8 mmscfd, amounting to total sales of 3.6 bscf. Gas sales were temporarily suspended due to a technical issue between the transporter and the buyers from end October 2016 to mid-February 2017. The issue has since been resolved and normal sales resumed.

With a focus on developing the potential of resource base at Rajasthan, continuous efforts are being made to advance key projects to the production stage. The Gas development project at RDG achieved higher initial well productivity resulting in increased recovery estimates from 74 mmboe to 86 mmboe (including condensate) till 2030. Higher well productivity along with cost reduction has improved the rate of return to 25-30% from the initial 20%.The phased development of the project is progressing as per plan to achieve a gradual ramp-up in production while ensuring prudence in capital investment. As part of Phase-1, the remaining 7 wells out of the 15 wells frac program have also been brought online and will start adding to the production as per plan.

In-line with the objective of enhancing recovery from the core fields, the polymer injection program in Bhagyam and Aishwariya is progressing on track after the successful execution of EOR in Mangala. In-line with the objective of enhancing recovery from the core fields, the polymer injection program in Bhagyam and Aishwariya is progressing on track.

Given the large HIIP, Barmer Hill offers significant growth opportunity. Aishwariya Barmer Hill full field development capital cost has been reduced by over 25% to US$220 million through reduction in both well cost and surface facility cost for a EUR of about 30 mmbbls till 2030.

Exploration activities continue to focus on enhancing the current portfolio. Efforts are focused on integration of all available data for identification of high impact new plays.

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 & Reserve Base

As at March 2017, the gross hydrocarbons in-place in Rajasthan is at 6.4 billion boe. The gross proved plus probable reserves and resources stood at 1,160 mmboe, which includes gross reserves (2P) of 158 mmboe and gross resources (2C) of 1,002 mmboe.

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. 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 project implementation at Mangala, a Field Development Plan for full field application of polymer flood in the Aishwariya and Bhagyam 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 the Company'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.

Risk Factors (continued)

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.

Operational risks relating to plant uptime
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.

Non-suitability of our crude oil for Indian refineries could restrict our ability to monetize our reserves
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 Statement of Financial Position are reported in US Dollars and may be significantly affected by fluctuations in exchange rates.

Inadequate insurance coverage
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.

Cairn Energy Hydrocarbons Limited

Strategic Report (continued)

Risk Factors (continued)

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 Vedanta Limited, which includes this Company, are discussed in detail within the annual report of the parent undertaking, Vedanta Limited.

By Order of the Board

Paul Cooper
Date: 5 July 2017

Cairn Energy Hydrocarbons Limited

Directors' Report

The directors present their report and financial statements for the year ended 31 March 2017.

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 23 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 2016: $nil).

Creditors Payment Policy

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

Disclosure of Information to Auditors

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

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
5 July 2017

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 2017 which comprise the Income Statement, Statement of Comprehensive Income, Balance Sheet, Statement of Cash Flow, Statement of Changes in Equity and the related notes 1 to 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the report and the financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its 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.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements;

- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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

Cairn Energy Hydrocarbons Limited

Income Statement

For the year ended 31 March 2017

	Notes	**Year ended March 2017 $'000**	Year ended March 2016 $'000 (Restated*)
Revenue	2	**573,422**	609,723
Cost of sales			
Production costs	3(a)	**(280,038)**	(337,393)
Exploration costs written off	3(a)	**-**	(732)
Depletion and decommissioning charge	3(a)	**(212,106)**	(255,510)
Gross Profit		**81,278**	16,088
Impairment of investment	9	**(520)**	(35,450)
Administrative expenses		**(6,625)**	(326)
Operating Profit/(Loss)	3	**74,133**	(19,688)
Finance income	5	**22,786**	992
Finance costs	6	**(3,544)**	(41,388)
Profit/(Loss) before taxation		**93,375**	(60,084)
Taxation	7	**(19,346)**	(19,962)
Profit/(Loss) for the year		**74,029**	(80,046)

* Certain amounts shown here do not correspond to the 2015-16 financial statements and reflect adjustments made, refer to Note 1.2

Cairn Energy Hydrocarbons Limited

Statement of Comprehensive Income

For the year ended 31 March 2017

	Notes	**Year ended March 2017 $'000**	Year ended March 2016 $'000 (Restated*)
Profit/(Loss) for the year		**74,029**	(80,046)
Total comprehensive income/(loss) for the year		**74,029**	(80,046)

* Certain amounts shown here do not correspond to the 2015-16 financial statements and reflect adjustments made, refer to Note 1.2

Cairn Energy Hydrocarbons Limited

Statement of Financial Position

As at 31 March 2017

	Notes	**31 March 2017 $'000**	31 March 2016 $'000 (Restated*)	1 April 2015 $'000 (Restated*)
Non-current assets				
Intangible exploration/appraisal assets	8	**357,710**	363,836	334,266
Property, plant and equipment – development/producing assets	8	**438,619**	631,977	811,360
Investments in subsidiaries	9	**33**	33	35,100
Deferred tax assets	15	**476,796**	481,968	530,988
Income tax assets		**7,127**	1,483	-
Other assets	16	**12,553**	7,766	4,490
		1,292,838	1,487,063	1,716,204
Current assets				
Inventory	12	**21,873**	26,613	18,062
Trade and other receivables	10	**39,139**	44,635	109,516
Bank deposits		**10,000**	11,661	48,767
Income tax assets		**-**	33,816	21,086
Cash and cash equivalents	11	**53,828**	8,948	380
		124,840	125,673	197,811
Total assets		**1,417,678**	1,612,736	1,914,015
Current liabilities				
Trade and other payables	13	**(216,049)**	(267,350)	(265,466)
		(216,049)	(267,350)	(265,466)
Non-current liabilities				
Provisions	14	**(81,641)**	(89,197)	(81,884)
		(81,641)	(89,197)	(81,884)
Total liabilities		**(297,690)**	(356,547)	(347,350)
Net assets		**1,119,988**	1,256,189	1,566,665
Equity				
Called-up share capital	17	**457,478**	457,478	457,478
Share premium	18	**19,574**	19,574	19,574
Other equity	19	**181,624**	181,624	181,624
Retained earnings		**461,312**	597,513	907,989
Total equity attributable to the equity holders		**1,119,988**	1,256,189	1,566,665

* Certain amounts shown here do not correspond to the 2015-16 and 2014-15 financial statements and reflect adjustments made, refer to Note 1.2

Signed on behalf of the Board

Paul Cooper
5 July 2017

Cairn Energy Hydrocarbons Limited

Statement of Cash Flows

For the year ended 31 March 2017

	Note	**Year ended March 2017 $'000**	Year ended March 2016 $'000 (Restated*)
Cash flows from operating activities			
Profit/(Loss) before taxation		**93,375**	(60,084)
Unsuccessful exploration costs		**-**	732
Depletion and decommissioning charge		**212,106**	255,590
Finance income		**(22,786)**	(992)
Finance costs		**3,544**	41,388
Interest paid		**(419)**	(616)
Income tax refund/paid		**26,770**	(23,693)
Foreign exchange differences		**2,629**	676
Provision in diminution in value of investment		**520**	35,450
(Increase)/decrease in trade and other receivables		**(23,089)**	66,727
Increase in Trade and other payables		**36,436**	22,772
Other provisions		**6,281**	-
Decrease/(Increase) in inventory		**4,741**	(8,552)
Profit on sale of fixed assets		**12**	-
Net cash from operating activities		**340,120**	329,398
Cash flows from investing activities			
Expenditure on exploration/development/producing assets		**(90,794)**	(125,181)
Interest received		**8,593**	1,512
Investment in subsidiary		**(520)**	(383)
Payment to site restoration funds		**(3,939)**	(3,528)
Proceeds from deposits matured		**11,650**	48,767
Deposits made		**(10,000)**	(11,661)
Net cash used in investing activities		**(85,010)**	(90,474)
Cash flows from financing activities			
Proceeds from related parties		**-**	74
Dividend paid		**(210,230)**	(230,430)
Net cash used in financing activities		**(210,230)**	(230,356)
Net increase in cash and cash equivalents		**44,880**	8,568
Opening cash and cash equivalents at beginning of the year		**8,948**	380
Closing cash and cash equivalents	11	**53,828**	8,948

* Certain amounts shown here do not correspond to the 2015-16 financial statements and reflect adjustments made, refer to Note 1.2

Cairn Energy Hydrocarbons Limited

Statement of Changes in Equity

For the year ended 31 March 2017

	Equity Share Capital $'000	Share Premium $'000	Other Equity ** $'000	Retained Earnings $'000	**Total $'000**
At 1 April 2015 (restated *)	457,478	19,574	181,624	907,989	**1,566,665**
(Loss) for the year	-	-	-	(80,046)	**(80,046)**
Dividend distributed during the year	-	-	-	(230,430)	**(230,430)**
At 1 April 2016	**457,478**	**19,574**	**181,624**	**597,513**	**1,256,189**
Profit for the year	-	-	-	74,029	**74,029**
Dividend distributed during the year	-	-	-	(210,230)	**(210,230)**
At 31 March 2017	**457,478**	**19,574**	**181,624**	**461,312**	**1,119,988**

* refer note 1.2
** Other equity represents waiver of intergroup balances and these are non-distributable.

Cairn Energy Hydrocarbons Limited

Notes to the Accounts

For the year ended 31 March 2017

1.1 Accounting Policies

a) Basis of preparation

The financial statements of the Company for the year ended 31 March 2017 were authorised for issue in accordance with a resolution of the directors 5 July 2017. 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 financial statements provide comparative information in respect of the previous period. In addition, the Company presents an additional statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements. See note 1.2.

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 are presented in the financial statements and supporting notes. In addition, note 23 and 24 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 2017. IFRS as adopted by the European Union differs in certain respects from IFRS as issued by the IASB. However, the differences have no impact on the financial statements for the years presented.

The Company has adopted all new or amended and revised accounting standards and interpretations ('IFRSs') issued by IASB and as adopted by the European Union effective for the year ended 31 March 2017. Based on an analysis by the Company, the application of the new IFRSs do not have 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.

Adoption of new and revised standards and pronouncements:
The Company has adopted with effect from 1 April 2016, the following new amendment and pronouncements. Their adoption has not had any significant impact on the amounts reported in the financial statements.

- *Amendments to IAS 1: Disclosure Initiative*
- *Annual Improvements to IFRSs: 2012-2014 Cycle*
- *Amendments to IAS 27: Equity method in separate financial statements*
- *Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation*
- *Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations*
- *Amendment to IFRS 10, IFRS 12 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.*
- *Amendments to IFRS 10, IFRS 12 and IAS 28: Investment entities : Applying the Consolidation Exemption*

The Company has not early adopted any other amendments, standards or interpretations that have been issued but are not yet effective.

1.1 Accounting Policies (continued)

b) Accounting standards (continued)

The following Standards have been issued but are not yet effective up to the date of authorisation of these financial statements (and in some cases had not yet been adopted by EU):

Amendments resulting from Annual Improvements 2014-2016 Cycle: The amendments are effective for annual periods beginning on or after 1 January 2018, although entities are permitted to apply them earlier.

IAS 7 Statement of Cash Flows: Narrow-scope amendments: The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The Company will be required to provide information on movements in gross liabilities arising from financing activities in addition to the net debt reconciliation currently provided. The amendments are effective for annual periods beginning on or after 1 January 2017, although entities are permitted to apply them earlier.

Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses. These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments are effective for annual periods beginning on or after 1 January 2017, although entities are permitted to apply them earlier.

IFRIC 22: Foreign Currency Transactions and Advance Consideration: not yet endorsed by the EU: The Interpretation, which was issued on 8 December 2016, addresses how to determine the date of a transaction for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income (or part of it) when a related non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency is derecognised. The amendments are effective for annual periods beginning on or after 1 January 2018, although entities are permitted to apply them earlier.

IAS 40 Investment Property: Paragraph 57 has been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The list of evidence in paragraph 57(a) – (d) was designated as non-exhaustive list of examples instead of the previous exhaustive list. The amendments are effective for periods beginning on or after 1 January 2018. Earlier application is permitted.

IFRS 2 Share-based Payment: Few amendments to clarify the classification and measurement of share-based payment transactions have been issued. The amendments are effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendments are to be applied prospectively. However, retrospective application is allowed if this is possible without the use of hindsight.

IFRS 4 Insurance Contracts: Amendments regarding the interaction of IFRS 4 and IFRS 9 has been issued. An entity choosing to apply the overlay approach retrospectively to qualifying financial assets does so when it first applies IFRS 9. An entity choosing to apply the deferral approach does so for annual periods beginning on or after 1 January 2018.

IFRS 9 – Financial Instruments: In July 2014, the International Accounting Standards Board issued the final version of IFRS 9, Financial Instruments. The standard reduces the complexity of the current rules on financial instruments as mandated in IAS 39. IFRS 9 has fewer classification and measurement categories as compared to IAS 39 and has eliminated the categories of held to maturity, available for sale and loans and receivables. Further it eliminates the rule based requirement of segregating embedded derivatives and tainting rules pertaining to held to maturity investments. For an investment in an equity instrument which is not held for trading, IFRS 9 permits an irrevocable election, on initial recognition, on an individual share-by- share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognized in other comprehensive income would ever be reclassified to profit or loss. It requires the entity, which chooses to measure a liability at fair value, to present the portion of the fair value change attributable to the entity's own credit risk in the other comprehensive income. IFRS 9 replaces the 'incurred loss model' in IAS 39 with an 'expected credit loss' model. The measurement uses a dual measurement approach, under which the loss allowance is measured as either 12 month expected credit losses or lifetime expected credit losses. The standard also introduces new presentation and disclosure requirements. The effective date for adoption of IFRS 9 is annual periods beginning on or after 1 January 2018, though early adoption is permitted.

1.1 Accounting Policies (continued)

b) Accounting standards (continued)

The indicative impacts of adopting IFRS 9 on the Company are as follows. The work is ongoing and additional impacts may be identified later in the implementation process.

- **Classification and measurement**: IFRS 9 establishes a principle based approach for classification of financial assets based on cash flow characteristics of the asset and the business model in which an asset is held. The Company anticipates no significant changes in the classification of financial assets and liabilities under this model.

- **Impairment**: Based on Company's initial assessment, the impairment of financial assets held at amortised cost is not expected to have material impact on the Company's results, given the low exposure to counterparty default risk as a result of the credit risk management processes that are in place.

- **Hedge accounting**: The adoption of the new standard would not materially change the amounts recognised in relation to existing hedging arrangements.

IFRS 15 – Revenue from Contracts with Customers: The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The standard replaces most current revenue recognition guidance. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard also will result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively including service revenues and contract modifications and improve guidance for multiple-element arrangements. The new Standard will come into effect for the annual reporting periods beginning on or after 1 January 2018 with early application permitted.
The indicative impacts of implementing IFRS 15 on the Company results are detailed below. The work is ongoing and additional impacts may be identified later in the implementation process.

The timing of the recognition of revenue- The new standard introduces the concept of 'control' for revenue recognition, in contrast to the "risk and rewards" approach in IAS 18. Accordingly, the revenue recognition model will change from one based on the transfer of risk and reward of ownership to the transfer of control of ownership. The Company's revenue is predominantly derived from commodity sales, where the point of recognition is dependent on the contract sales terms, known as the International Commercial terms (Incoterms). As the transfer of risks and rewards generally coincides with the transfer of control at a point in time for the Incoterms as part of the Company's commodity sales arrangements, the timing and amount of revenue recognised for the sale of commodities is unlikely to be materially affected for the majority of sales.

IFRS 16 – Leases: The standard specifies recognition, measurement and disclosure criteria for leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The new Standard will come into effect for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted if IFRS 15 Revenue from Contracts with Customers has also been applied.

The Company is currently in the process of determining the potential impact of adopting the above standard.

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).The financial statement and disclosures are presented in thousand dollars except where specified.

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 Statement of Financial Position and Income Statement headings. The Company's principal licence interests are jointly operations.

1.1 Accounting Policies (continued)

d) Joint arrangements (continued)

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 accruals basis and is recognised within "Finance income" in the Income Statement.

Tolling income
Tolling income represents Cairn India Holding Company's share of revenues from Pilotage and Oil Transfer Services from the respective joint ventures, which is recognized based on the rates agreed with the customers, as and when the services are rendered.

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. The cost of such quantity of crude oil inventory which is expected to be lying in the pipeline during the entire life of the pipeline (initial fill) is capitalised within the development assets.

1.1 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
In assessing whether there is any indication that an exploration and evaluation asset may be impaired, the company considers, as a minimum, the following indicators:

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area;
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale; and
- Reserve information prepared annually by external experts.

When a potential impairment is identified, an assessment is performed for each area of interest in conjunction with the group of operating assets (representing a cash-generating unit) to which the exploration and evaluation assets is attributed. Exploration areas in which reserves have been discovered but require major capital expenditure before production can begin, are continually evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is under way or planned. To the extent that capitalised expenditure is no longer expected to be recovered, it is charged to the income statement.

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 Method
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.

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 realisable value whichever is lower.

1.1 Accounting Policies (continued)

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 2017	**Average Year ended March 2017**	31 March 2016	Average Year ended March 2016
Indian Rupee	**64.839**	**67.062**	66.333	65.695

i) Site restoration

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. The 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 Company'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 2016	81.68	54.11
Revisions of previous estimates	(4.71)	(3.50)
Production	(21.68)	(13.44)
At 31 March 2017	**55.29**	**37.17**

*Working interest represents the Company's participating interest in the block as per the Production Sharing Contract (PSC). Entitlement interest represents the net interest of the Company after the impact of its share of profit petroleum, calculated as per the provisions of the PSC.

1.1 Accounting Policies (continued)

j) Key estimations and assumptions (continued)

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.

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 14.

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 15.

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.

1.1 Accounting Policies (continued)

k) Financial instruments (continued)

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.

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 Statement of Financial Position 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 Statement of Financial position.

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.

Trade payables and other non-derivative financial liabilities
Trade and other payables 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 Company'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 a consensus short and long-term oil price forecast and the appropriate gas price as dictated by the relevant gas sales contract, escalation for costs of and a post-tax discount rate. Forecast production profiles are determined on an asset by asset basis, using appropriate petroleum engineering techniques.

1.1 Accounting Policies (continued)

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.

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.

1.2 Changes in disclosures

a) Change in the basis for calculation of initial fill pipeline inventory

In the current year, the Company identified an adjustment to the presentation of crude oil inventory lying in the pipeline (initial fill). Such initial fill quantity of crude oil was previously treated as inventory and was carried at lower of cost or net realisable value. The Company has re-evaluated the position and has chosen to retrospectively capitalise the cost of such inventory as a part of Property, Plant and Equipment, as management believes that such accounting more effectively demonstrates the nature of the initial fill quantity of crude oil. The effect of the above has been corrected by restating each of the affected financial statement line items for the prior periods, as follows:

1.2 Accounting Policies (continued)

a) Change in the basis for calculation of initial fill pipeline inventory (continued)

Impact on equity increase/ (decrease) in equity

	31 March 2016 $'000	1 April 2015 $'000
Property, plant and equipment	2,860	3,986
Inventory	(8,600)	(10,936)
Deferred tax assets	(1,238)	(1,238)
Total Assets	**(6,978)**	**(8,188)**
Net impact on equity	**(6,978)**	**(8,188)**

Impact on Income statement and Statement of comprehensive income [increase / (decrease) in Profit]

	Year ended March 2016 $'000
Depletion and decommissioning charge	(1,126)
Production costs	2,336
Net impact on profit for the year	**1,210**

b) Change in the basis for calculation of Decommissioning liability

In the current year, the Company identified an adjustment to the discount rate applied to the decommissioning liability. The discount rate has been revised from 8% to 3.5% p.a. to reflect the risk free rate of return of the currency in which the majority of the expenses are likely to be incurred. The consequential increase in decommissioning provision and property, plant and equipment of US$ 58.6 million.

As a result of the change, the carrying value of Property, plant and equipment and of site restoration liability has increased and the increase in value of Property, plant and equipment has been depleted up to 1 April 2015 resulting in a corresponding impact on equity.
The effect of the above has been corrected by restating each of the affected financial statement line items for the prior periods, as follows:

Impact on equity increase / (decrease) in equity

	31 March 2016 $'000	1 April 2015 $'000
Property, plant and equipment	162	(8,102)
Deferred tax assets	25,201	24,977
Total Assets	**25,363**	**16,875**
Provisions	(58,417)	(49,636)
Total Liabilities	**(58,417)**	**(49,636)**
Net impact on equity	**(33,054)**	**(32,761)**

Impact on Income statement

	Year ended March 2016 $'000
Depletion and decommissioning charge	47
Finance costs	471
Income tax credit	(224)
Net impact on profit for the year	**294**

2 Revenue

	Year ended March 2017 $'000	Year ended March 2016 $'000
Revenue from the sale of oil	**563,195**	596,226
Revenue from the sale of gas	**9,218**	13,103
Tolling Income	**1,009**	394
Revenue	**573,422**	**609,723**

3 Operating Profit / (Loss)

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

	Year ended March 2017 $'000	Year ended March 2016 $'000
Cess on crude oil	**144,213**	196,677
(Increase) in inventory	**(667)**	(4,571)
Other production costs	**136,492**	145,287
Exploration costs written off	**-**	732
Depletion and decommissioning	**212,106**	255,510

b) Continuing operations

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

c) Auditors' Remuneration

Fees amounting to $10,981 (year ended 31 March 2016: $10,465) 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 $32,714 on account of employee benefit expenses. The Company had one employee who left during the year. The 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 2017** $'000	**31 March 2016** $'000
Balance as at 1 April	-	19
Contribution during the year	1	7
Less : payments made	(1)	(26)
Closing Balance	**-**	**-**

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 $12,327 for the year ended 31 March 2017 (year ended 31 March 2016: $14,263).

5 Finance Income

	Year ended March 2017 $'000	Year ended March 2016 $'000
Bank interest	**189**	269
Income from SRF deposit	**286**	52
Other income*	**8,109**	671
Exchange gain (net)	**14,202**	-
	22,786	992

* includes interest on refund of income tax $ 8,095 (in thousands) in current year (31 March 2016: Nil).

6 Finance Costs

	Year ended March 2017 $'000	Year ended March 2016 $'000
Bank loan interest	**76**	88
Other finance charges	**346**	528
Exchange loss (net)	**-**	37,812
	422	38,428
Other finance charges - unwinding of discount (refer note 14)	**3,122**	2,960
	3,544	41,388

7 Taxation on Profit

a) Analysis of tax charge during the year

	Year ended March 2017 $'000	Year ended March 2016 $'000
Current tax	**1,027**	7,768
Deferred tax	**18,319**	12,194
Tax charge	**19,346**	19,962

b) Factors affecting tax charge 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 2017 $'000	Year ended March 2016 $'000
Profit/(Loss) before taxation	**93,375**	(60,084)
Corporation tax at the standard UK rate of 20% (Apr'15-Mar'16- 20%)	**18,675**	(12,016)

Taxation on Profit (continued)

Effects of:

Permanent differences	**(4,587)**	9,635
Effect of higher tax rate	**5,258**	10,736
Indian Tax holiday	**-**	(20,259)
Deferred tax - impact of tax holiday	**-**	31,866
Total tax charge	**19,346**	19,962

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

The Company has elected for branch exemption and the same has been accepted by HM Revenue and Customs and the year ended 31 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 Property, plant and equipment, Intangible exploration/appraisal assets

Particulars	Exploration and evaluation assets	Oil and gas properties	Capital work in progress	Total
Gross Block				
As at 1 April 2015	334,266	2,163,948	3,600	2,501,814
Additions	30,302	76,128	-	106,430
Transfers	-	3,329	(3,329)	-
Unsuccessful exploration costs	(732)	-	-	(732)
As at 31 March 2016	**363,836**	**2,243,405**	**271**	**2,607,512**
Additions	2,454	9,931	237	12,622
Transfers	(8,580)	8,580	-	-
Unsuccessful exploration costs	-	-	-	-
As at 31 March 2017	**357,710**	**2,261,916**	**508**	**2,620,134**
Accumulated depreciation and decommissioning				
As at 1 April 2015	-	1,356,189	-	1,356,189
Charge for the year	-	255,510	-	255,510
As at 31 March 2016	**-**	**1,611,699**	**-**	**1,611,699**
Charge for the year	-	212,106	-	212,106
As at 31 March 2017	**-**	**1,823,805**	**-**	**1,823,805**
Net book value				
As at 31 March 2016	363,836	631,706	271	995,813
As at 31 March 2017	**357,710**	**438,111**	**508**	**796,329**

8 Property, plant and equipment, Intangible exploration/appraisal assets (continued)

The Company believes that there is no impairment in the carrying value of the assets based upon the following evaluation.
The Company holds interest in RJ-ON-90/1 oil and gas field. The Production Sharing Contract ('PSC') for the field provides for an extension of the contract at the same terms by a maximum period of ten years, in case there is a continued production of commercial natural gas from the field. 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, and therefore is of view that extension of the field by additional period of ten years will be at the same terms and condition of current PSC as per the legal opinions available to the Company. However, the Government has announced a new policy for the grant of extension to the PSCs of Pre-New Exploration Licensing Policy (Pre-NELP) with different profit petroleum slabs. The policy also includes the name of the RJ-ON-90/1 field. The Company is in the process of obtaining legal advice in respect of the policy. Market participant may consider cash flows for extended period at such revised slabs.

9 Investments in Subsidiaries

	$'000
Cost and net book value:	
At 1 April 2015	35,100
Additions	383
Impairment of investment	(35,450)
At 1 April 2016	33
Additions	520
Impairment of investment	(520)
At 31 March 2017	**33**

During the year ended 31 March 2017, the Company contributed $220,000 (year ended 31 March 2016: $350,000) in Cairn South Africa (PTY) Ltd. (Directly owned) and $300,000 in CIG Mauritius Holding Private Limited (Directly owned). The investments have been impaired during the year.

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

Company	**Proportion of voting rights and ordinary shares**
Direct Holdings	
Cairn South Africa Proprietary Limited	100%
Cairn Mauritius Holding Limited	100%
Indirect Holdings	
Cairn Mauritius Pvt Limited	100%
Cairn Lanka Pvt Limited	100%

10 Trade and Other Receivables

	31 March 2017 $'000	31 March 2016 $'000	31 March 2015 $'000
Trade receivables	**31,344**	14,925	76,776
Amounts owed by group companies	**-**	-	2
Other trade receivables	**7,795**	7,428	11,619
Joint Operation trade receivables	**-**	20,609	16,537
	39,139	42,962	104,934
Prepayments	**-**	1,673	4,582
	39,139	44,635	109,516

Joint operation trade receivables for the Company include an amount in respect of outstanding and overdue cash calls of $145.7m (31 March 2016: $133.7m) 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 $145.7m (31 March 2016: $133.7m) against outstanding and overdue cash calls.

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

	Total $'000	Current $'000	< 30 days $'000	30-60 days $'000	60-90 days $'000	90-120 days $'000	>120 days $'000
2016-17							
Neither past due nor impaired	**19,528**	19,528	-	-	-	-	-
Past due but not impaired	**19,611**	-	1,737	121	26	1,175	16,552
Past due and impaired	**145,789**	-	-	-	-	-	145,789
Allowance for doubtful debts	**(145,789)**	-	-	-	-	-	(145,789)
At 31 March 2017	**39,139**	19,528	1,737	121	26	1,175	16,552

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

	Total $'000	Current $'000	< 30 days $'000	30-60 days $'000	60-90 days $'000	90-120 days $'000	>120 days $'000
2015-16							
Neither past due nor impaired	13,978	13,978	-	-	-	-	-
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	**42,962**	13,978	1,895	-	-	102	26,987

10 Trade and Other Receivables (continued)

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

	31 March 2017 $'000	31 March 2016 $'000
Joint operation trade receivables		
As at 1 April	**133,666**	117,791
Increase in allowance capitalised in the Statement of Financial Position	**12,123**	15,875
	145,789	133,666

Included in the allowance for doubtful debts are individually impaired Joint Operation trade receivables with a balance of $145.7m (31 March 2016:$133.7m). These predominantly relate to outstanding Rajasthan cash calls which are currently being pursued by the management.

11 Cash and Cash Equivalents

	31 March 2017 $'000	31 March 2016 $'000
Cash at bank	**12**	8,686
Short-term deposits	**53,500**	-
Mutual funds	**316**	262
	53,828	8,948

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.

12 Inventory

	31 March 2017 $'000	31 March 2016 $'000
Oil inventories	**6,481**	5,813
Stores and spares	**15,392**	20,800
	21,873	26,613

13 Trade and Other Payables

	31 March 2017 $'000	31 March 2016 $'000
Joint Operation trade payables	**123,634**	201,326
Joint Operation accruals	**21,593**	32,844
Amounts owed to group companies	**74**	74
Other taxation dues	**84**	481
Profit petroleum payable	**54,537**	16,890
Other trade payables and accruals	**16,127**	15,735
	216,049	267,350

14 Provisions

Provisions for decommissioning – Non current

	$'000
At 1 April 2015 (restated)	81,884
Change in decommissioning estimate	4,353
Unwinding for the year	2,960
At 1 April 2016	**89,197**
Change in decommissioning estimate	(10,678)
Unwinding for the year	3,122
At 31 March 2017	**81,641**

Decommissioning costs are 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 3.5% p.a. (2016: 8% p.a.). The decommissioning liability has reduced as there have been significant changes in technology and prices. Refer note 1.2 for restatement related disclosure.

15 Deferred Tax Asset

	Asset $'000
At 1 April 2015	530,988
Credit to Income Statement	(12,195)
Foreign exchange difference	(36,825)
At 1 April 2016	481,968
Credit to Income Statement	(18,319)
Foreign exchange difference	13,147
At 31 March 2017	**476,796**

	31 March 2017 $'000	31 March 2016 $'000
Deferred taxation – India		
Accelerated capital allowances	**(107,687)**	(173,142)
Minimum alternate tax Asset	**543,710**	616,128
Other timing differences	**40,773**	38,982
	476,796	481,968

Considering the current business plans, including production profiles and oil price forecasts and management's 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 fifteen years from origination.

16 Other Assets

	31 March 2017 $'000	31 March 2016 $'000	31 March 2015 $'000
Balance with Government authorities	**5,062**	4,236	4,490
Site restoration deposits	**7,491**	3,530	-
	12,553	7,766	4,490

17 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 2017 £1 Ordinary Number	**31 March 2017 £1 Ordinary $'000**	31 March 2016 £1 Ordinary Number	31 March 2016 £1 Ordinary $'000
Allotted, issued and fully paid ordinary shares				
	270,895,162	**457,478**	270,895,162	457,478

18 Share Premium

	31 March 2017 $'000	31 March 2016 $'000
Share premium	**19,574**	19,574

19 Equity

Other equity	**31 March 2017 $'000**	31 March 2016 $'000
At 1 April	**181,624**	181,624
At 31 March	**181,624**	181,624

Represents waiver of intergroup balances and these are non-distributable.

20 Capital Commitments

	31 March 2017 $'000	31 March 2016 $'000
Oil and gas expenditure:		
Property, plant and equipment – development /producing assets	**9,480**	11,751
– exploration assets	**30**	-
Contracted for	**9,510**	11,751

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.

21 Contingent Liabilities

Indian Service Tax

Cairn India Limited (Since merged with Vedanta Limited), being the Operator of RJ-ON-90/1 block in which the Company has participating interest, had received twelve show cause notices (SCN's) related to period April 1, 2006 to March 31, 2015, citing non-payment of service tax on various services. All SCN's have been adjudicated by the department and the Group has filed an appeal with respect to all the SCN's.

Out of the total service tax demanded by the Service tax authorities, $5.29m (31 March 2016: $5.18m) belongs to RJ-ON-90/1 block, and out of which Company's share will be $1.85m (31 March 2016: $1.81m) excluding interest and penalty. Further, Company has already made the provision in its books of account to the tune of $1.15m (31 March 2016: $1.13m).

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 $4.11 (31 March 2016: $3.72m) plus potential interest of $0.90m for the period 2002 to 2016 plus likely exposure for the FY 2016-17 of $0.07m. The Supreme Court has upheld the constitutionally validity of Entry tax disregarding compensatory theory, however, grounds of 'discrimination' and coverage of entire state under 'Local Area' has been remanded back to High Courts for adjudication.

Oil Cess

Rajasthan High Court vide its orders dated 19th Oct' 2016 and 13th Jan' 2017 in the case of Cairn India Limited (Since merged with Vedanta Limited) (Operator of RJ ON- 90/1 block), held that Education cess ('E cess') and Secondary Higher Education Cess ('SHE cess') is payable on Oil Cess. The total amount shown as refundable for the period April'13 to Nov'13 is $4.33m.

Consequent to High Court Orders, two Show Cause Notices ('SCN') issued for the period Dec'13 to Feb'15 have been adjudicated confirming the demand of $23.55m plus applicable interest and penalty, Company share $8.24m.

Consequently, Cairn India Limited (Since merged with Vedanta Limited) has challenged the cited High Court orders and two SCN's for the period Dec'13 to Feb'15 before the Honourable Supreme Court in Jan'2017. Stay has been granted by Supreme Court vide order dated 06-02-2017. Additionally, Statutory Appeals have also been filed before CESTAT Delhi against the demand order pertaining to period Dec'13 to Feb'15.

The Company believes that its position is likely to be upheld – E Cess and SHE Cess are not payable on Oil Cess.

Guarantees

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

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.

21 Contingent Liabilities (continued)

Tax holiday on gas production (continued)

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 $6.24m (31 March 2016:$6.09m).

South Africa Carry

As part of the farm-in agreement for Block 1, the Group was required to carry its joint venture partner, Petro SA, up to a gross expenditure of USD 100 million for a work programme including 3D and 2D seismic studies and at least one exploration well. The group has spent USD 37.77 million towards exploration expenditure and a minimum of carry USD 62.23 million (including drilling one well) was outstanding at the end of the initial exploration period. Considering the prevailing situation the Group has sought at an extension for entry into the second renewal phase of the exploration period. However, after assessing past judicial precedents followed by independent legal advice, the Company has provided for the requisite damages and obligation for the carry cost has been assessed as possible and disclosed as a contingency

Others

1) Leighton India ("Leighton") was awarded the contract for setting up of Power Generation and Distribution system and integrated balance works at Mangala Process Terminal. Due to non-performance, Cairn India Group invoked its bank guarantees. Leighton approached the Delhi High Court under Section 9 of the Indian Arbitration and Conciliation Act, 1996 ("Arbitration Act"), and obtained a stay on encashment of the bank guarantees. The stay on encashment was granted by the Delhi High Court on 16 November 2015. The Group appeared before the Delhi High Court on 21 January 2016 and contested grant of stay to Leighton and filed a jurisdictional objection as Part I of the Arbitration Act was specifically excluded under the contract and seat of arbitration was in London. Delhi High Court granted Cairn India Group liberty to file its reply and posted the matter to 08 March 2016. Meanwhile, Cairn India Group moved an application before Court informing that it was open to agree to change the seat of arbitration from London to New Delhi under the contract. The matter came up for hearing on 16 February 2016 wherein, Leighton agreed for changing the seat from London to New Delhi. The Court directed Leighton to file an affidavit to that effect. Cairn India Group filed its reply to Section 9 petition filed by Leighton. On 8th March, 2016, Leighton sought time to file its rejoinder. In parallel, Leighton served a Notice of Arbitration dated 20 January 2016 on Cairn India Group for its unpaid invoices and other claims and appointed a nominee arbitrator. The Group responded to the arbitration notice on 18 February 2016 and also appointed a nominee arbitrator. A presiding arbitrator was also appointed. The preliminary hearing took place on 05 September 2016; wherein both the parties were given time to file the respective pleadings. Accordingly, Leighton filed its Statement of Claim. In response to this Cairn India Group filed its Statement of Defence and Counter Claim. In the meanwhile, Leighton also filed an application for seeking interim relief. Hearing in that application has concluded and order is reserved.
   As per the direction of the newly constituted Arbitral Tribunal, hearing in the matter was scheduled on 09 February 2017, wherein the tribunal finalised the new time table for the arbitral proceeding. In the hearing, Leighton also submitted that it will not press its application for interim relief. Leighton has filed its reply to counter claim and thereafter after obtaining permission from the Tribunal, CIL has filed the rejoinder. Inspection process of the documents has completed and both the parties have exchanged their respective Red Fern schedules (seeking of production from other parties), response and rejoinder with each other.

   Should future adjudication go against the Group, it will be liable to pay $26.4m (Company's share $13.2m).

2) Other claims raised by contractors and vendors of the company $3.0m

22 Related Party Transactions

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

	Year ended March 2017 $'000	Year ended March 2016 $'000
Transactions during the period		
Dividend paid (1)	**210,230**	230,430
Assignment of intergroup balances (2)	**-**	39,927
Waiver of inter group balances (2)	**-**	39,927
Balances at 31 March		
Amounts owed to group companies	**74**	74
	74	74

(1) The company paid dividend of $210.2m (year ended 31 March 2016: $230.4m) to its holding company, Cairn India Holdings Limited. The dividend paid per share is $0.78 (year ended 31 March 2016:$0.85).

(2) During the previous 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 asset was subsequently written off in the current year.

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.

23 Financial Risk Management: Objectives and Policies

Cairn India Holdings Limited, Company's immediate Parent, manages the financial risk of the Company along with of other subsidiaries within its control.

The Company's primary financial instruments comprise cash and short and medium-term deposits, 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 24 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:

23 Financial Risk Management: Objectives and Policies (continued)

Liquidity risk

Cairn India Holdings Group has uncommitted secured working capital facility to fund its short term capital requirements. Uncommitted facility as of 31 March 2017 was $25m (31 March 2016: $25m). As at 31 March 2017, there were no outstanding amounts under these facilities. In addition, as at 31 March 2017, the Cairn India Holdings Group had $25m of trade finance facilities (31 March 2016: $25m) in place to cover the issue of bank guarantees / letter of credit. Fixed rates of bank commission and charges apply to these. As at 31 March 2017, there were no outstanding amounts under the facility. (31 March 2016: nil).

The Cairn India Holdings 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 Holdings Group to meet its short/medium-term expenditure requirements.

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

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 2016: $nil).

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 (2016: $nil).

	Increase/decrease in basis points	Effect on profit before tax
April 2016- March 2017	50	$185,703
April 2015- March 2016	50	$909,504

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.

23 Financial Risk Management: Objectives and Policies (continued)

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 Statement of Financial Position.

Where residual net exposures do exist and they are considered significant the Company and Group may from time to time, opt to use derivative financial instruments to minimise its exposure to fluctuations in foreign exchange and interest rates.

The fair value of the outstanding currency derivatives in Cairn India Holdings Group as at 31 March 2017 was $nil (31 March 2016: $nil).

The following table demonstrates the sensitivity to movement in $: 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 2016-March 2017	
10% increase in Indian Rupee to $	(42,163)
10% decrease in Indian Rupee to $	51,533
April 2015-March 2016	
10% increase in Indian Rupee to $	(39,809)
10% decrease in Indian Rupee to $	48,655

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 10.

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 2017.

The Company has $ nil borrowings as at 31 March 2017.

24 Financial Instruments

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

	31 March 2017 $'000	31 March 2016 $'000
Trade and other payables	**215,965**	267,350
Less: cash and cash equivalents	**(53,828)**	(8,948)
Net debt	**162,137**	258,402
Equity	**1,119,988**	1,256,189
Capital and net debt	**1,282,125**	1,514,591
Gearing ratio	**12.65 %**	17.06 %

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:

Financial assets

	Carrying amount		**Fair value**	
	31 March 2017 $'000	31 March 2016 $'000	**31 March 2017 $'000**	31 March 2016 $'000
Cash and cash equivalents	**53,828**	8,948	**53,828**	8,948
Joint Operation trade receivables	**-**	20,609	-	20,609
Other Trade receivables	**7,795**	7,428	**7,795**	7,428
	61,623	36,985	**61,623**	36,985

All of the above financial assets are current and unimpaired with the exception of Joint Operation trade receivables. An analysis of the ageing of Joint Operation trade receivables is provided in note 10.

Financial liabilities

	Carrying amount		**Fair value**	
	31 March 2017 $'000	31 March 2016 $'000	**31 March 2017 $'000**	31 March 2016 $'000
Joint Operation trade payables	**123,634**	201,326	**123,634**	201,326
Amounts owed to group companies	**74**	74	**74**	74
	123,708	201,400	**123,708**	201,400

24 Financial Instruments (continued)

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

At 31 March 2017

	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
Joint Operation trade payables	**123,634**	**123,634**	-	-	-	-	-
Amounts owed to group companies	**74**	**-**	74	-	-	-	-
	123,708	**123,634**	74	-	-	-	**-**

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
Joint Operation trade payables and accruals	**201,326**	201,326	-	-	-	-	-
Amounts owed to group companies	**74**	74	-	-	-	-	-
	201,400	201,400	-	-	-	-	-

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.

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

25 Ultimate Parent Company

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