Registered number: SC172470

CAIRN ENERGY HYDROCARBONS LIMITED

REPORT & FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

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 2018.

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 157,983 boepd and working interest production was 110,588 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, the Company 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 and through ASP technologies. 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 $691.2 m (year ended March 2017: $573.4m) from permit interests in India. During the current year, the Company made a profit of $87.5m (year ended March 2017: profit of $74.0m). Dividend amounting to $490.4m has been paid during the year (year ended March 2017: $210.2m).

	Year ended March 2018 ($'000)	Year ended March 2017 ($'000)
Revenue	691,247	573,422
Operating Profit	152,055	74,133
Profit for the year	87,528	74,029
Margin (%)	12.66%	12.91%

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

Operations & Projects

During the period, the Block achieved a total production of 57.7 mmboe. Cumulative oil production till 31 March 2018 is 457 mmboe.

The gross average production for the period ended March 2018 was at 157,983 boepd, 2% lower Year on Year (YoY). Production was lower primarily due to natural field decline, partially offset by volume ramp up from Mangala Infill wells, ramp up of RDG Phase-1 and continued effective reservoir management practices across fields.

Operations & Projects (continued)

Development Area (DA) 1, primarily comprising the Mangala, Aishwariya, Saraswati and Raageshwari oil & gas fields, produced at a gross average of 141,385 boepd during the year.

DA 2 comprising of Bhagyam, NI and NE field produced gross average 16,450 boepd during the year.

DA 3 comprising KW2 produced gross average 149 boepd during the year.

Gas sales during the period were 22.1 mmscfd. Raageshwari Deep Gas (RDG) Phase I project got commissioned during the third quarter which ramped up the production volumes to 45 mmscfd. Gas production from RDG averaged 37.3 million standard cubic feet per day (mmscfd) in FY 2018.

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. Of the 15 well Mangala infill well campaign commenced in Q2 FY18, 13 wells have been brought online. Satellite field drilling campaign is underway; wherein 4 wells in NI and NE are completed and rest are expected to be complete by next quarter. Infrastructural up-gradation at MPT to increase liquid handling capacity to support incremental volumes is progressing in phased manner. Execution of growth projects is progressing as per plan with key contracts already in place and rigs under mobilization for enhanced oil recovery and tight oil and tight gas projects.

In-line with the objective of enhancing recovery to deliver incremental volumes from the core fields, investments have been commenced in rich set of project portfolio comprising of enhanced oil recovery projects, Tight Oil projects and Tight Gas projects. Execution of these projects is driven in partnership with the global oil field service companies with an in-built risk and reward mechanism to drive incremental value from schedule and recoveries.

Exploration activities continue to focus on enhancing the current portfolio to unravel full potential of the existing basins and establish new exploration prospects. Additional opportunities are also being evaluated to expand the current exploration portfolio through participation in Open Acreage License Policy (OALP).

Sales

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

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 2018, the gross hydrocarbons in-place in Rajasthan is at 5.7 billion boe. The gross proved plus probable reserves and resources stood at 1,136 mmboe, which includes gross reserves (2P) of 138 mmboe and gross resources (2C) of 998 mmboe.

Cairn Energy Hydrocarbons Limited

Strategic Report (continued)

Risk Factors

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

Unfavorable changes in production sharing contract terms or failure to extend the production sharing contract for the Rajasthan block could have a material adverse impact on our financial performance
Our current reserves and production are significantly dependent on the Rajasthan block in India. The current production sharing contract for the block is valid till May, 2020. If the production sharing contract does not get extended, or gets extended on unfavorable terms (e.g. government of India seeking a higher profit share), this could result in a substantial loss of value and could have a material adverse effect on our results of operations and financial condition. Estimates of reserves and values provided herein are based only on that production that is estimated to be recoverable before the expiration date of the production sharing contract. No reserves or value have been considered for quantities that might be produced after the expiration date of the Rajasthan production sharing contract or the other production sharing contract-based properties owned by us. The Ministry of Petroleum and Natural Gas vide notification No.O-19025/07/2014-ONG-D-V dated April 7, 2017, has issued a policy for the grant of extension to the production sharing contracts signed by the GoI awarding Pre-New Exploration Licensing Policy (Pre-NELP) Exploration Blocks ("Pre-NELP Extension Policy"). The Pre-NELP Extension Policy defines the framework for granting of extension for Pre-NELP blocks and covers both the Rajasthan and Cambay fields. As per the above policy, the Government share of profit petroleum during the extended period of contract would be at higher slabs for these fields.

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 Company'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 Work Programme
To capitalize on the potential of our resources, Company 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.

Risk Factors (continued)

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. The Company also depends on multiple contractors for the delivery of projects, construction, on-going operations, maintenance activities and road transportation of individuals and materials. Inadequate health and safety performance either on our part or non- performance of our contractors is considered a key risk to personnel safety and company's reputation.

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

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

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.

Cairn Energy Hydrocarbons Limited

Strategic Report (continued)

Risk Factors (continued)

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.

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

D. Rudge

David Rudge
Date: 20 July 2018

Cairn Energy Hydrocarbons Limited

Directors' Report

The directors present their report and financial statements for the year ended 31 March 2018.

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 ended 31st March 2018 and the year ended 31st March 2017.

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 2018 confirm, as far as they are aware, there is no relevant audit information of which the Company's auditors are unaware. In making this confirmation, the directors have taken appropriate steps to make themselves aware of the relevant audit information and that the Company's auditors are aware of this information.

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

D. Rudge

David Rudge
3rd Floor, 11-12
St. James's Square
London SW1Y4LB
20 July 2018

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

Opinion

We have audited the financial statements of Cairn Energy Hydrocarbons Limited for the year ended 31 March 2018 which comprise the income statement, the statement of comprehensive income, statement of financial position, statement of cash flows, the statement of changes in equity and the related notes 1 to 26, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the company’s affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors’ use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors’ report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.
We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

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

Cairn Energy Hydrocarbons Limited

Income Statement

For the year ended 31 March 2018

	Notes	**Year ended March 2018 $'000**	Year ended March 2017 $'000
Revenue	2	**691,247**	573,422
Cost of sales			
Production costs	3(a)	**(301,047)**	(280,038)
Depletion and decommissioning charge	8	**(244,211)**	(212,106)
Gross Profit		**145,989**	81,278
Impairment of investment	9	**(150)**	(520)
Administrative reversals/(expenses)	3(e)	**6,216**	(6,625)
Operating Profit	3	**152,055**	74,133
Finance income	5	**882**	22,786
Finance costs	6	**(3,765)**	(3,544)
Profit before taxation		**149,172**	93,375
Taxation	7	**(61,644)**	(19,346)
Profit for the year		**87,528**	74,029

Cairn Energy Hydrocarbons Limited

Statement of Comprehensive Income

For the year ended 31 March 2018

	Notes	**Year ended March 2018 $'000**	Year ended March 2017 $'000
Profit for the year		**87,528**	**74,029**
Total comprehensive income for the year		**87,528**	**74,029**

Cairn Energy Hydrocarbons Limited

Statement of Financial Position

As at 31 March 2018

	Notes	**31 March 2018 $'000**	31 March 2017 $'000
Non-current assets			
Intangible exploration/appraisal assets	8	**341,570**	357,710
Property, plant and equipment – development/producing assets	8	**272,724**	438,619
Investments in subsidiaries	9	**33**	33
Deferred tax assets	7	**450,060**	476,796
Income tax assets		**2,298**	7,127
Other receivables	10	**28,252**	12,553
		1,094,937	1,292,838
Current assets			
Trade and other receivables	11	**143,837**	149,038
Liquid investments	12	**15,668**	10,316
Cash and cash equivalents	13	**47,635**	53,512
Inventory	14	**27,347**	21,873
		234,487	234,739
Total assets		**1,329,424**	1,527,577
Current liabilities			
Trade and other payables	15	**314,183**	325,948
Income tax liabilities		**15,080**	-
		329,263	325,948
Non-current liabilities			
Provisions	16	**89,642**	81,641
		89,642	81,641
Total liabilities		**418,905**	407,589
Net assets		**910,519**	1,119,988
Equity			
Called-up share capital	17	**650,914**	457,478
Share premium	18	**19,574**	19,574
Other equity	19	**181,624**	181,624
Retained earnings		**58,407**	461,312
Total equity attributable to the equity holders		**910,519**	1,119,988

Financial Statements of Cairn Energy Hydrocarbons Limited., registration number SC172470 were approved by the Board of Directors on 20 July 2018.

Signed on behalf of the Board

David Rudge
20 July 2018

Cairn Energy Hydrocarbons Limited

Statement of Cash Flows

For the year ended 31 March 2018

	Note	**Year ended March 2018 $'000**	Year ended March 2017 $'000
Cash flows from operating activities			
Profit before taxation		**149,172**	93,375
Adjustments for:			
Depreciation and decommissioning charge	8	**244,211**	212,106
Unwinding of discount on decommissioning liability		**2,865**	3,122
Finance income	5	**(882)**	(22,786)
Finance costs	6	**561**	422
Loss on disposal of Property, plant and equipment		-	12
Unrealized foreign exchange (gain)/loss (net)		**292**	2,629
Other non-cash items	3(e)	**(6,343)**	-
Provision in diminution in value of investment	9	**150**	520
Operating cash flows before movements in working capital		**390,026**	289,400
(Increase) in trade and other receivables		**(1,498)**	(23,089)
(Decrease)/Increase in trade and other payables		**(21,299)**	42,717
(Increase)/Decrease in inventories		**(4,479)**	4,741
Cash generated from operations		**362,750**	313,769
Income tax (paid)/refund		**(16,015)**	26,770
Net cash from operating activities		**346,735**	340,539
Cash flows from investing activities			
Purchase of Property, Plant and Equipment and intangibles		**(48,153)**	(90,794)
Deposits made (original maturity of more than 3 months)		**(7,000)**	(10,000)
Proceeds from deposits matured		**9,895**	11,650
Purchase of liquid investments		**(8,352)**	(316)
Investment in subsidiary	9	**(150)**	(520)
Interest received		**928**	8,593
Payments made to site restoration fund		**(3,986)**	(3,939)
Net cash (used in) investing activities		**(56,818)**	(85,326)
Cash flows from financing activities			
Proceeds from the issue of ordinary shares		**193,436**	-
Dividend paid to parent on equity shares		**(490,433)**	(210,230)
Interest Paid		**(561)**	(419)
Net cash (used) in financing activities		**(297,558)**	(210,649)
Net increase in cash and cash equivalents		**(7,641)**	44,564
Effect of foreign exchange rate changes		**1,765**	-
Cash and cash equivalents at the beginning of the year	13	**53,512**	8,948
Cash and cash equivalents at the end of the year	13	**47,636**	53,512

Cairn Energy Hydrocarbons Limited

Statement of Changes in Equity

For the year ended 31 March 2018

	Equity Share Capital $'000	Share Premium $'000	Other Equity * $'000	Retained Earnings $'000	**Total $'000**
	(Note 17)	(Note18)	(Note 19)		
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 1 April 2017	457,478	19,574	181,624	461,312	**1,119,988**
Additions during the year	193,436	-	-	-	**193,436**
Profit for the year	-	-	-	87,528	**87,528**
Dividend distributed during the year	-	-	-	(490,433)	**(490,433)**
At 31 March 2018	**650,914**	**19,574**	**181,624**	**58,407**	**910,519**

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

1.1 Accounting Policies

a) Basis of preparation

The Company is a private company incorporated and domiciled in Scotland. The registered office is located at Summit House, 4-5 Mitchell Street, Edinburg, EH6 7BD, Scotland.

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

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the 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 Company has taken exemption under paragraph 4(a) of IFRS 10 Consolidated Financial Statements from preparing consolidated financial statements.

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

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

An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current

Certain comparative figures appearing in these financial statements have been regrouped and/or reclassified to better reflect the nature of those items.

b) Accounting standards

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and in accordance with IFRS as adopted by the European Union and as they apply to the year ended 31 March 2018. IFRS as adopted by the European Union differs in certain respects from IFRS as issued by the IASB. However, the differences have no impact on the financial statements for the years presented.

1.1 Accounting Policies (continued)

b) Accounting standards (continued)

The Company has adopted all new or amended and revised accounting standards and interpretations ('IFRSs') issued by IASB and as adopted by the European Union effective for the year ended 31 March 2018. Based on an analysis by the Company, the application of the new IFRSs 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.

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended IAS and IFRS effective as of 1 April 2017:

- Amendments to IAS 7 Statement of Cash flows: Disclosure initiative
- Amendments to IAS 12 Income taxes : Recognition of deferred tax assets

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

- IFRS 9-Financial Instruments effective for annual periods beginning on or after 01 January 2018, subject to EU endorsement.
- IFRS 15-Revenue from Contracts with customer's period beginning on or after 01 January 2018, subject to EU endorsement.
- Amendments to IAS 28- IFRS 9 shall apply to long term interests in associates and joint ventures that form part of the net investment where the equity method is not applied. The amendments are effective for periods beginning on or after 1 January 2019
- Amendment to IFRS 2-Classification and Measurement of Share-based Payment Transactions for annual periods beginning on or after 01 January 2018
- IFRS 16-Leases for annual periods beginning on or after 01 January 2019.
- IFRS 17-Insurance contracts for annual periods beginning on or after 1 January 2021
- Amendments to IAS 40 clarifies when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments are effective for periods beginning on or after 1 January 2018
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration for annual periods beginning on or after 1 January 2018
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatment for annual periods beginning on or after 01 January 2019

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):

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, subject to EU endorsement.

1.1 Accounting Policies (continued)

b) Accounting standards (continued)

IFRS 9 – Financial Instruments (continued)

The indicative impacts of adopting IFRS 9 on the Company are as follows:

- **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, under expected credit loss model, 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.

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 subject to EU endorsement.

In order to identify the potential impact of the standard on the Company's financial statements, the Company has analyzed contracts of the relevant revenue streams of the Company. The work done is focused on evaluating the contractual arrangements across the company's principal revenue streams, particularly key terms and conditions which may impact revenue recognition.

On the basis of the analysis conducted, the implementation of changes required as per IFRS 15 is identified to be not materially affecting the current recognition and measurement of revenues, though there would be additional disclosure requirements for the Company to comply with.

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.

1.1 Accounting Policies (continued)

c) Presentation currency

The functional and presentation currency of the Company is US Dollars ("$"). The Company's policy on foreign currencies is detailed in note 1(i).The financial statement and disclosures are presented in thousand dollars except where specified.

d) Joint arrangements

A Joint arrangement is an arrangement of which two or more parties have joint control. Joint control is considered when there is contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Company participates in unincorporated joint operations 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.

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

Revenues are measured at the fair value of the consideration received or receivable, net of discounts, volume rebates, outgoing sales taxes, excise duty and other indirect taxes. Revenues from sales are recognised when all significant risks and rewards of ownership of the commodity sold are transferred to the customer and the commodity has been delivered to the shipping agent. Revenues from sale of by-products are included in revenue.

Revenue from operating activities
Revenue represents the Company's share of oil, gas and condensate production, recognised on a direct entitlement basis.

Interest income
Interest income is recognised using the effective interest rate method on an accrual basis and is recognised as finance income in the income statement.

Tolling income
Tolling income represents the 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, are not amortised or depreciated, 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.

1.1 Accounting Policies (continued)

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

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.

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, which is the ratio of oil and gas production in the period to the estimated quantities of commercial reserves at the end of the period plus the production in the period, generally on a field –by-field basis or group of fields which are reliant on common infrastructure.

Commercial reserves are proven and probable oil and gas reserves, which are defined as the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. There should be a 50 per cent statistical probability that the actual quantity of recoverable reserves will be more than the amount estimated as proven and probable reserves and a 50 per cent statistical probability that it will be less.

Costs used in the unit of production calculation comprise the net book value of capitalised costs plus the estimated future field development costs required to access commercial reserves. Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively.

1.1 Accounting Policies (continued)

g) Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

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

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- AFS financial assets

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. The Company has not designated any financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.
This category generally applies to trade and other receivables.

AFS financial assets

AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised in OCI and credited to the AFS reserve until the investment is derecognised, at which time, the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss in finance costs. Interest earned whilst holding AFS financial assets is reported as interest income using the EIR method.

1.1 Accounting Policies (continued)

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

AFS financial assets (continued)
The Company evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Company is unable to trade these financial assets due to inactive markets, the Company may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a company of similar financial assets) is primarily derecognised (i.e., removed from the Company's consolidated statement of financial position) when:

• The rights to receive cash flows from the asset have expired or
• The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets
The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a company of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the company of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost
For financial assets carried at amortised cost, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

1.1 Accounting Policies (continued)

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

Financial assets carried at amortised cost (continued)
The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR. The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income (recorded as finance income in the statement of profit or loss) continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

AFS financial assets
For AFS financial assets, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from OCI and recognised in the statement of profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in OCI.

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.
In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

ii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.
All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

1.1 Accounting Policies (continued)

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

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at fair value through profit or loss include financial liabilities held for trading and
- Financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied. The company has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Financial guarantee contracts
Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

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

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

h) Inventories

Inventory of oil is valued at the lower of cost and 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 on a first-in, first-out ("FIFO") basis.

Net realisable value is determined based on estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Cairn Energy Hydrocarbons Limited

Notes to the Accounts (continued)
For the year ended 31 March 2018

1.1 Accounting Policies (continued)

i) Foreign currencies

The functional currency for entity is determined as the currency of the primary economic environment in which it operates. The Company translates foreign currency transactions into the functional currency, USD, at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in other currencies are translated into the functional currency at the rate of exchange prevailing at the Balance Sheet date. All Exchange differences arising are included in the Income Statement except for those incurred on borrowings specifically allocable to development projects, which are capitalised as part of the cost of the asset.

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

Rates of exchange to $1 were as follows:

	As at 31 March 2018	**Average Year ended March 2018**	As at 31 March 2017	Average Year ended March 2017
Indian Rupee	**65.044**	**64.447**	64.839	67.062

j) 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)

k) Taxation

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

Current tax

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

Deferred tax

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

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

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

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

The carrying amount of deferred tax assets (including MAT credit available) are reviewed at each balance sheet date and is adjusted to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised unrecognised deferred tax assets are re- assessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.
Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

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

1.1 Accounting Policies (continued)

l) 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.

m) Liquid Investments

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

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

These include short term marketable securities and other bank deposits.

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

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

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

n) Cash and cash equivalents

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

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

o) Trade and other payables

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

p) Equity

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

q) Borrowing costs

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

1.1 Accounting Policies (continued)

r) Borrowing costs (continued)

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Capitalisation of interest on borrowings related to construction or development projects is ceased when substantially all the activities that are necessary to make the assets ready for their intended use are complete or when delays occur outside the normal course.

s) Restoration, rehabilitation and environmental costs

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the development or ongoing production of oil fields. Costs arising from the decommissioning of plant and other site preparation work are provided for based on their discounted net present value, with a corresponding amount being capitalised at the start of each project. 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. The amount provided for is recognised, as soon as the obligation to incur such costs arises. These costs are charged to the income statement over the life of the operation through the depreciation of the asset and the unwinding of the discount on the provision. The cost estimates are reviewed periodically and are adjusted to reflect known developments which may have an impact on the cost estimates or life of operations. The cost of the related asset is adjusted for changes in the provision due to factors such as updated cost estimates, new disturbance and revisions to discount rates. The adjusted cost of the asset is depreciated prospectively over the lives of the assets to which they relate. The unwinding of the discount is shown as a finance cost in the income statement.

Costs for restoration of subsequent site damage which is caused on an ongoing basis during production are provided for at their net present value and charged to the income statement as extraction progresses. Where the costs of site restoration are not anticipated to be significant, they are expensed as incurred.

t) Provisions for liabilities and charges

Provisions are recognised when the company has a present obligation (legal or constructive), as a result of past events, and it is probable that an outflow of resources, that can be reliably estimated, will be required to settle such an obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows to the net present value using an appropriate pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Unwinding of the discount is recognised in the income statement as a finance cost. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimates.

u) Bills of exchange payable

The company enters into arrangements whereby financial institutions make direct payments to suppliers for raw materials and project materials. The financial institutions are subsequently repaid by the company at a later date providing working capital timing benefits. These are normally settled up to twelve months (for raw materials) and upto 36 months (for project materials). Where these arrangements are for raw materials with a maturity of up to twelve months, the economic substance of the transaction is determined to be operating in nature and these are recognised as Bills of exchange (under Trade and other payables). Where these arrangements are for project materials with a maturity up to thirty six months, the economic substance of the transaction is determined to be financing in nature, and these are classified as project buyer's credit within borrowings in the statement of financial position.

v) 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.

1.1 Accounting Policies (continued)

w) Critical accounting judgement and estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income, expenses and the accompanying disclosures and disclosures of contingent assets and liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Significant estimates
Estimates and underlying assumptions are reviewed on an ongoing basis. The Company considers the following areas as the key sources estimation uncertainty:

Oil and gas reserves
Oil and gas reserves are estimated 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 recognised evaluation techniques. The estimate is reviewed annually. Future development costs are estimated taking into account the level of development required to produce the reserves by reference to operators, where applicable and internal engineers.

Net entitlement reserve estimates are subsequently calculated using the Company's current oil price and cost recovery assumptions, in line with the relevant agreements. Estimated reserve quantities are:

Proven plus probable oil reserves	Direct working interest basis* (mmboe)	Direct entitlement interest basis* (mmboe)
At 1 April 2017	55.29	37.17
Revisions of previous estimates	13.17	9.77
Production	(20.18)	(13.86)
At 31 March 2018	**48.28**	**33.08**

*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.

Changes in reserves as a result of factors such as production cost, recovery rates, grade of reserves or commodity prices could impact the depreciation rates, carrying value of assets and environmental and restoration provisions.

Recoverability of deferred tax assets
The Company has carry forward MAT credit that is available for offset against future taxable profit. Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the unused tax credits can be utilized. This involves an assessment of when those assets are likely to reverse, and a judgement as to whether or not there will be sufficient taxable profits available to offset the assets. This requires assumptions regarding future profitability, which is inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognised in respect of deferred tax assets and consequential impact in the income statement. The details of MAT assets are set out in note 7.

Provisions and liabilities
Provisions and liabilities are recognised in the period when it becomes probable that there will be a future outflow of funds resulting from past operations or events that can be reasonably estimated. The timing of recognition requires the application of judgement to existing facts and circumstances which may be subject to change especially when taken in the context of the legal environment in India. The actual cash outflows may take place over many years in the future and hence the carrying amounts of the provisions and liabilities are regularly reviewed and adjusted to take into account the charging circumstances and other factors that influence the provision and liabilities. This is set out in note 16.

1.1 Accounting Policies (continued)

Critical accounting judgement and estimation uncertainty (continued)

Significant estimates (Continued)

Contingencies and commitments
In the normal course of business, contingent liabilities may arise from litigation, taxation and other claims against the Company, A tax provision is recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation.

Where it is management's assessment that the outcome cannot be reliably quantified or is uncertain the claims are disclosed as contingent liabilities unless the likelihood of an adverse outcome is remote. Such liabilities are disclosed in the notes but are not provided for in the financial statements.

When considering the classification of a legal or tax cases as probable, possible or remote there is a judgement involved. This pertains to the application of the legislation, which in certain cases is based upon management's interpretation of laws of the land and the likelihood of settlement. Management uses in-house and external legal professionals to inform their decision. Although there can be no assurance regarding the final outcome of the legal proceedings, the company doesn't expect them to have a materially adverse impact on the financial position or profitability. These are set out in note 21.

2 Revenue

	Year ended March 2018 $'000	Year ended March 2017 $'000
Sale of products		
Revenue from sale of oil and gas	**689,801**	572,143
Sale of services		
Tolling income	**1,446**	1,009
Revenue	**691,247**	573,422

3 Operating Profit

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

	Year ended March 2018 $'000	Year ended March 2017 $'000
Cess on crude oil	**166,101**	144,213
(Increase) in inventory of crude oil	**(2,288)**	(667)
Other production costs	**137,234**	136,492
Production costs	**301,047**	280,038
Depletion and decommissioning	**244,211**	212,106

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

c) Auditors' Remuneration
Fees amounting to $10,159 (year ended 31 March 2017: $10,981) is 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.

Cairn Energy Hydrocarbons Limited

Notes to the Accounts (continued)
For the year ended 31 March 2018

3 Operating Profit (continued)

d) Employee benefit expenses

Administrative expenses includes nil (31 March 2017: $32,714) on account of employee benefit expenses. The Company had one employee who left during the previous year. The Company also contributed 8.5% of the basic salary to the pension fund. The breakdown of the liability is given as below:

Particulars	31 March 2018 $'000	31 March 2017 $'000
Balance as at 1 April	-	-
Contribution during the year	-	1
Less : payments made	-	(1)
Closing Balance	**-**	**-**

e) Administration expenses

Administrative expenses include reversal of $6.3m relating to provision for oil cess with respect to previous years reversed during the current year.

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 $12,599 for the year ended 31 March 2018 (year ended 31 March 2017: $12,327).

5 Finance Income

	Year ended March 2018 $'000	Year ended March 2017 $'000
Bank deposit interest	**174**	189
Income from SRF deposit	**552**	286
Other income*	**156**	8,109
Exchange gain (net)	-	14,202
	882	22,786

* includes interest on refund of income tax $ nil in current year (31 March 2017: $ 8,095,119).

6 Finance Costs

	Year ended March 2018 $'000	Year ended March 2017 $'000
Interest expense	**113**	76
Other finance charges	**448**	346
Exchange loss (net)	**339**	-
Sub Total	**900**	422
Other finance charges - unwinding of discount (refer note 16)	**2,865**	3,122
Total	**3,765**	3,544

7 Taxation on Profit

a) Analysis of tax charge during the year

	Year ended March 2018 $'000	Year ended March 2017 $'000
Current tax on profit for the year	33,207	1,027
Current tax charge in respect of earlier years	2,821	-
Total current tax	**36,028**	1,027
Deferred tax	28,189	18,319
Deferred tax charge in respect of earlier years	(2,573)	-
Total deferred tax	**25,616**	18,319
Total tax charge	**61,644**	19,346

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 2018 $'000	Year ended March 2017 $'000
Profit before taxation	**149,172**	93,375
Corporation tax at the standard UK rate of 19% (Apr'16-Mar'17- 20%)	**28,343**	18,675
Effects of:		
Permanent differences	**(2,580)**	(21,792)
Effect of higher tax rate	**35,633**	22,463
Tax charge relating to earlier years	**248**	-
Total tax charge	**61,644**	19,346
Effective tax rate	**41.3%**	20.7%

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

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.

The Company has accrued significant amounts of deferred tax. The majority of the deferred tax represents accelerated tax relief for the depreciation of property, plant and equipment and net of unused tax credits in the form of MAT credits carried forward. Significant components of Deferred tax assets and (liabilities) recognised in the statement of financial position are as follows:

Cairn Energy Hydrocarbons Limited

Notes to the Accounts (continued)

For the year ended 31 March 2018

7 Taxation on Profit (continued)

For the year ended March 2018

Significant components of Deferred Tax assets & (liabilities)	Opening balance as at April 1, 2017	(Charged)/credited to statement of profit or loss	Exchange difference transferred to translation of foreign operation	Closing balance as at Mar 31, 2018
	$'000	$'000	$'000	$'000
Property, Plant and Equipment	(70,403)	66,425	-	**(3,978)**
Unutilised tax asset (MAT credit entitlement)	543,710	(92,271)	(1,120)	**450,318**
Other Temporary Differences	3,489	230	-	**3,719**
Total	**476,796**	**(25,616)**	**(1,120)**	**450,060**

For the year ended March 2017

Significant components of Deferred Tax assets & (liabilities)	Opening balance as at April 1, 2016	(Charged)/credited to statement of profit or loss	Exchange difference transferred to translation of foreign operation	Closing balance as at March 31, 2017
	$'000	$'000	$'000	$'000
Property, Plant and Equipment	(134,160)	63,757	-	(70,403)
Unutilised tax asset (MAT credit entitlement)	616,128	(85,565)	13,147	543,710
Other Temporary Differences	-	3,489	-	3,489
Total	**481,968**	**(18,319)**	**13,147**	**476,796**

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 (refer note 8), management expects to recover the amount of Minimum Alternate tax (MAT) 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.

8 Property, plant and equipment, Intangible exploration/appraisal assets

Particulars	Intangible exploration/ appraisal assets	Oil and gas properties	Total
	$'000	$'000	$'000
Gross Block			
As at 1 April 2016	363,836	2,243,676	2,607,512
Additions	2,454	10,168	12,622
Transfers	(8,580)	8,580	-
As at 31 March 2017	**357,710**	**2,262,424**	**2,620,134**
Additions	4,169	62,920	67,089
Deletions/Adjustments	(4,911)	(605)	(5,516)
Transfers	(15,398)	15,398	-
As at 31 March 2018	**341,570**	**2,340,137**	**2,681,707**
Accumulated depreciation and depletion			
As at 1 April 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**
Deletions	-	(603)	(603)
Charge for the year	-	244,211	244,211
As at 31 March 2018	-	**2,067,413**	**2,067,413**
Net book value			
As at 31 March 2017	**357,710**	**438,619**	**796,329**
As at 31 March 2018	**341,570**	**272,724**	**614,294**

The Company holds interest in RJ-ON-90/1 oil and gas field. The Production Sharing Contract ('PSC') for the said field provides for an extension of the contract at the same terms by a maximum period of ten years, in case there is a continued production of commercial natural gas from the said field. 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 said field by additional period of ten years will be at the same terms and condition of current PSC. Management view is also supported by legal opinion obtained by the Company. However during the previous year, Government had come out with a new policy for the grant of extension to the PSCs of Pre-New Exploration Licensing Policy (Pre-NELP) with different extension terms. The said policy also includes the name of the RJ-ON-90/1 field. Accordingly, the Company has applied for extension to the Ministry of Petroleum & Natural Gas in line with the Government policy for the grant of extension without prejudice to Company's rights and contentions. Company has filed a writ before the Hon'ble Delhi High Court seeking necessary directions for the extension of the PSC. Subsequent to the year end, the Hon'ble Delhi High Court ruled in favour of the Company, directing Government of India to extend the PSC on the same terms and conditions. Pursuant to this Division bench of High court has directed the Government to extend the PSC and decide on the terms within 2 months from date of hearing i.e. July 3, 2018 after obtaining any necessary information from the Company. Basis above, the Company believes that there is no trigger for impairment in the carrying value of the assets.

9 Investments in Subsidiaries

	$'000
Cost and net book value:	
At 1 April 2016	33
Additions	520
Impairment of investment	(520)
At 1 April 2017	33
Additions	150
Impairment of investment	(150)
At 31 March 2018	**33**

The investment has been made in the following subsidiaries-

Name of subsidiary	Mar'18	Mar'17
CIG Mauritius Holding Private Limited	100	300
Cairn South Africa (Pty) Limited	50	220

The investments have been impaired during the year on account of suspension of business activities in these subsidiaries.

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 (Pty) Limited	100%
CIG Mauritius Holding Private Limited	100%
Indirect Holdings	
CIG Mauritius Private Limited	100%
Cairn Lanka (Private) Limited	100%

10 Other Non - Current Assets

	31 March 2018 $'000	31 March 2017 $'000
Site restoration deposits with banks	11,477	7,491
Financial (A)	11,477	7,491
Balance with government authorities [ab]	16,775	5,062
Non-Financial (B)	16,775	5,062
Total (A) + (B)	28,252	12,553

a) Includes $4.3m (31 March 2017: $4.3m), being group share of gross amount of $13.2m paid under protest on account of Education cess and Secondary Higher Education Cess for 2013-14.

b) Includes $7.5m (31 March 2017: $7.1m), being Group share of gross amount of $21.3m, of excess oil cess paid under OIDA Act.

11 Trade and Other Receivables

	31 March 2018 $'000	31 March 2017 $'000
Unsecured, Considered good		
Trade receivables	**48,060**	31,344
Other receivables*	**93,748**	117,621
Unsecured, Considered doubtful		
Trade receivables	**19,550**	19,225
Less: Provision for doubtful debts	**(19,550)**	(19,225)
Financial (A)	**141,808**	148,965
Unsecured, Considered good		
Other receivables	**2,029**	73
Non – Financial (B)	**2,029**	73
Total (A) + (B)	**143,837**	149,038

*The previous year numbers have been grossed up by USD 109.89 mn to conform to current year classification of Company's share in joint operation receivables which were netted off by the allowance for doubtful debts recorded in earlier years and had been presented on net basis in previous financial year.

The credit period given to customers ranges from zero to 30 days.

As at 31 March 2018 and 31 March 2017, the ageing analysis of trade and other receivables, is set out below:

	31 March 2018 $'000	31 March 2017 $'000
Neither past due nor impaired	**52,699**	34,150
Past due but not impaired		
Less than 1 month	-	-
Between 1-3 months	-	-
Between 3-12 months	**91,138**	114,888
Greater than 12 months	-	-
Total	**143,837**	149,038

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

	31 March 2018 $'000	31 March 2017 $'000
Joint operation trade receivables		
Opening balance	**19,225**	22,450
Movement during the period	**325**	(3,225)
Closing balance	**19,550**	19,225

Included in the allowance for doubtful debts are individually impaired Joint operation trade receivables with a balance of $19.2m (31 March 2017:$19.6m). These predominantly relate to outstanding Rajasthan cash calls from joint venture partner, Oil and Natural Gas Corporation (ONGC) which are currently being pursued by the management.

12 Liquid Investments

	31 March 2018 $'000	31 March 2017 $'000
Bank Deposits	**7,000**	10,000
Mutual funds	**8,668**	316
	15,668	10,316

Bank deposits are made for varying periods depending on the cash requirements of the Company and interest is earned at respective fixed deposit rates.

13 Cash and Cash Equivalents

	31 March 2018 $'000	31 March 2017 $'000
Cash at bank	**4**	12
Short-term deposits	**47,631**	53,500
	47,635	53,512

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

14 Inventory

	31 March 2018 $'000	31 March 2017 $'000
Oil inventories	**8,769**	6,481
Stores and spares	**18,578**	15,392
	27,347	21,873

15 Trade and Other Payables

	31 March 2018 $'000	31 March 2017 $'000
Joint operation liabilities*	**137,115**	255,123
Amounts owed to group companies	**74**	74
Profit petroleum payable	**53,190**	62,965
Revenue received in excess of entitlement interest	**99,690**	747
Bills of exchange	**12,573**	-
Other liabilities	**257**	338
Financial (A)	**302,899**	319,247
Statutory liabilities	**11,267**	6,684
Other liabilities	**17**	17
Non-Financial (B)	**11,284**	6,701
Total (A) + (B)	**314,183**	325,948

*The previous year numbers have been grossed up by USD 109.89 mn to conform to current year classification of Company's share in joint operation receivables which were netted off by the allowance for doubtful debts recorded in earlier years and had been presented on net basis in previous financial year.

Non-interest bearing payables are normally settled in a 30 to 60 days term.

Bills of exchange are interest-bearing liabilities and are normally settled within a period of twelve months. These represent arrangements whereby operational suppliers of raw materials are paid by financial institutions, with the Company recognising the liability for settlement with the institutions at a later date.

Cairn Energy Hydrocarbons Limited
Notes to the Accounts (continued)
For the year ended 31 March 2018

16 Provisions

Provision for decommissioning – Non current

	$'000
At 1 April 2016	89,197
Change in decommissioning estimate	(10,678)
Unwinding for the year	3,122
At 31 March 2017	**81,641**
Change in decommissioning estimate	5,136
Unwinding for the year	2,865
At 31 March 2018	**89,642**

Decommissioning costs are expected to be incurred during 2041 being the field life of Rajasthan oil and gas field. The provision has been estimated using existing technology at current prices which are escalated using an inflation rate of 2.5% p.a. (2017 : 2.5% .p.a.) and discounted using a real discount rate of 3.3% p.a. (2017: 3.5% p.a.).

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 2018 £1 Ordinary Number	**31 March 2018 Amount $'000**	31 March 2017 £1 Ordinary Number	31 March 2017 Amount $'000
Allotted, issued and fully paid ordinary shares	**419,405,410**	**650,914**	270,895,162	457,478
	419,405,410	**650,914**	270,895,162	457,478

During the year ended 31 March 2018, the company issued 148,510,248 equity shares of $193,435,959 to its parent company, Cairn India Holdings Limited.

18 Share Premium

	31 March 2018 $'000	31 March 2017 $'000
Share premium	**19,574**	19,574

19 Equity

	31 March 2018 $'000	31 March 2017 $'000
Other Equity	**181,624**	181,624

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

20 Capital Commitments

	31 March 2018 $'000	31 March 2017 $'000
Oil and gas commitments:		
Property, plant and equipment – development activities	**298,274**	9,480
– exploration activities	**4,023**	30
Contracted for	**302,297**	9,510

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 operator has filed an appeal with respect to all the SCN's.
Out of the total service tax demanded by the Service tax authorities, $5.3m (31 March 2017: $5.3m) belongs to RJ-ON-90/1 block, and out of which Company's share will be $2.1m (31 March 2017: $1.9m) excluding interest and penalty. Further, Company has already made the provision in its books of account to the tune of $1.2m (31 March 2017: $1.2m).

Cairn has also received one SCN related to period April 15, 2015 to June 30, 2017, citing non-payment of service tax on various services amounting to $0.5m.

The Operator is contesting the demands and believes that its position is likely to be upheld. Accordingly it has been shown as contingent liability.

Entry Tax

Pursuant to the provisions of the Rajasthan Entry Tax Act, 1999, an entry tax demand has been raised for $4.8m (31 March 2017: $5.1m) including potential interest for the period 2002 to 2017. 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. The Company has filed the writ petition before Rajasthan High court in Entry tax matter on the grounds of 'discrimination' and coverage of entire state under 'local area' and appeal is under due course. The Company based on independent legal advice believes that its position is likely to be upheld and has disclosed the same as contingent liability.

Oil Cess

Rajasthan High Court vide its orders dated October 19, 2016 and January 13, 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 2013 to November 2013 is $4.3m (31 March 2017: $4.3m).

Consequent to High Court Orders, two Show Cause Notices ('SCN') issued for the period December 2013 to February 2015 have been adjudicated confirming the demand of $23.6m (31 March 2017: $23.6m) plus applicable interest and penalty, Company share $8.2m (31 March 2017: $8.2m).

Consequently, Cairn India Limited (Since merged with Vedanta Limited) has challenged the cited High Court orders and two SCN's for the period December 2013 to February 2015 before the Honourable Supreme Court in January 2017. Stay has been granted by Supreme Court vide order dated February 6, 2017. Additionally, Statutory Appeals have also been filed before CESTAT Delhi against the demand order pertaining to period December 2013 to February 2015.

The Company believes that its position is likely to be upheld – E Cess and SHE Cess are not payable on Oil Cess. Accordingly it has been shown as contingent liability. Management view is also supported by independent legal advice.

21 Contingent Liabilities (continued)

Tax holiday on gas production

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

The 2008 Indian Finance Bill appeared to remove this deduction by stating [without amending section 80-IB (9)] that "for the purpose of section 80-IB (9), the term 'mineral oil' does not include petroleum and natural gas, unlike in other sections of the Act". Subsequent announcements by the Finance Minister and the Ministry of Petroleum and Natural Gas have confirmed that tax holiday would be available on production of crude oil but have continued to exclude gas.

The Company filed a writ petition to the Gujarat High Court in December 2008 challenging the restriction of section 80-IB to the production of oil. Gujarat High Court did not admit the writ petition on the ground that the matter needs to be first decided by lower tax authorities. A Special Leave Petition has been filed before Supreme Court against the decision of Gujarat High court.

In the event this challenge is unsuccessful, the potential liability for tax and related interest on tax holiday claimed on gas is approximately $6.22m (31 March 2017:$6.24m).*South Africa Carry*

As part of the farm-in agreement for Block 1, the Company was required to carry its joint venture partner, Petro SA, up to a gross expenditure of $100.0m for a work program including 3D and 2D seismic studies and at least one exploration well. The Company has spent $38.0m towards exploration expenditure and a minimum carry of $62.0m (including drilling one well) was outstanding at the end of the initial exploration period. The Company had sought an extension for execution of deed for entry into the second renewal phase of the exploration period with a request to maintain status quo of the prior approvals due to uncertainty in the proposed changes in fiscal terms impacting the Company financial interest in the block. The same was granted by the South African authority subject to risk of exploration right getting expired on account of recent High Court judgements. After assessing past judicial precedents followed by independent legal advice, the Company has provided for the requisite damages as applicable under the South African Regulations and obligation for the aforesaid carry cost of $62.0m has been assessed as possible and disclosed as a contingency.

Cairn South Africa Proprietary Ltd. is a direct subsidiary company of Cairn Energy Hydrocarbons and hence the Company has disclosed the above exploration activity as a contingent liability.

Contractor Claims

Cairn India group is subject to various contractor claims and exposures which arise in the ordinary course of conducting its business. These are generally claims arising either after the settlement of dues or claims being made without performance under the contract on the contractor's part.

The approximate value of claims against the company excluding claims shown above is $21.2m (31 March 2017: $16.2m).

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 2018 $'000	Year ended March 2017 $'000
Transactions during the period		
Dividend paid (1)	**490,433**	210,230
Issue of Equity shares (2)	**193,436**	-

Name of Subsidiary	**Relationship**
Cairn India Holding Limited	Immediate Parent Company
Vedanta Limited	Indian Parent of Cairn India Holding Limited

Outstanding balances		
Balances amounts owed to Cairn India Holding Limited	**74**	74
Balances amounts owed by Vedanta Limited	**218**	219

(1) The Company paid dividend of $490.4m (year ended 31 March 2017: $210.2m) to its holding company, Cairn India Holdings Limited. The dividend paid per share is $1.38 (year ended 31 March 2017:$0.78).

(2) 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 $12,599 for the year ended 31 March 2018 (year ended 31 March 2017: $12,327).

(3) During the year ended 31st March 2018, the Company issued 148,510,248 equity shares of $193.4m to its parent company, Cairn India Holdings Limited.

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.

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 2018 was $25.0m (31 March 2017: $25.0m). As at 31 March 2018, there were no outstanding amounts under these facilities. In addition, as at 31 March 2018, the Cairn India Holdings Group had $25.0m of trade finance facilities (31 March 2017: $25.0m) 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 2018, there were no outstanding amounts under the facility. (31 March 2017: 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 Cairn India Holdings Group is conscious of the current environment and constantly monitors counterparty risk. Policies are in place to limit counterparty exposure. The Cairn India Holdings Group monitors counterparties using published ratings and other measures where appropriate.

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

(in $'000)

At 31st March 2018	**< 1 year**	**1-3 years**	**3-5 years**	**>5 years**	**Total**
Trade and other Payables	302,899	-	-	-	302,899
	302,899	-	-	-	**302,899**
At 31st March 2017	**< 1 year**	**1-3 years**	**3-5 years**	**>5 years**	**Total**
Trade and other Payables	319,247	-	-	-	319,247
	319,247	-	-	-	**319,247**

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

Short/medium-term borrowing arrangements are available at floating rates. The treasury functions may from time to time opt to manage a proportion of the interest costs by using derivative financial instruments like interest rate swaps. At this time, however, there are no such instruments (31 March 2017: $nil).

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

(in $'000)

	31 March 2018			**31 March 2017**		
	Floating rate	**Fixed rate**	**Non-interest bearing**	**Floating rate**	**Fixed rate**	**Non-interest bearing**
Financial Assets	20,145	54,631	141,812	7,807	63,500	148,977

23 Financial Risk Management: Objectives and Policies (continued)

Interest rate risk (continued)

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

(in $'000)

	31 March 2018			31 March 2017		
	Floating rate	**Fixed rate**	**Non-interest bearing**	**Floating rate**	**Fixed rate**	**Non-interest bearing**
Financial liabilities	-	-	**302,899**	-	-	319,247

Considering the net asset position as at 31 March 2018 and the investment in liquid investments, foreign currency bonds and foreign mutual funds, any increase in interest rates would result in a net profit and any decrease in interest rates would result in a net loss. The sensitivity analysis below has been determined based on the exposure to interest rates at the balance sheet date.

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

(in $'000)

	31 March 2018	31 March 2017
Change in interest rates	**Effect on profit for the year**	Effect on profit for the year
0.5%	**101**	39
1.0%	**201**	78
2.0%	**403**	156

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 Cairn India Holdings Group USD and INR facilities which allow matching of drawings and payments, out of which USD facility is held by the Company.

In order to minimise Company's exposure to foreign currency fluctuations, currency assets are matched with currency liabilities by borrowing or entering into foreign exchange contracts in the applicable currency if deemed appropriate. The Company 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 Company. 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 may from time to time, opt to use derivative financial instruments to minimise its exposure to fluctuations in foreign exchange and interest rates.

23 Financial Risk Management: Objectives and Policies (continued)

Foreign currency risk (continued)

The carrying amount of the company's financial assets and liabilities in different currencies are as follows:

	31 March 2018 Financial Assets	**31 March 2018 Financial Liabilities**	31 March 2017 Financial Assets	**(in $'000)** 31 March 2017 Financial Liabilities
USD	**86,753**	**292,920**	207,825	216,200
GBP	**13,124**	**1,814**	51	3,136
INR	**114,175**	**3,639**	12,408	98,278
Others	**2,536**	**4,526**	-	1,633
Total	**216,588**	**302,899**	220,284	319,247

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

(in $'000)

	31 March 2018	
	Closing exchange rate	**Effect of 10% strengthening of US dollar on net earning**
INR	65.044	**11,054**
GBP	0.70	**1,131**

	31 March 2017	
	Closing exchange rate	Effect of 10% strengthening of US dollar on net earning
INR	64.84	(8,587)
GBP	0.80	(308)

The sensitivities are based on financial assets and liabilities held at 31 March 2018 where balances are not denominated in the company's functional currency. The sensitivities do not take into account the company's sales and costs and the results of sensitivities could change due to other factors such as change in the value of financial assets and liabilities as a result of non-foreign exchange influenced factors. A 10% depreciation of the US$ would have an equal and opposite effect on the company's financial instruments.

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 11.

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

23 Financial Risk Management: Objectives and Policies (continued)

Capital management

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

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

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

No changes were made in the objectives, policies or processes during the year ended 31 March 2018.

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

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

	31 March 2018 $'000	31 March 2017 $'000
Cash and cash equivalents	**47,635**	53,512
Liquid investments	**15,668**	10,316
Net Funds	**63,303**	63,828
Equity	**910,519**	1,119,988

24 Financial Instruments

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

Financial assets	**Carrying amount**		**Fair value**	
	31 March 2018 $'000	31 March 2017 $'000	**31 March 2018 $'000**	31 March 2017 $'000
Cash and cash equivalents	**47,635**	53,512	**47,635**	53,512
Trade and other receivables	**141,808**	148,965	**141,808**	148,965
Other assets	**11,477**	7,491	**11,477**	7,491
Liquid investments	**15,668**	10,316	**15,668**	10,316
	216,588	220,284	**216,588**	220,284

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 11.

24 Financial Instruments (continued)

Financial liabilities	Carrying amount		Fair value	
	31 March 2018 $'000	31 March 2017 $'000	**31 March 2018 $'000**	31 March 2017 $'000
Joint Operation trade payables	**137,115**	255,123	**137,115**	255,123
Revenue received in excess of entitlement interest	**99,690**	747	**99,690**	747
Bills of exchange	**12,573**	-	**12,573**	-
Amounts owed to group companies	**74**	74	**74**	74
Profit petroleum payable	**53,190**	62,965	**53,190**	62,965
Other payables	**257**	338	**257**	338
	302,899	319,247	**302,899**	319,247

Fair value hierarchy

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

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

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

Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair Value Hierarchy

Particulars	**As at 31 March 2018**			As at 31 March 2017		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Financial assets						
At fair value through profit or loss						
- Held for trading – Investments in Mutual funds	8,668	-	-	316	-	-
Total	8,668	-	-	316	-	-

25 Ultimate Parent Company

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

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

26 Subsequent events

Subsequent to year end, the Company paid dividend of $30.0m to its holding company, Cairn India Holdings Limited. The dividend paid per share is $0.07.