Registered number: SC172470

CAIRN ENERGY HYDROCARBONS LIMITED

REPORT & FINANCIAL STATEMENTS

FOR YEAR ENDED 31 MARCH 2020

Cairn Energy Hydrocarbons Limited

Directors:

Hitesh Vaid
Helena Anne Jane Giles
Michael Oluwamaayowa Muyiwa-George

Auditors:

Ernst & Young LLP
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Company Secretaries
Resigned w.e.f. February 15, 2021
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3rd Floor 11-12, St. James's Square, London,
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Registered No:

SC172470

Cairn Energy Hydrocarbons Limited

Strategic Report

The directors present their strategic report for year ended 31 March 2020.

Principal Activities and Business Review

Cairn Energy Hydrocarbons Limited ("Company") is engaged in the exploration, 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 144,260 boepd and working interest production was 50,491 boepd.

The Rajasthan block is an onshore block. It is the principal production asset where the Company along with its intermediate holding Company owns a 70% participating interest pursuant to the production sharing contract signed on 15 May 1995 that runs until May 2020. The Government of India, acting through the Directorate General of Hydrocarbons, Ministry of Petroleum and Natural Gas has granted its approval for a ten-year extension of the PSC for the Rajasthan Block, RJ-ON-90/1, with effect from 15th May, 2020, subject to certain conditions.

One of the conditions for extension relates to notification of certain audit exceptions raised for FY16-17 as per PSC provisions and provides for payment of amounts, if such audit exceptions result into any creation of liability. In connection with the said audit exceptions, demand for $520m (share of company being $182m), has been raised by DGH on 12 May 2020. The Company has disputed the same together with all the other audit exceptions for the said year and for the subsequent year, notified as of date, as in Company's view the audit notings are not in accordance with the PSC and are entirely unsustainable and as per PSC provisions, having been disputed, these notings do not prevail and accordingly do not result in creation of any liability. The Company has reasonable grounds to defend itself which are supported by independent legal opinions. The Company has also invoked the PSC process for resolution of disputed exceptions and has initiated arbitration. The GoI has responded to the Company's notice of arbitration on 29 June 2020 and raised claims of US$1,031 million (share of company being 516m), (representing audit exceptions notified by DGH up to FY2018) plus consequential impact until the expiry of the current PSC on 14 May 2020.

The tribunal stands constituted. On 23 September 2020 GOI had filed an application for interim relief before Delhi High Court seeking payment of all disputed dues. The bench was not inclined to pass ex-parte order and it was put to the Govt why the matter should not be relegated to the Tribunal which stands constituted already. The matter is now listed for hearing on 12 April 2021.

On Vedanta's applicant u/s 17 of the Arbitration and conciliation Act, 1996, on 23 December 2020, the tribunal has ordered that Government of India (GOI) should not take any action, directly or indirectly, to enforce against the Claimants (i.e. Vedanta and CEHL) any of the amounts at issue in this arbitration , including by way of a purported condition to any extension of the Production Sharing Contract ("PSC"); any steps to impair or terminate any rights of the Claimants under the PSC or otherwise to expropriate the Claimants' investment in the RJ Block; and direction by the GOI upon a third party with respect to the amounts at issue in this arbitration. Also, GOI should not take any other steps likely to aggravate the dispute pending the Tribunal's final resolution of the Parties' claims, including whether the audit exceptions give rise to any liability on the part of the Claimants; and/or alter the status quo ante as at the time the arbitration was commenced; During the arbitral period, the GOI continues to extend the contractual arrangements under the PSC on the terms of the current extension, which includes a 10% increase in payment to the GOI pursuant to its current policy, on a without prejudice basis. The GOI has challenged the said order before the Delhi High Court u/s 37 of the Arbitration and conciliation Act, 1996. The same is listed on 12 April 2021

GoI has permitted the Company to continue Petroleum operations in the RJ Block with effect from 15 May 2020 until extension is signed or up to April 30, 2021, whichever is earlier

The applicability of the Pre-NELP extension policy (entailing 10% higher profit petroleum) to Rajasthan Block production Sharing Contract is challenged by Cairn vide an affidavit filed on 26 July 2017. On 26th March 2021, the Division bench of Delhi high Court has set aside a single judge order of 31 May 2018 which directed the government to extend the tenure of the PSC for a period of 10 years, till 2030, on the same terms and conditions. All available legal remedies (including appeal to Supreme Court) are being evaluated for further action as appropriate. Nevertheless, Government of India, in their submissions to the Delhi High Court, has not objected to Vedanta obtaining a 10 year extension of Rajasthan PSC. The legal dispute only relates to additional 10% profit petroleum rather than Vedanta's right to obtain 10 year extension. Further, on 30 March, 2021, Vedanta has paid the additional 10% profit petroleum to the Government due from 15th May 2020 till 31st Dec 2020. Based on above and Company's intention to extend the PSC, as demonstrated, in Management view it is considered virtually certain that Rajasthan PSC has in effect been extended by 10 years

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 Alkaline Surfactant Polymer (ASP) technologies. We are also investing in developing Rajasthan potential beyond the MBA fields and presently focusing on - Barmer Hill, Satellite Fields. Each of them is at various stages of development and production. Also, gas development in the Raageshwari Deep Gas field continues to be a strategic priority. Early production facility has been commissioned during Fiscal Year 2020 and ramped up to its design capacity of 90 mmscfd. New gas terminal has been commissioned during Q4 of Fiscal Year 2021 and is expected to deliver additional ~100 mmscfd of gas production. This will ramp up the overall Rajasthan gas production to 240 mmscfd. In order to realise the full potential of the gas reservoir, contract for the drilling of 42 wells is underway and as of 15 March 2021 41 wells have been drilled, of which 14 wells are hooked up.

The Company derived gross revenue from oil and gas production of $832.6m (year ended March 2019: $875.6m) from permit interests in India. During the current year, the Company made a profit of $104.5m (year ended March 2019: profit of $144.7m). Dividend amounting to $554.5m has been paid during the year (year ended March 2019: $168.0m). Out of $554.5 m, dividend pay-out of $401.5m is through reduction in share capital.

	Year ended March 2020 ($'000)	Year ended March 2019 ($'000)
Revenue	833,247	876,425
Operating Profit	254,059	311,818
Profit for the year	104,485	144,733
Margin (%)	12.54%	16.51%

The decrease in margin is primarily driven by lower realisation on Crude Oil sale. 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 52.8 mmboe. Cumulative oil production till 31 March 2020 is 567.6 mmboe.

The gross average production for the period ended March 2020 was at 144,260 boepd, 7% lower year on year (yoy). Production was lower primarily due to the natural reservoir decline and maintenance shutdown of the Mangala Processing Terminal (MPT). The MPT Shutdown was carried out in February 2020 for production enhancement, reliability improvement and asset integrity enhancements. All the planned jobs during the shutdown were completed ahead of the schedule, with lower production losses vis-à-vis plan. The decline was partially offset by increase in gas production through early production facility and new wells brought online for growth projects and production optimization activities.

Development Area (DA) 1, primarily comprising the Mangala, Aishwariya, Saraswati and Raageshwari oil & gas fields, produced at a gross average of 129,398 boepd during the year.

DA 2 comprising of Bhagyam, NI and NE field produced gross average 14,564 boepd during the year.

DA 3 comprising KW2 produced gross average 298 boepd during the year.

Gas production from Raageshwari Deep Gas (RDG) averaged to 100.1 million standard cubic feet per day (mmscfd) in FY2020, with gas sales, post captive consumption, at 79.1 mmscfd.

With focus on developing the potential of resource base at Rajasthan, continuous efforts are being made to advance key projects to the production stage. The block comprises a rich set of project portfolio comprising of enhanced oil recovery projects, tight oil, tight gas, facility upgradation and appraisal prospects. These projects are being executed under an Integrated Development strategy in partnership with global oilfield service companies and are on track to deliver near term additional volumes. During the year, 136 wells were drilled, and 41 wells hooked up.

Going forward, the Alkaline surfactant polymer project at Mangala will enable incremental recovery from the prolific Mangala field. The project shall entail drilling of wells and developing infrastructure facilities at Mangala processing terminal. Drilling campaign is already under progress and the contract for the ASP surface facility is yet to be awarded.

The Mangala Processing Terminal (MPT) facility upgradation is progressing in line with the schedule to handle incremental liquids. Intra-field pipeline augmentation project has been completed and the MPT surface facility augmentation project is expected to be commissioned in near term. The project will lead to the expansion in the liquid handling capacity by 30%.

Gas development in the Raageshwari Deep Gas field continues to be a strategic priority. Early production facility has been commissioned and ramped up to its designed capacity of 90 mmscfd. Further construction of gas terminal through integrated contract is expected to deliver additional ~90 mmscfd of gas production in near term. This will ramp up the overall Rajasthan gas production to ~240 mmscfd. In order to realize the full potential of the gas reservoir, contract for drilling of 42 wells has been awarded and drilling is in progress.

Sales

Crude oil sales arrangements are in place with Public Sector Refineries (PSU) and private refiners.

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 (from financial year 20-21, private buyers have been linked to Dated Brent)

Resource & Reserve Base

As at March 2020, the gross hydrocarbons in-place in Rajasthan is at 5.8 billion boe. The gross proved plus probable reserves and resources stood at 1,083 mmboe, which includes gross reserves (2P) of 513 mmboe and gross resources (2C) of 570 mmboe.

Section 172 Statement

The following section serves as our 'Section 172(1) statement' and explains how the Board considers the interests of key stakeholders and the broader matters set out in s172 (1) (a)-(f) of the Companies Act, 2006 (s172), when performing their duty to promote the success of the Company under s172, the Board's engagement with those stakeholders and their influence on decision-making.

The Board's Approach to s172 and Decision-Making

The Board is ultimately responsible for the long-term success of the Company. It recognises that this is dependent on fostering good relationships with its key stakeholders in the pursuit of sustainable growth for the benefit of the Company's shareholders. The Board therefore considers the interests of and the impact of its decisions on the Company's key stakeholders as part of its decision-making process. When making decisions, each Director ensures that he/ she acts in the way he/she considers, in good faith, would most likely promote the Company's success for the benefit of its members as a whole, and in doing so, have regard (among other matters) to those matters set out in s172.

Information

The associated briefing papers circulated to the Board for consideration and approval, detail potential impacts, if any, on the members and other stakeholders and the long-term consequences for the business.

The s172 assessment is performed internally by the management, and where required, the Board may request external assurance of the quality of information provided.

Policies and Practices at Group level

The Company is a wholly owned subsidiary of Cairn India Holdings Ltd, which is ultimately controlled by Vedanta Resources Limited (VRL). At VRL level, there is an established stakeholder engagement standard, which governs the procedure for identifying key stakeholders and decisions affecting the key stakeholders (including those matters in s.172) are delegated to VRL's subsidiaries and to the Group as a whole. A review of key stakeholders is undertaken every 3 years and discussed by the Group Executive Committee.

In line with the Group's delegated authority structure, stakeholder identification is undertaken at a Business Unit level. VRL's social responsibility performance standard aims to ensure effective engagement with all key stakeholders. Details on the Group's ongoing engagement with stakeholders can be found on Pages 38-39 of 2019-20 Annual Report of VRL.

Training

The relevance of stakeholder considerations in the context of the Board's decision-making has long been a part of the Board, as they are aligned to the Group's vision, values and sustainability principles. We recognise the importance of keeping the interests of our stakeholders at the forefront of decision-making and continue to provide refresher training to Directors.

We have taken action to make the regular consideration of stakeholder interests a key part of the Company's business culture. The Board have received briefings on the Directors' duties as outlined in s172 of Companies Act, 2006.

Maintaining our Licence to Operate and Compliance with Legislation

Our licence to operate is dictated by our reputation and the way the Company is perceived by its stakeholders. The Board's leadership ensures that the management runs the businesses in an ethical and responsible manner in relation to all stakeholders, whilst also considering the environmental impact of their decisions and complying with their statutory obligations to report on the same.

The Group has a Code of Business Conduct and Ethics, a Supplier Code of Conduct and its Whistleblower Policy, which reinforce the Board's commitment to operating in an ethical manner in the pursuit of its goals. The Company has also maintained its compliance with the Energy Savings Opportunity Scheme by reporting to the authorities on its energy consumption. In addition, the Board have considered their duties to the stakeholders by complying with the General Data Protection Regulations.

Creating Value for our Stakeholders

The Company maintains ongoing dialogue with its stakeholders to understand their expectations and how their concerns can be addressed. Consideration of stakeholder interests forms a vital part of the Board's deliberations.

The Board ensures that stakeholder considerations
are taken into account in strategic decision-making by requiring that all strategic proposals coming to the Board include an analysis of stakeholder impacts, which form part of the discussions when making decisions.

The Company Secretary provides support to the Board to ensure that sufficient consideration is given to stakeholder issues .

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.

Unfavourable 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 was valid till May 2020. Government of India (GoI), accorded its approval for extension of the PSC, under the Pre-NELP Extension policy as per notification dated 7 April 2017, for RJ block by a period of 10 years w.e.f. 15th May 2020 vide its letter dated 26th October 2018 subject to fulfilment of certain conditions 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.

The applicability of the Pre-NELP extension policy (entailing 10% higher profit petroleum) to Rajasthan Block production Sharing Contract is challenged by Cairn vide an affidavit filed on July 26, 2017. On 26th March 2021, the Division bench of Delhi high Court has set aside a single judge order of 31 May 2018 which directed the government to extend the tenure of the PSC for a period of 10 years, till 2030, on the same terms and conditions. Government of India, in their submissions to the Delhi High Court, has not objected to Vedanta obtaining a 10 year extension of Rajasthan PSC. The legal dispute only relates to additional 10% profit petroleum rather than Vedanta's right to obtain 10 year extension. Further, on 30 March, 2021, Vedanta has paid the additional 10% profit petroleum to the Government due from 15th May 2020 till 31st Dec 2020. Based on above and Company's intention to extend the PSC, as demonstrated, in Management view it is considered virtually certain that Rajasthan PSC has in effect been extended by 10 years.

Risk Factors (continued)

Government of India Arbitration (DGH)
DGH has issued a letter on 12 May 2020 asking contractors to make payment of USD 520m (CEHL share US $ 182m) and stating that in case of continued default the present PSC shall expire on 14th May 2020. We've responded to this letter noting that it was unsustainable unless the dispute stands resolved as per process prescribed in the PSC and demanded that the same should be withdrawn. It was also clarified that the same should be de-linked as a condition for the extension. Further, failing confirmation of appointment of sole expert by the GoI for ~7 months, we served Notice of Arbitration dated 14 May 2020. The Government of India (GOI) has responded to company's notice of arbitration on 29 June 2020 and raised claims of $1,031m (CEHL Share -$516m) (representing audit exceptions notified by DGH upto FY FY 2017-18) plus consequential impact until the expiry of the current PSC on 14th May 2020. Presiding arbitrator has been nominated and the tribunal stands constituted. The matter is in process of hearings. Hearing are underway. The next hearing is listed on 12 April 2021

Any award unfavorable to the company, could have a material adverse effect on it's business, operating results and financial condition.

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.

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. Additionally, there is continuous trend of shift to renewable energy sources which can have effect on future demand and prices of crude oil. 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. Company has entered into integrated development contracts for various projects; however, successful implementation of the work programme depends on integrated development contractor, equipment and services providers, construction contractors etc. 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.

Impact of COVID-19

The outbreak of novel Coronavirus (COVID-19) pandemic globally and in India and the consequent lockdown restrictions imposed by national governments is causing significant disturbance and slowdown of economic activity across the globe. The commodity prices including oil have seen significant volatility with downward price pressures due to major demand centres affected by lockdown. The outbreak, or continued or threatened outbreak, of any similar severe communicable disease could materially and adversely impact Company's business, financial condition, cash flow and results of operations due to weaker Oil prices.

The Company is in the business of oil & gas which is considered as continuous process and were generally allowed to continue to carry out the operations with adequate safety measures. The Company has taken proactive measures to comply with various regulations/ guidelines issued by the Government and local bodies to ensure safety of its workforce and the society in general. The Company has considered possible effects of COVID-19 on the recoverability of its investments. The Company has considered forecast consensus, industry reports, economic indicators and general business conditions to make an assessment of the implications of the Pandemic. The Company has also performed sensitivity analysis on the assumptions used basis the internal

Risk Factors (continued)

and external information/ indicators of future economic condition. Based on the assessment, the Company has recorded necessary adjustments and has appropriately disclosed the same.

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. Similarly, the company has also been implementing another Enhance Oil Recovery technique using ASP (Alkaline Surfactant Polymer) however the successful implementation of the project is a key factor and any technical challenge, increase in cost etc. may have adverse impact on 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 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

Risk Factors (continued)

their agencies. Further, for executing its projects and running operations, various approvals are required from Joint venture partner and Government. Delay in securing such approvals can adversely impact the operations. Similarly, any demand from Government of India requiring additional profit petroleum, if crystalizes, will have adverse impact on company's financial performance.

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.

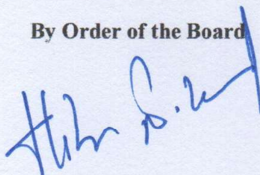
Corporate Responsibility (CR)
The Company recognises that applying its CR Policies and 'Guiding Principles' in all activities is essential in maintaining its 'licence to operate' and business reputation. CR risks occur when any part of the business fails to implement these policies and 'Guiding Principles'. 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



Date: 31 March 2021

Cairn Energy Hydrocarbons Limited

Directors' Report

The directors present their report and financial statements for year ended 31 March 2020.

Directors

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

Hitesh Vaid (appointed w.e.f. July 17, 2020)
Helena Anne Jane Giles (appointed w.e.f. February 15, 2021)
Michael Oluwamaayowa Muyiwa-George (appointed w.e.f. February 15, 2021)

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 or remuneration, other than benefits as emoluments or a fixed salary as a full-time employee of a related body corporate and Directorship fee is paid to the administrators for providing local directors service to the Company pursuant to the service contract entered with them. The directors of the Company are also directors or officers of other Companies.

Going Concern

The Company has prepared the financial statements on a going concern basis. Management has considered a number of factors in concluding on their going concern assessment.

Owing to uncertainty arising from COVID-19, there was significant reduction in oil prices leading to reduced profits in the current year. However, since period end oil price has recovered to pre-Covid-19 levels. The virus and associated uncertainty have therefore had an impact on the Management's assessment of the ability of the Company to continue as a going concern.

The Company monitors and manages its funding position and liquidity requirements throughout the year and routinely forecasts its future cash flows and financial position. The key assumptions for these forecasts include production profile, Brent prices, Discount to Brent, Opex/bbl and impact of audit exceptions notified by DGH.

Management has considered the Company's ability to continue as a going concern in the period up to 31 March 2022 ("the going concern period") and carried out detailed assessment under various scenarios i.e. Base case, a Downside case and a Worst case. These scenarios have different levels of sensitivity on key factors e.g. Brent price, production, Capex projects phasing, Opex spend and timing & quantum of payment related to audit exceptions notified by DGH. For this assessment, under different scenarios, different levels of production forecast and price forecasts were considered

Base case	: Q4 FY21 173 kboepd and FY22 182 kboepd at a Brent price of Q4 FY21 50/bbl; FY 22 53/bbl
Downside case	: Q4 FY21 144 kboepd and FY22 160 kboepd and Brent price reduced by 10% from base case
Reasonable worst case	: Q4 FY21 144 kboepd and FY22 144 kboepd and Brent price reduced by 10% from base case

Company has sufficient headroom in Base Case, Downside Case and Worst case scenario.

Conclusion

Based on above assessment, Directors have a reasonable expectation that the Company will meet its commitments as they fall due over the going concern period. Accordingly, the Directors continue to adopt 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 year ended 31st March 2020 and the year ended 31st March 2019.

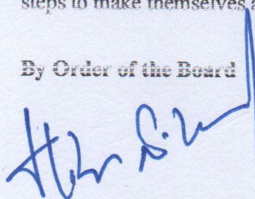
Creditors Payment Policy

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 2020 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.

By Order of the Board



Date: 31 March 2021

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 international accounting standards in conformity with the requirements of the Companies Act 2006

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 accounting standards in conformity with the requirements of Companies Act 2006. 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 in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group and company financial position and financial performance;
- state whether international accounting standards in conformity with the requirements of the Companies Act 2006, 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 it is appropriate to presume that the company will not continue in business.

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.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report and directors' report that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Vedanta Limited's website.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAIRN ENERGY HYDROCARBONS LIMITED

Qualified Opinion

We have audited the financial statements of Cairn Energy Hydrocarbons Limited for the year ended 31 March 2020 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 accounting standards in conformity with the requirements of the Companies Act 2006.

In our opinion, except for the effects of the matter described in the basis for qualified opinion section, the financial statements:

- give a true and fair view of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been prepared in accordance with international accounting standards in conformity with the requirements of Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for qualified opinion

Due to the enforcement of restrictions by the Government of India in response to COVID-19, EY has been prevented from performing planned procedures surrounding the observation of physical counts of inventory. We have been unable to satisfy ourselves through alternative audit procedures under International Standards on Auditing (UK) (ISAs (UK)) as to the accuracy of the inventory quantities held at 31 March 2020 within India, which are included in the Statement of Financial Position at $33.3m. Consequently, we were unable to determine whether any adjustment to this amount was necessary. In addition, were any adjustment to the inventory balance to be required, the strategic report would also need to be amended.

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 qualified opinion.

Emphasis of Matter

We draw attention to note 1.1(s)(ii) of the accompanying IFRS financial statements which describes the uncertainty surrounding the extension of the Production Sharing Contract (PSC) for the Rajasthan oil and gas block following the demands that have been raised to the Company. Management has concluded that the PSC has in effect been extended. Were the PSC not to be extended it would have a significant and pervasive impact on the financial statements. Our opinion is not modified in respect of this matter.

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 statement 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.

As described in the basis for qualified opinion section of our report, we were unable to satisfy ourselves concerning the inventory quantities of $33.3 million held at 31 March,2020. We have concluded that where the other information refers to the inventory balance or related balances such as cost of sales, it may be materially misstated for the same reason.

Qualified opinions on other matters prescribed by the Companies Act 2006

Except for the possible effects of the matter described in the basis for qualified opinion section of our report, 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

Except for the matter described in the basis for qualified opinion section of our report, 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.

Arising solely from the limitation on the scope of our work relating to inventory, referred to above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records have been kept

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:

- 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 10, 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.

Richard Addison (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
31 March 2021

1. The maintenance and integrity of the Vedanta Limited web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Cairn Energy Hydrocarbons Limited

Statement of Comprehensive Income

For year ended 31 March 2020

	Notes	**Year ended March 2020 $'000**	Year ended March 2019 $'000
Revenue	2	**833,247**	**876,425**
Cost of sales			
Production costs	3(a)	**(330,721)**	**(370,051)**
Depletion	8	**(141,249)**	**(194,360)**
Gross Profit		**361,277**	**312,014**
Impairment of investment	9	**(2,760)**	(100)
Administrative expenses		**(20,718)**	(96)
Impairment charge on exploration assets	3(e)	**(83,740)**	**-**
Operating Profit		**254,059**	311,818
Finance income	5	**5,547**	3,880
Finance costs	6(a)	**(2,477)**	(3,759)
Other gains and losses	6(b)	**(32,281)**	(20,412)
Profit before taxation		**224,848**	291,527
Taxation	7	**(120,363)**	(146,794)
Profit for the year		**104,485**	144,733

The accompanying notes form an integral part of these financial statements

Cairn Energy Hydrocarbons Limited

Statement of Comprehensive Income

For year ended 31 March 2020

	Notes	**Year ended March 2020 $'000**	Year ended March 2019 $'000
Profit for the year		**104,485**	144,733
Total comprehensive income for the year		**104,485**	144,733

The accompanying notes form an integral part of these financial statements

Cairn Energy Hydrocarbons Limited

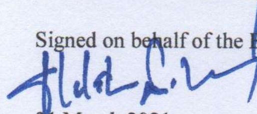
Statement of Financial Position

As at 31 March 2020

	Notes	31 March 2020 $'000	31 March 2019 $'000
Non-current assets			
Intangible exploration/appraisal assets	8	**79,850**	169,486
Property, plant and equipment – development/producing assets	8	**552,947**	455,792
Investments in subsidiaries	9	**33**	33
Deferred tax assets	7	**246,233**	335,081
Non-current tax assets		**3,251**	2,057
Other receivables	10	**89,149**	46,681
		971,463	1,009,130
Current assets			
Trade and other receivables	11	**180,107**	199,925
Short - term investments	12	**220,998**	107,287
Cash and cash equivalents	13	**20,019**	135,241
Inventories	14	**33,315**	29,443
		454,439	471,896
Total assets		**1,425,902**	1,481,026
Current liabilities			
Trade and other payables	15	**458,915**	461,561
Current tax liabilities		**10,344**	27,619
Short term borrowings		**495**	-
		469,754	489,180
Non-current liabilities			
Provisions	16	**119,228**	104,493
		119,228	104,493
Total liabilities		**588,982**	593,673
Net assets		**836,920**	887,353
Equity			
Called-up share capital	17	**575,616**	651,014
Share premium	18	**-**	19,574
Other equity	19	**181,624**	181,624
Retained earnings		**79,680**	35,141
Total equity attributable to the equity holders		**836,920**	887,353

Financial Statements of Cairn Energy Hydrocarbons Limited, registration number SC172470 were approved by the Board of Directors on 31 March 2021.

Signed on behalf of the Board



31 March 2021

The accompanying notes form an integral part of these financial statements

Cairn Energy Hydrocarbons Limited

Statement of Cash Flows

For year ended 31 March 2020

	Note	**Year ended March 2020 $'000**	Year ended March 2019 $'000
Cash flows from operating activities			
Profit before taxation		**224,848**	291,527
Adjustments for:			
Depletion	8	**141,249**	194,360
Unwinding of discount on decommissioning liability	6(a)	**3,355**	3,029
Interest income	5	**(3,737)**	(2,258)
Profit on sale of Property, plant and equipment	6(b)	**(323)**	(982)
Dividend income	5	**(1,810)**	(1,621)
Interest expense and other finance charges	6(a)	**(878)**	730
Unrealized foreign exchange loss (net)		**37,438**	22,953
Impairment charge on exploration/appraisal assets	3(e)	**83,740**	-
Impairment on investment	9	**2,760**	100
Operating cash flows before movements in working capital		**486,642**	507,838
(Increase) in trade and other receivables		**(39,594)**	(70,815)
Increase/(Decrease) in trade and other payables		**(89,178)**	131,178
(Increase) in inventories		**(3,872)**	(2,096)
Cash generated from operations		**353,998**	566,105
Income tax paid		**(66,750)**	(47,139)
Net cash flows from operating activities		**287,248**	518,966
Cash flows from investing activities			
Purchase of Property, Plant and Equipment – development /producing assets and intangible exploration/appraisal assets		**(118,575)**	(172,555)
Deposits made (original maturity of more than 3 months)		**(160,578)**	(89,325)
Proceeds from deposits matured		**7,007**	89,361
Proceeds from sale of short-term investments		**1,015,343**	664,872
Purchase of short-term investments		**(972,114)**	(756,335)
Investment in subsidiary	9	**(2,760)**	(100)
Interest received		**3,127**	2,067
Dividend received		**-**	1,622
Payments made to site restoration fund		**(3,013)**	(3,633)
Net cash (used in) investing activities		**(231,563)**	(264,077)
Cash flows from financing activities			
Proceeds from the issue of ordinary shares		**399,580**	100
Dividend paid to parent on equity shares		**(554,497)**	(168,000)
Payment of Lease rentals		**(17,650)**	-
Interest Paid/(Received)		**876**	(731)
Net cash (used) in financing activities		**(171,691)**	(168,631)
Net (decrease)/increase in cash and cash equivalents		**(116,006)**	86,309
Effect of foreign exchange rate changes		**784**	1,297
Cash and cash equivalents at the beginning of the year		**135,241**	47,635
Cash and cash equivalents at the end of the year	13	**20,019**	135,241

The accompanying notes form an integral part of these financial statements

Cairn Energy Hydrocarbons Limited

Statement of Changes in Equity

For year ended 31 March 2020

	Equity Share Capital $'000	Share Premium $'000	Other Equity * $'000	Retained Earnings $'000	**Total $'000**
	(Note 17)	(Note18)	(Note 19)		
At 1 April 2018	650,914	19,574	181,624	58,408	**910,520**
Additions during the year	100	-	-	-	**100**
Profit for the year	-	-	-	144,733	**144,733**
Dividend distributed during the year	-	-	-	(168,000)	**(168,000)**
At 1 April 2019	651,014	19,574	181,624	35,141	**887,353**
Additions during the year	399,580	-	-	-	**399,580**
Reduction in Share Capital (Note 17 & 18)	(474,977)	(19,574)	-	494,551	**-**
Profit for the year	-	-	-	104,485	**104,485**
Dividend distributed during the year	-	-	-	(554,497)	**(554,497)**
At 31 March 2020	**575,617**	**-**	**181,624**	**79,680**	**836,921**

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

The accompanying notes form an integral part of these financial statements

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, Edinburgh, EH6 7BD, Scotland, UK.

These financial statements have been prepared in accordance with the accounting policies, set out below and were consistently applied to all periods presented unless otherwise stated.

The financial statements have been prepared on a going concern basis using historical cost convention and on an accrual method of accounting, except for certain financial assets and liabilities which are measured at fair value as explained in the accounting policies below.
The financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of Companies Act 2006 and as they apply to year ended 31 March 2020.

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.

Going Concern

The Company has prepared the financial statements on a going concern basis. Management has considered a number of factors in concluding on their going concern assessment.

Owing to uncertainty arising from COVID-19, there was significant reduction in oil prices leading to reduced profits in the current year. However, since period end oil price has recovered to pre-Covid-19 levels. The virus and associated uncertainty have therefore had an impact on the Management's assessment of the ability of the Company to continue as a going concern.

The Company monitors and manages its funding position and liquidity requirements throughout the year and routinely forecasts its future cash flows and financial position. The key assumptions for these forecasts include production profile, Brent prices, Discount to Brent, Opex/bbl and impact of audit exceptions notified by DGH.

Management has considered the Company's ability to continue as a going concern in the period up to 31 March 2022 ("the going concern period") and carried out detailed assessment under various scenarios i.e. Base case, a Downside case and a Worst case. These scenarios have different levels of sensitivity on key factors e.g. Brent price, production, Capex projects phasing, Opex spend and timing & quantum of payment related to audit exceptions notified by DGH. For this assessment, under different scenarios, different levels of production forecast and price forecasts were considered

Base case : Q4 FY21 173 kboepd & FY22 182 kboepd at a Brent price of Q4 FY21 50/bbl; FY 22 53/bbl
Downside case : Q4 FY21 144 kboepd & FY22 160 kboepd and Brent price reduced by 10% from base case
Reasonable worst case : Q4 FY21 144 kboepd & FY22 144 kboepd and Brent price reduced by 10% from base case

Company has sufficient headroom in Base Case, Downside Case and Worst Case scenarios.

Conclusion
Based on above assessment, Directors have a reasonable expectation that the Company will meet its commitments as they fall due over the going concern period. Accordingly, the Directors continue to adopt 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.

1.1 Accounting Policies (continued)

A liability is current when:

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

The Company classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current only.

b) Application of new and revised standards affecting amounts reported in the current period (and/or prior periods)

The Company has adopted with effect from 1 April 2019, the following new amendments and pronouncements:

IFRS 16: Lease
IFRS 16, Leases, replaces the existing standard on accounting for leases, IAS 17, with effect from 1 April 2019. This standard introduces a single lessee accounting model and requires a lessee to recognize a 'right of use asset' (ROU) and a corresponding 'lease liability' for all leases. Lease costs will be recognised in the income statement over the lease term in the form of depreciation on the ROU asset and finance charges representing the unwinding of the discount on the lease liability. In contrast, the accounting requirements for lessors remain largely unchanged.

The Company has elected to apply the modified retrospective approach on transition, and accordingly the comparative figures will not be restated. For contracts in place at this date, the Company will continue to apply its existing definition of leases under current accounting standards (“grandfathering”), instead of reassessing whether existing contracts are or contain a lease at the date of application of the new standard. Further, as permitted by IFRS 16, the Company will not bring leases of low value assets or short-term leases with 12 or fewer months remaining on to balance sheet.

Transition to IFRS 16 does not have a material effect on the Company’s Financial Statements.

IFRIC 23 - IFRIC 23 clarifies how to apply the recognition and measurement requirements in IAS 12 *Income Taxes* when there is uncertainty over income tax treatments. A consequential impact of the clarification is on the disclosure of contingent liabilities. The clarification did not have a material effect on the Company’s financial statements as the Company does not have any litigation matters under the Income Tax which falls under the purview of IFRIC 23.

Other Amendments
The accounting policies adopted are consistent with those of the previous financial year and there are no other amendments that materially impact preparation or presentation of financial statements.

New IFRSs that have been issued but not yet come into effect
The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company’s financial statements are not expected to have a significant impact on the Company’s financial statements. The Company’s has not early adopted any amendment, standard or interpretation that has been issued but is not yet effective.

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(j). 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 operated.

1.1 Accounting Policies (continued)

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

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

e) Revenue Recognition

Sale of goods/ rendering of services (Revenue from contracts with customers)
Revenues from contracts with customers is recognised when control of the goods or services is transferred to the customer which usually is on delivery of the goods to the shipping agent at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Revenue is recognised net of discounts, volume rebates, outgoing sales taxes/ goods and service tax and other indirect taxes excluding excise duty. Revenues from sale of by-products are included in revenue.

Company's sales contracts provide for provisional pricing based on the price on the crude index, as specified in the contract. Revenue in respect of such contracts is recognised when control passes to the customer and is measured at the amount the entity expects to be entitled – being the estimate of the price expected to be received at the end of the measurement period. Post transfer of control of goods, provisional pricing features are accounted in accordance with IFRS 9 'Financial Instruments' rather than IFRS 15 'Revenue from contracts with customers' and therefore the IFRS 15 rules on variable consideration do not apply. These 'provisional pricing' adjustments i.e. the consideration received post transfer of control are included in total revenue and disclosed by way of note to the financial statements. Final settlement of the price is based on the applicable price of the period end.

Revenue from oil, gas and condensate sales represent the Company's share in the revenue from sale of such products, by the joint operations, and is recognised as and when control in these products gets transferred to the customers. In computing its share of revenue, the Company excludes government's share of profit oil which gets accounted for when the obligation in respect of the same arises.

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs part of its obligation by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration when that right is conditional on Company's future performance.

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is received. The advance payments received plus a specified rate of return/discount, at the prevailing market rates, is settled by supplying respective goods over a period of up to twenty four months under an agreed delivery schedule as per the terms of the respective agreements.

As these are contracts that the Company expects, and has the ability, to fulfil through delivery of a non-financial item, these are presented as advance from customers and are recognised as revenue as and when control of respective commodities is transferred to customers under the agreements. The fixed rate of return/ discount is treated as finance cost. The portion of the advance where either the Company does not have a unilateral right to defer settlement beyond 12 months or expects settlement within 12 months from the balance sheet date is classified as a current liability.

Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

Tolling income
Tolling income represents 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.

Interest income
Interest income from debt instruments is recognised using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses.

1.1 Accounting Policies (continued)

Dividend Income
Dividend income is recognised in the income statement only when the right to receive payment is established, provided it is probable that the economic benefits associated with the dividend will flow to the company, and the amount of the dividend can be measured reliably.

f) Property, plant and equipment

i) Oil and gas assets –(developing/ 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. All costs incurred after the technical feasibility and commercial viability of producing hydrocarbons has been demonstrated are capitalised within property, plant and equipment - 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 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.

ii) Exploration and evaluation assets

Exploration and evaluation expenditure incurred prior to obtaining the legal right to explore are expensed as incurred. 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.

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. 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.

Exploration & evaluation assets are subject to technical, commercial and management review, as well as review for indicators of impairment at least once a year and impairment loss, if any, is charged to Income statement

Net proceeds from any disposal of an exploration asset are initially credited against the previously capitalised costs. Any surplus / deficit is recognized in the Income Statement.

During the year ended March 31, 2020; the Company has recognized net impairment charge of $ 83.7 Mn against exploration intangible assets under development. Refer 1.1 (l) & 3(e) for detailed assumptions.

iii) 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.

1.1 Accounting Policies (continued)

f) Property, plant and equipment (continued)

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.

iv) Assets under construction

Assets under construction are capitalised in the assets under construction account. At the point when an asset is capable of operating in the manner intended by management, the cost of construction is transferred to the appropriate category of property, plant and equipment. Costs associated with the commissioning of an asset and any obligatory decommissioning costs are capitalised until the period of commissioning has been completed and the asset is ready for its intended use.

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.

(a) Financial Assets –Initial Recognition

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 marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

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

Debt instruments at amortised cost

A 'debt instrument' is measured at amortised cost if both the following conditions are met:

- The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. 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 interest income in the income statement. The losses arising from impairment are recognised in the income statement.

Debt instruments at fair value through other comprehensive income (FVOCI)

A 'debt instrument' is classified as at the FVOCI if both of the following criteria are met:

- The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
- The asset's contractual cash flows represent SPPI.

1.1 Accounting Policies (continued)

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

Debt instruments included within the FVOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognised in other comprehensive income (OCI). However, interest income, impairment losses and reversals and foreign exchange gain or loss are recognised in the income statement. On derecognition of the asset, cumulative gain or loss previously recognised in other comprehensive income is reclassified from the equity to the income statement. Interest earned whilst holding fair value through other comprehensive income debt instrument is reported as interest income using the EIR method.

Debt instruments at fair value through profit or loss (FVTPL)

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortised cost or as FVOCI, is classified as at FVTPL.

In addition, the Company may elect to designate a debt instrument, which otherwise meets amortised cost or FVOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). The Company has not designated any debt instrument as at FVTPL. Debt instruments included within the FVTPL category are measured at fair value with all changes being recognised in the income statement.

Equity instruments

All equity investments in scope of IFRS 9 are measured at fair value. Equity instruments which are held for trading and contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies are classified as at FVTPL. For all other equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the Company decides to classify an equity instrument as at FVOCI, then all fair value changes on the instrument, excluding dividends, are recognised in the OCI. There is no recycling of the amounts from OCI to profit and loss, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity. For equity instruments which are classified as FVTPL, all subsequent fair value changes are recognised in the income statement.

(b) Financial Asset - Derecognition

The Company derecognizes a financial asset when the contractual rights to cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

(c) Impairment of financial assets

In accordance with IFRS 9, the Company applies expected credit loss ("ECL") model for measurement and recognition of impairment loss on the following financial assets:

i) Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, debt securities and deposits

ii) Financial assets that are debt instruments and are measured as at FVOCI.

iii) Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of IFRS 15.

The Company follows 'simplified approach' for recognition of impairment loss allowance on trade receivables, contract assets and lease receivables. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

At each reporting date, for recognition of impairment loss on other financial assets and risk exposure, the Company determines whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss.

However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the Company reverts to recognising impairment loss allowance based on 12-month ECL.

1.1 Accounting Policies (continued)

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

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive, discounted at the original EIR. ECL impairment loss allowance (or reversal) during the year is recognised as income/expense in profit or loss. The statement of financial position presentation for various financial instruments is described below:

i) Financial assets measured at amortised cost: ECL is presented as an allowance, i.e., as an integral part of the measurement of those assets in the balance sheet. The Company does not reduce impairment allowance from the gross carrying amount.
ii) Debt instruments measured at FVOCI: Since financial assets are already reflected at fair value, impairment allowance is not further reduced from its value. Rather, ECL amount is presented as 'accumulated impairment amount' in the OCI.
For assessing increase in credit risk and impairment loss, the Company combines financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.
The Company does not have any purchased or originated credit impaired (POCI) financial assets, i.e., financial assets which are credit impaired on purchase/origination.

(d) Financial liabilities – Initial recognition & Subsequent measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or as 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 financial liabilities at amortised cost, 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.

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. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. For liabilities designated as FVTPL, fair value gains/losses attributable to changes in own credit risk are recognised in OCI. These gains/ losses are not subsequently transferred to profit or loss. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the income statement. The Company has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost (Loans and Borrowings and Trade and Other payables)
After initial recognition, interest-bearing loans and borrowings and trade and other payables are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the income statement 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 income statement.

1.1 Accounting Policies (continued)

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

(e) Financial liabilities – 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 income statement.

(f) Embedded Derivatives

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract – with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.
If the hybrid contract contains a host that is a financial asset within the scope of IFRS 9, the Company does not separate embedded derivatives. Rather, it applies the classification requirements contained in IFRS 9 to the entire hybrid contract. Derivatives embedded in all other host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the Income Statement, unless designated as effective hedging instruments.

(g) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

(h) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the 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 or to realize the asset and settle the liability simultaneously.

(i) Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

In order to hedge its exposure to foreign exchange, interest rate, and commodity price risks, the Company enters into forward, option, swap contracts and other derivative financial instruments. The Company does not hold derivative financial instruments for speculative purposes.

Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.
Any gains or losses arising from changes in the fair value of derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to the income statement when the hedge item affects profit or loss or treated as basis adjustment if a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability.

1.1 Accounting Policies (continued)

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

For the purpose of hedge accounting, hedges are classified as:
- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment
- Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting. The documentation includes the Company's risk management objective and strategy for undertaking hedge, the hedging/economic relationship, the hedged item or transaction, the nature of the risk being hedged, hedge ratio and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

(a) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the income statement immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.
When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the income statement. Hedge accounting is discontinued when the Company revokes the hedge relationship, the hedging instrument or hedged item expires or is sold, terminated, or exercised or no longer meets the criteria for hedge accounting.

(b) Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the income statement.

Amounts recognised in OCI are transferred to the income statement when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised in OCI are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

h) Leases

The Company assesses at contract inception, all arrangements to determine whether they are, or contain, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At inception or on reassessment of an arrangement that contains lease, the Company separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Company's incremental borrowing rate.

1.1 Accounting Policies (continued)

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities towards future lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right to use assets ('ROU')

The Company recognises right-of-use assets at the commencement date of the lease (i.e. the date when the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The right-of-use assets are also subject to impairment.
Right-of-use assets are also depleted on a unit of production basis similar to other Oil & Gas assets (Refer 1(f)).

ii) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (and, in some instances, in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is generally not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The Company's lease liabilities are included in Other Financial Liabilities.

iii) Short term leases and leases of low value assets

The Company applies the short-term lease recognition exemption to its short-term leases of equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low value assets recognition exemption to leases of office equipment that are low value . Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

i) Inventories

Inventory of oil is valued at the lower of cost and net realisable value based on the estimated selling price. Cost is determined on a weighted average basis.

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.

1.1 Accounting Policies (continued)

j) 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 2020	**Average year ended March 2020**	As at 31 March 2019	Average Year ended March 2019
Indian Rupee	**74.811**	**70.860**	69.171	69.889

k) 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.

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.

l) Impairment

Non-financial assets

Impairment charges and reversals are assessed at the level of cash-generating units. A cash-generating unit (CGU) is the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or group of assets. For purpose of impairment testing Company has identified CGU at PSC level as it is the smallest group of assets that generates cash inflows and are largely independent of the cash inflows from other assets or group of assets.

If any such indication exists where annual testing of impairment is required then an impairment review is undertaken, the recoverable amount is calculated, as the higher of fair value less costs of disposal and the asset's value in use.

The Company assesses at each reporting date, whether there is an indication that an asset may be impaired. The Company conducts an internal review of asset values annually, which is used as a source of information to assess for any indications of impairment or reversal of previously recognised impairment losses. Internal and external factors, such as worse economic performance than expected, changes in expected future prices, costs and other market factors are also monitored to assess for indications of impairment or reversal of previously recognised impairment losses.

1.1 Accounting Policies (continued)

Fair value less costs of disposal is the price that would be received to sell the asset in an orderly transaction between market participants and does not reflect the effects of factors that may be specific to the entity and not applicable to entities in general. Fair value for oil and gas assets is generally determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset, including any expansion prospects, and its eventual disposal, using assumptions that an independent market participant may take into account. These cash flows are discounted at an appropriate post-tax discount rate to arrive at the net present value.

Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and its eventual disposal. The cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted. Value in use is determined by applying assumptions specific to the Company's continued use and cannot take into account future development. These assumptions are different to those used in calculating fair value and consequently the value in use calculation is likely to give a different result to a fair value calculation.

The carrying amount of the CGU is determined on a basis consistent with the way the recoverable amount of the CGU is determined. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognised in the income statement.

Any reversal of the previously recognised impairment loss is limited to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had previously been recognised.

During the year ended March 31, 2020, the Company has recognized net impairment charge of $ 83.7 Mn against exploration intangible assets under development.

l) Taxation

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

Current tax
Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the reporting date and includes any adjustment to tax payable in respect of previous years.

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.

1.1 Accounting Policies (continued)

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 taxes relate to 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.

m) 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, net of outstanding bank overdrafts.

n) Equity instruments

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

o) 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.

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.

p) 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.

1.1 Accounting Policies (continued)

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.

q) 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.

r) Buyers' credit / suppliers' credit

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 up to 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 Operational buyers' credit/suppliers' credit (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 presented within borrowings in the statement of financial position. Interest expense on these are recognised in the finance cost.

s) 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 of estimation uncertainty:

i. Oil & Gas reserves

Significant technical and commercial judgements are required to determine the Company's estimated oil and natural gas reserves. Oil & Gas reserves are estimated on a proved and probable entitlement interest basis. Proven and probable reserves are estimated using standard 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 reserves estimates are subsequently calculated using the Company's current oil price and cost recovery assumptions, in line with the relevant agreements. Changes in reserves as a result of factors such as production cost, recovery rates, grade of reserves or oil and gas prices could impact the depletion rates, carrying value of assets (refer note 8 & note 3(e)) and environmental and restoration provisions.

1.1 Accounting Policies (continued)

s) Critical accounting judgement and estimation uncertainty (continued)

Significant estimates (continued)

ii. PSC Extension

On 26 October 2018, the Government of India (GoI) acting through the Directorate General of Hydrocarbons (DGH) granted its approval for a ten-year extension of the PSC for the Rajasthan Block (RJ), with effect from 15 May 2020 subject to certain conditions. The GoI had granted the extension under the Pre-NELP Extension Policy. This policy entails additional 10% profit petroleum payment to GoI. The key conditions stated by DGH and the Company's position is detailed below:

a) Submission of Audited Accounts and End of Year Statement

Condition regarding submission of audited accounts and End of Year Statement for adoption by Management Committee of the Block has been delinked by DGH vide letter dated 3 December 2019 as a pre-condition to PSC extension.

b) Profit Petroleum

DGH has issued a letter on 12 May 2020 asking contractors to make payment of $520m (CEHL share $182m) and stating that in case of continued default the present PSC shall expire on 14 May 2020. Company responded to this letter noting that it was unsustainable unless the dispute stands resolved as per process prescribed in the PSC and demanded that the same should be withdrawn. It was also clarified that the same should be de-linked as a condition for the extension. Further, failing confirmation of appointment of sole expert by the GoI for ~7 months, Company served Notice of Arbitration dated 14 May 2020. The Government of India (GOI) has responded to company's notice of arbitration on 29 June 2020 and raised claims of $1,031m (CEHL Share -$516m) (representing audit exceptions notified by DGH upto FY 2017-18) plus consequential impact until the expiry of the current PSC on 14 May 2020.

The Company believes that it has sufficient as well as reasonable basis (pursuant to PSC provisions & approvals), supported by legal advice, for having claimed such costs and for allocating common costs between different DAs. In the Company's opinion, these computations of the aforesaid demand/audit exceptions are not appropriate and the accounting adjustments sought for issues pertaining to Year 2007 and onwards are based on assumptions that are not in consonance with the approvals already in place. The Company's view is also supported by independent legal opinion and the Company has been following the process set out in PSC to resolve these aforesaid matters.

On 23 September 2020 GOI had filed an application for interim relief before Delhi High Court seeking payment of all disputed dues. The bench was not inclined to pass ex-parte order and it was put to the Govt why the matter should not be relegated to the Tribunal which stands constituted already. The matter is now listed for hearing on 12 April 2021.

On Vedanta Limited's applicant u/s 17 of the Arbitration and conciliation Act, 1996, on 23 December 2020, the tribunal has ordered that Government of India (GOI) should not take any action, directly or indirectly, to enforce against the Claimants (i.e. Vedanta Limited and CEHL) any of the amounts at issue in this arbitration, including by way of a purported condition to any extension of the Production Sharing Contract ("PSC"); any steps to impair or terminate any rights of the Claimants under the PSC or otherwise to expropriate the Claimants' investment in the RJ Block; and direction by the GOI upon a third party with respect to the amounts at issue in this arbitration. Also, GOI should not take any other steps likely to aggravate the dispute pending the Tribunal's final resolution of the Parties' claims, including whether the audit exceptions give rise to any liability on the part of the Claimants; and/or alter the status quo ante as at the time the arbitration was commenced. During the arbitral period, the GOI continues to extend the contractual arrangements under the PSC on the terms of the current extension, which includes a 10% increase in payment to the GOI pursuant to its current policy, on a without prejudice basis. The GOI has challenged the said order before the Delhi High Court u/s 37 of the Arbitration and conciliation Act, 1996. The same is listed on 12 April 2021.

Further to above stated letter from GoI on 26 October 2018, in view of pending non-finalisation of the Addendum to PSC, the extraordinary situation prevailing on account of COVID-19 and non-finalisation of issues including the aforesaid DGH demand, the GoI granted, vide letter dated 14 May 2020, permission to the Company to continue petroleum operations in Rajasthan block, till the execution of the Addendum to PSC or for a period of three months from 15 May 2020, whichever is earlier, which is further extended to 30 April 2021. The applicability of the Pre-NELP extension policy (entailing 10% higher profit petroleum) to Rajasthan Block production Sharing Contract is challenged by Cairn vide an affidavit filed on 26 July 2017. On 26th March 2021, the Division bench of Delhi high Court has set aside a single judge order of 31 May 2018 which directed the government to extend the tenure of the PSC for a period of 10 years, till 2030, on the same terms and conditions. All available legal remedies (including appeal to

1.1 Accounting Policies (continued)

s) Critical accounting judgement and estimation uncertainty (continued)

Significant estimates (continued)

Supreme Court) are being evaluated for further action as appropriate. Nevertheless, Government of India, in their submissions to the Delhi High Court, has not objected to Vedanta obtaining a 10 year extension of Rajasthan PSC. The legal dispute only relates to additional 10% profit petroleum rather than Vedanta's right to obtain 10 year extension. Further, on 30 March, 2021, Vedanta has paid the additional 10% profit petroleum to the Government due from 15th

May 2020 till 31st Dec 2020. Based on above and Company's intention to extend the PSC, as demonstrated, in Management view it is considered virtually certain that Rajasthan PSC has in effect been extended by 10 years.

Further in our view, the demand raised by the Government linked to PSC extension, is untenable and has not resulted in creation of any liability and cannot be a ground for non-extension. In addition, all necessary procedures prescribed in the PSC including appropriate dispute resolution process, in respect of the stated audit observation have also been satisfied. Accordingly, in our view, all the conditions of the PSC extension approval granted vide DGH letter dated 26 October 2018 stands addressed and no material liability would devolve upon the Company.

An adverse decision from the Government of India on the PSC extension could result in a substantial loss of value and could have a material adverse effect on Vedanta's results of operations and financial condition.

iii. Restoration, rehabilitation and environmental costs
Provision is made for costs associated with restoration and rehabilitation of oil sites as soon as the obligation to incur such costs arises and a corresponding amount is capitalised at the start of each project. Such restoration and closure costs are typical of oil and gas industries and they are normally incurred at the end of the life of the oil fields. The provision for decommissioning of oil and gas assets is based on the current estimate of the costs for removing and decommissioning producing facilities, the forecast timing and currency of settlement of decommissioning liabilities and the appropriate discount rate.

The capitalised asset is charged to the income statement through the depreciation over the life of operation of the asset and the provision is increased each period via unwinding the discount on the provision. Management estimates are based on local legislation and/or other agreements. The actual costs and cash outflows may differ from estimates because of changes in laws and regulations, changes in prices, analysis of site conditions and changes in restoration technology. Details of such provision are set out in note 16

iv. 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.

v. Impact of COVID-19
The outbreak of novel Coronavirus (COVID-19) pandemic globally and in India and the consequent lockdown restrictions imposed by national governments is causing significant disturbance and slowdown of economic activity across the globe. The commodity prices including oil have seen significant volatility with downward price pressures due to major demand centers affected by lockdown.
The Company has taken proactive measures to comply with various regulations/ guidelines issued by the Government and local bodies to ensure safety of its workforce and the society in general. The Company has considered possible effects of COVID-19 on the recoverability of its investments. The Company has considered forecast consensus,

1.2 Accounting Policies (continued)

s) Critical accounting judgement and estimation uncertainty (continued)

Significant estimates (continued)

industry reports, economic indicators and general business conditions to make an assessment of the implications of the Pandemic. The Company has also performed sensitivity analysis on the assumptions used basis the internal and external information/ indicators of future economic condition. Based on the assessment, the Company has recorded necessary adjustments and has appropriately disclosed the same.

vi. Contingencies and commitments
In the normal course of business, contingent liabilities may arise from litigation, taxation and other claims against the Company, A 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 make informed 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 from Operations

	Year ended March 2020 $'000	Year ended March 2019 $'000
Sale of products		
Revenue from sale of oil and gas	**832,550**	**875,627**
Sale of services	**697**	798
Revenue from contract with customers	**833,247**	876,425

Disaggregation of revenue

	Year ended March 2020 $'000	Year ended March 2019 $'000
Sale of products		
Oil	**783,508**	843,206
Gas	**49,042**	32,421
Sale of products	**832,550**	875,627
Sale of services	**697**	798
Total revenue	**833,247**	876,425

a) Revenue from operations includes revenue from contract with customers of $762.16 million of which $761.46 million is recognised at a point in time and $ 0.70 million is recognised over a period of time. Mark-to-market losses on sales which were provisionally priced initially, and the pricing has been finalised during the year amounts to $ 19.65 million.

b) Government of India (GoI) vide Office Memorandum ("OM") No. O-19025/10/2005-ONG-DV dated February 01, 2013 allowed for Exploration in the Mining Lease Area after expiry of Exploration period and prescribed the mechanism for recovery of such Exploration Cost incurred. Vide another Memorandum dated October 24, 2019, GoI clarified that all approved Exploration costs incurred on Exploration activities, both successful and unsuccessful, are recoverable in the manner as prescribed in the OM and as per the provisions of PSC. Accordingly, during the current year, the Company has recognised revenue of $90.74 million included above, for past exploration costs, through increased share in the joint operations revenue as the Company believes that cost recovery mechanism prescribed under OM for profit petroleum payable to GoI is not applicable to its Joint operation partner, view which is also supported by an independent legal opinion. However, the Joint operation partner carries a different understanding and the matter is pending resolution.

3 Operating Profit

a) Operating Profit is stated after charging :

	Year ended March 2020 $'000	Year ended March 2019 $'000
Cess on crude oil	**160,996**	211,751
Decrease in inventory of crude oil	**1,581**	2,031
Other production costs	**168,144**	156,269
Production costs	**330,721**	370,051
Depletion	**141,249**	194,360
Impairment of Investments	**2,760**	100
Administrative Expenses	**20,718**	96
Impairment charge on exploration assets	**83,740**	-

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

c) Auditors' Remuneration

Fees amounting to $16,719 (the year ended 31 March 2019: $13,080) is payable to the Company's auditors for the audit of the Company's annual accounts for the year 2019-20.

The Company has a system in place for the award of non-audit work to the auditors which, in certain circumstances, requires Audit Committee approval.

d) Administrative Expenses

Administrative expenses includes provision for ECL of $7.3m as company's share (for the year ending 31 March 2019: nil) pertaining to amount recoverable from Joint Operators.

e) Impairment Charge

	Year ended March 2020 $'000	Year ended March 2019 $'000
Impairment of assets*	**83,740**	-
Total	**83,740**	-

* During the year ended March 31, 2020, the Company has recognized net impairment charge of US $ 83.7m against exploration intangible assets under development mainly due to reduction in crude price forecast. The carrying value of RJ CGU amounts to US $ 727m (Rajasthan Development- US $ 565m & Rajasthan Exploration- US $ 161 m).The recoverable amount US $ 658.9m (Rajasthan Development-US $ 581m & Rajasthan Exploration – US $ 77.9m) of the RJ CGU was determined based on the fair value less costs of disposal approach, a level-3 valuation technique in the fair value hierarchy, as it more accurately reflects the recoverable amount based on the Company's view of the assumptions that would be used by a market participant. Also, fair value less cost of disposal is higher than Value in use. This is based on the cash flows expected to be generated by the projected oil and natural gas production profiles up to the expected dates of cessation of production sharing contract (PSC)/cessation of production from each producing field based on the current estimates of reserves and risked resources. Reserves assumptions for fair value less costs of disposal tests consider all reserves that a market participant would consider when valuing the asset, which are usually broader in scope than the reserves used in a value-in-use test. Discounted cash flow analysis used to calculate fair value less costs of disposal uses assumption for short-term oil price of US $ 38 per barrel for the next one year (and scales up to long-term nominal price of US $ 57 per barrel three years thereafter derived from a consensus of various analyst recommendations. Thereafter, these have been escalated at a rate of 2% per annum. The cash flows are discounted using the post-tax nominal discount rate of 10.13% derived from the post-tax weighted average cost of capital after factoring in the risks ascribed to PSC extension including successful implementation of key growth projects. Based on the sensitivities carried out by the Company, change in crude price assumptions by US$ 1/bbl and changes to discount rate by 1% would lead to a change in recoverable value by US $ 20.8 mn and US $ 31.3 mn respectively.

4 Directors' Emoluments

A total remuneration of $24,160 year ended 31 March 2020 (the year ended 31 March 2019: $25,057).

5 Finance Income

	Year ended March 2020 $'000	Year ended March 2019 $'000
Bank deposit interest	**2,329**	1,484
Income from SRF deposit	**816**	774
Other interest income	**592**	-
Dividend income	**1,810**	1,622
	5,547	3,880

6(a) Finance Costs

	Year ended March 2020 $'000	Year ended March 2019 $'000
Interest expense	**255**	17
Other finance charges	**(1,133)**	714
Sub Total	**(878)**	731
Other finance charges - unwinding of discount (refer note 16)	**3,355**	3,028
Total	**2,477**	3,759

6(b) Other gains and losses

	Year ended March 2020 $'000	Year ended March 2019 $'000
Profit on sale of Property, plant and equipment	**(323)**	(982)
Exchange loss (net)*	**32,604**	21,394
Total	**32,281**	20,412

*includes Foreign exchange loss on Minimum Alternate Tax (MAT) credit of $ 17,552 (31st March 2019: $ 27,966)

7 Taxation on Profit

a) Analysis of tax charge during the year

	Year ended March 2020 $'000	Year ended March 2019 $'000
Current tax on profit for the year	49,443	59,169
Current tax charge in respect of earlier years	(410)	612
Total current tax (a)	**49,033**	59,781
Origination and reversal of temporary differences	70,296	85,595
Charge in respect of deferred tax for earlier years	1,034	1,418
Total deferred tax (b)	**71,330**	87,013
Total tax charge ((a)+(b))	**120,363**	146,794

b) Factors affecting tax charge for year

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

	Year ended March 2020 $'000	Year ended March 2019 $'000
Profit before taxation	**224,848**	291,527
Corporation tax at the standard UK rate of 19%	**42,721**	55,389
Effects of:		
Permanent differences*	**21,643**	17,755
Effect of higher tax rate**	**55,375**	71,620
Tax charge relating to earlier years	**624**	2,030
Total tax charge	**120,363**	146,794
Effective tax rate	**53.53%**	50.4%

* this majorly pertains to foreign exchange movement impact of conversion of INR tax assets to USD.
**Profits from Indian branch of the Company is subject to Indian statutory tax rate of 43.7% (March 2019: 43.7%).

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 was the first period for which the foreign branch exemption applied 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 Minimum alternate tax (MAT) credits carried forward under Indian tax laws. Significant components of Deferred tax assets and (liabilities) recognised in the statement of financial position are as follows:

For year ended March 2020

Significant components of Deferred Tax assets & (liabilities)	**Opening balance as at April 1, 2019**	**(Charged)/credited to statement of profit or loss**	**Exchange difference on translation of foreign operation**	**Closing balance as at Mar 31, 2020**
	$'000	**$'000**	**$'000**	**$'000**
Property, Plant and Equipment, Exploration and evaluation and intangible exploration/appraisal assets	**26,498**	21,687	993	**49,178**
MAT credit entitlement	**304,000**	(83,984)	(18,511)	**201,505**
Other Temporary Differences	**4,583**	(9,033)	**-**	**(4,450)**
Total	**335,081**	**(71,330)**	**(17,518)**	**246,233**

For the year ended March 2019

Significant components of Deferred Tax assets & (liabilities)	Opening balance as at April 1, 2018	(Charged)/credited to statement of profit or loss	Exchange difference on translation of foreign operation	Closing balance as at Mar 31, 2019
	$'000	$'000	$'000	$'000
Property, Plant and Equipment, Exploration and evaluation and intangible exploration/appraisal assets	(3,978)	30,476	-	**26,498**
MAT credit entitlement	450,319	(118,353)	(27,966)	**304,000**
Other Temporary Differences	3,719	864	-	**4,583**
Total	**450,060**	**(87,013)**	**(27,966)**	**335,081**

Recognition of deferred tax assets on MAT credits entitlement is based on the Company's present estimates and business plans as per which the same is expected to be utilized within the stipulated fifteen-year period from the date of origination.

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

Particulars	Oil and gas properties	ROU Plant & Machinery	Sub Total Oil and Gas Properties	Intangible exploration/ appraisal assets	Total
	$'000	$'000	$'000	$'000	$'000
Gross Block					
As at 1 April 2018	**2,340,137**	-	**2,340,137**	**341,570**	**2,681,707**
Additions	196,129	-	196,129	9,337	205,466
Deletions/Adjustments	(1,075)	-	(1,075)	-	(1075)
Transfers [Note 1.1(s)(ii)]	181,393	-	181,393	(181,393)	-
Unsuccessful Exploration cost	-	-	-	(28)	(28)
As at 31 March 2019	**2,716,584**	-	**2,716,584**	**169,486**	**2,886,070**
Additions	176,487	46,092	222,579	10,079	232,660
Deletions	(522)	-	(522)	-	(522)
Transfers	15,825	-	15,825	(15,825)	-
Unsuccessful Exploration cost	-	-		(150)	(150)
As at 31 March 2020	**2,908,374**	**46,092**	**2,954,466**	**163,590**	**3,118,056**

Accumulated depreciation and depletion					
As at 1 April 2018	**2,067,413**	-	**2,067,413**	-	**2,067,413**
Deletions	(981)	-	(981)	-	(981)
Charge for the year	194,360	-	194,360	-	194,360
As at 31 March 2019	**2,260,792**	-	**2,260,792**	-	**2,260,792**
Deletions	(522)	-	(522)	-	(522)
Charge for the year	140,057	1,192	141,249	-	141,249
Impairment	-	-	-	83,740	83,740
As at 31 March 2020	**2,400,327**	**1,192**	**2,401,519**	**83,740**	**2,485,259**
Net book value					
As at 31 March 2019	**455,792**	-	**455,972**	**169,486**	**625,278**
As at 31 March 2020	**508,047**	**44,900**	**552,947**	**79,850**	**632,797**

1. *Oil and Gas Properties includes development assets under construction of carrying value US$ 426 million (31 March 2019: US$ 302 million).*
2. *Oil & Gas properties and exploration and evaluation assets net block represents share of jointly owned assets with the joint venture partners including the parent company Vedanta Limited.*

9 Investments in Subsidiaries

	$'000
Cost and net book value:	
At 1 April 2018	33
Additions	100
Impairment of investment	(100)
At 1 April 2019	**33**
Additions	2,760
Impairment of investment	(2,760)
At 31 March 2020	**33**

The investment has been made in the following subsidiaries-

Name of subsidiary	Mar'20	Mar'19
CIG Mauritius Holding Private Limited	90	100
Cairn South Africa (Pty) Limited	2,670	-

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	Country of incorporation	Proportion of voting rights an ordinary shares	Nature of Business
Direct Holdings			
Cairn South Africa (Pty) Limited	South Africa	100%	Exploration & production
Cairn Mauritius Holding Limited	Mauritius	100%	Holding company
Indirect Holding			
Cairn Mauritius Pvt Limited	Mauritius	100%	Holding company
Cairn Lanka Pvt Limited	Sri Lanka	100%	Exploration & production

10 Other Non - Current Assets

	31 March 2020 $'000	31 March 2019 $'000
Unsecured & considered good		
Site restoration deposits with banks	**18,123**	15,109
Claims and other receivables[e]	**40,875**	-
Advance Profit Petroleum [a]	**21,512**	21,512
Unsecured & considered doubtful		
Claims and other receivables[e]	**5,520**	
Less: Provision for expected credit loss[e]	**(5,520)**	
Financial (A)	**80,510**	36,621
Balance with government authorities [b c d]	**8,639**	10,060
Non-Financial (B)	**8,639**	10,060
Total (A) + (B)	**89,149**	46,681

a) Pursuant to Management Committee recommendation and minutes of Empowered Committee of Secretaries (ECS) filed by Government of India, Vedanta Limited (Parent Company) had considered cost recovery of $251m in FY 2017-18, being the cost incurred over the initially approved Field Development Plan of Pipeline Project. Vedanta Limited's claim for the resultant profit petroleum of $43m (out of which Company's share is $21.5m), which had been previously paid, has been disputed by the Government of India. Company based on independent legal opinion believes that it has a good case on merits to recover the amount and has therefore treated it as a non-current recoverable amount. This is included in audit exceptions notified by DGH upto FY 17-18 - detailed disclosure as per section 1.1 (s)

b) Includes $3.8m (31 March 2019: $4.1m), being Company share of gross amount of $11.4m paid under protest on account of Education cess and Secondary Higher Education Cess for 2013-14 (refer note 21).

c) Includes $0.0m (31 March 2019: $1.3m), being Company share of gross amount of $0.0m, of excess oil cess paid under Oil Industry Development Act (OIDA) (refer note 21).

d) Includes $4.3m (31 March 2019: $4.7m), paid under protest on account of Entry Tax (refer note 21)

e) Includes provision for ECL for $5.5m (31 March 2019: nil). This is related to amount recoverable from joint venture partner, Oil and Natural Gas Corporation (ONGC) on account of revenue from OM fields (refer2(b)).

11 Trade and Other Receivables

	31 March 2020 $'000	31 March 2019 $'000
Unsecured, Considered good		
Trade receivables	**8,156**	67,698
Joint Operations receivable	**163,481**	126,638
Unsecured, Considered doubtful		
Joint Operations receivable	**21,358**	19,550
Less: Provision for expected credit loss	**(21,358)**	(19,550)
Financial (A)	**171,637**	**194,336**
Unsecured, Considered good		
Joint Operations receivable*	**8,470**	5,589
Non – Financial (B)	**8,470**	**5,589**
Total (A) + (B)	**180,107**	**199,925**

*Includes prepayments of $ 0.14 mn

a) The credit period given to customers ranges from zero to 30 days. All receivables are within the said credit period.
b) The carrying value of trade receivables may be affected by the changes in the credit risk of the counterparties as well as the currency risk as explained in Note 23.

As at 31 March 2020 and 31 March 2019, the ageing analysis of trade and other receivables (Financial), is set out below:

	31 March 2020 $'000	31 March 2019 $'000
Neither past due nor impaired	**9,225**	73,273
Past due but not impaired		
Less than 1 month	**-**	-
Between 1-3 months	**30,131**	-
Between 3-12 months	**121,963**	111,563
Greater than 12 months	**10,318**	9,500
Total	**171,637**	194,336

11 Trade and Other Receivable (continued)

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

	31 March 2020 $'000	31 March 2019 $'000
Joint operation trade receivables		
Opening balance	**19,550**	19,550
Movement during the period	**1,808**	-
Closing balance	**21,358**	19,550

Included in the provision for expected credit loss are individually impaired Joint operation trade receivables with a balance of $21.4m (31 March 2019:$19.6m). These predominantly relate to outstanding Rajasthan cash calls from joint venture partner, Oil and Natural Gas Corporation (ONGC) & amount recoverable on account of OM fields revenue (Please refer note 2(b)) which are currently being pursued by the management.

12 Short – Term Investments

	31 March 2020 $'000	31 March 2019 $'000
Bank Deposits	**161,336**	7,156
Mutual funds	**59,662**	100,131
	220,998	107,287

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 2020 $'000	31 March 2019 $'000
Cash at bank	**12**	4
Short-term deposits	**20,007**	135,237
	20,019	135,241

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 Inventories

	31 March 2020 $'000	31 March 2019 $'000
Oil inventories	**5,158**	6,739
Stores and spares	**28,157**	22,704
	33,315	29,443

As on 31st March 2020 the inventory of finished goods is valued at NRV , having total cost of $ 6.59 million & Net Realisable Value of $ 5.16 million. Consequently, write down value of inventory amounting to $1.43 million has been charged to Statement of Profit & Loss during the year.

15 Trade and Other Payables

	31 March 2020 $'000	31 March 2019 $'000
Joint operation liabilities	**250,277**	171,927
Amounts owed to group companies	**11,274**	74
Profit petroleum payable	**39,129**	58,021
Dues to Joint Venture Partner*	**110,727**	208,032
Operational buyers' credit/suppliers' credit	**7,620**	13,706
Other liabilities	**1,600**	107
Lease Liability	**28,444**	-
Financial (A)	**449,071**	451,867
Statutory liabilities	**6,109**	9,678
Other liabilities	**3,735**	16
Non-Financial (B)	**9,844**	9,694
Total (A) + (B)	**458,915**	461,561

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

*Represents amount payable to ONGC, majorly on account of Company's Share of Royalty.

	31 March 2020 $'000	31 March 2019 $'000
Opening Lease Liability	**-**	-
Additions During the year	**46,092**	-
Payments	**(17,887)**	-
Interest	**239**	-
Closing Liability	**28,444**	-

Operational buyers' credit/suppliers' credit 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.

16 Provisions

Provision for decommissioning – Non current

	$'000
At 1 April 2018	89,642
Change in decommissioning estimate	11,823
Unwinding for the year	3,028
At 31 March 2019	**104,493**
Change in decommissioning estimate	**11,380**
Unwinding for the year	**3,355**
At 31 March 2020	**119,228**

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 1.9% p.a. (2019: 2.5% .p.a.) and discounted using a real discount rate of 2.08% p.a. (2019: 3.1% p.a.). These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required that will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates. This, in turn, will depend upon future oil and gas prices, which are inherently uncertain.

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 2020 £1 Ordinary Number	**31 March 2020 Amount $'000**	31 March 2019 £1 Ordinary Number	31 March 2019 Amount $'000
Allotted, issued and fully paid ordinary shares	**436,269,859**	**575,616**	**419,481,710**	**651,014**
	436,269,859	**575,616**	**419,481,710**	**651,014**

During year ended 31 March 2020, the Company issued 322,840,866 equity shares of $399,580,000 to its parent company, Cairn India Holdings Limited. Also, the Company passed a special resolution to reduce its share capital balance by cancelling and extinguishing 306,052,717 ordinary shares.

18 Share Premium

	31 March 2020 $'000	31 March 2019 $'000
Share premium	**-**	19,574

On 26th September 2019 the Company passed a special resolution to reduce its share capital balance by cancelling and extinguishing 306,052,717 ordinary shares and accordingly transferred share premium of $19,573,690 to retained earnings.

19 Other Equity

	31 March 2020 $'000	31 March 2019 $'000
Other Equity	**181,624**	181,624

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

20 Capital Commitments

	31 March 2020 $'000	31 March 2019 $'000
Oil and gas commitments:		
Property, plant and equipment – development activities	**162,615**	351,875
– exploration activities	**32,199**	42,757
Contracted for	**194,814**	394,632

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

Service tax – import of service

Vedanta Limited (erstwhile Cairn India limited) being the Operator of RJ-ON-90/1 block in which Company has participating interest, had received eleven show cause notices (SCN's) related to period April 1, 2006 to June 30, 2017, citing non-payment of service tax on various services. All SCN's have been adjudicated by the department and company has filed an appeal with respect to all the SCN's.

Out of the total service tax demanded by the Service tax authorities, $4.6m (31 March 2019: $4.9m) belongs to RJ-ON-90/1 block, and out of which Company's share will be $1.6m (31 March 2019: $2.0m).

Further, during the year, 6 SCNs out of above has been closed pursuant to the recently introduced SVLDRS Scheme notified by the CBIC for the settlement of the pending tax litigations. Under this scheme, 6 applications were filed by the operator of the RJ Block for settlement of cases referred above and accordingly the payment was made for tax dues thus resulting in reduction of exposure on account of service Tax cases.

Thus, the net demand alleged w.r.t balance 5 SCNs. for RJ Block is $1.6m and the company's share is $0.6m. Consequently, the net contingent liability is $0.5m after considering provision created in books for $0.03m.

Service tax – MGA

Further, during the current financial year, the operator has received a SCN dated September 16, 2019 issued by Directorate General of Goods & Service Tax Intelligence (DGGST) alleging demand of $ 59.6m (company share $16.8m) on account of short payment of service tax on Manpower & General Administrative Overhead Costs (MGA Costs) cost for the period April 2014 to June 2017 plus applicable interest & penalty. The possible liability being estimated by the management on account of above notice for the period Apr 16 to Jun 17 is $6.0m. Demand pertaining to earlier period has not been stated as contingent liability due to limitation prescribed under the Service Tax Law.

Entry Tax

Pursuant to the provisions of the Rajasthan Entry Tax Act, 1999, an entry tax demand has been raised for $4.1m (31 March 2019: $3.7m) plus potential interest of $0.8m for the period 2002 to 2018. 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. We have filed the writ 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. Department has filed a counter affidavit in September 2017. The Company based on the 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 19th Oct' 2016 and 13th Jan' 2017 in the case of Vedanta Ltd erstwhile Cairn India Limited (Operator of RJ ON- 90/1 block), held that Education cess ('E cess') and Secondary Higher Education Cess ('SHE cess') is payable on Oil Cess. The total amount shown as refundable for the period April'13 to Nov'13 is $3.7m (31 March 2019: $4.6m)

Consequent to High Court Orders, two Show Cause Notices ('SCN') issued for the period Dec'13 to Feb'15 have been adjudicated confirming the demand $20.2m (31 March 2019: $22.1m) plus applicable interest and penalty, Company's share in the same is $7.1m (31 March 2019: $7.7m).

Consequently, Vedanta Ltd erstwhile Cairn India Limited has challenged the cited High Court orders and two SCN's for the period Dec'13 to Feb'15 before the Hon'ble Supreme Court in Jan'2017. Stay has been granted by Supreme Court vide order dated 06-02-2017. Additionally, Statutory Appeals have also been filed before CESTAT Delhi against the demand order pertaining to period Dec'13 to Feb'15. Also, the Bench mentioned that pre-deposit is the mandatory requirement under the law for maintainability of the Appeal before CESTAT.

Accordingly, pre deposit has been made and the Hon'ble Bench was pleased to direct the Registry to register the appeals and list them for hearing in due course.

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.

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 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 $5.4m (31 March 2019: $5.8m)

South Africa Carry

As part of the farm-in agreement for Block 1, the Company's subsidiary Cairn South Africa Proprietary Ltd. (CSAPL) was required to carry its joint venture partner, Petro SA, up to a gross expenditure of US$ 100 million for a work programme including 3D and 2D seismic studies and at least one exploration well. The CSAPL has spent US$ 38 million towards exploration expenditure and a minimum carry of US$ 62 million (including drilling one well) was outstanding at the end of the initial exploration period.

During FY 2018-19, Company had received letter from PASA (Petroleum Agency SA) that exploration right has lapsed through effluxion of time, in line with past judicial precedents and asked to submit a closure application. The company along with Petro SA had filed the closure application on 19 September 2018. The Petroleum Agency SA invited Cairn SA to a final exploration right closure meeting on 17 September 2019 in Cape Town, South Africa, to present on the activities conducted during the tenure of exploration right, prior to the issuing of the closure certificate. Subsequently, the application for the closure has been granted on 20th September 2019 and hence there is no contingent liability as on 31 March 2020 (31 March 2019: US $61.9 million).

Contractor Claims

Company 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. In addition, there are certain cases pertaining to Land/ ROU disputes. The approximate value of claims against the Company excluding claims shown above is $16.2m (31 March 2019: $24.0m).

22 Related Party Transactions

The following table provides the nature of relationship with Group companies :

Name of Company	**Relationship**
Cairn India Holdings Limited	Immediate Parent Company
Vedanta Limited	Indian Parent of Cairn India Holdings Limited
Vedanta Resources Limited	Holding company
Volcan Investments Limited	Ultimate controlling entity

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 2020 $'000	Year ended March 2019 $'000
Transactions during the period		
Dividend paid [(1)]	**554,497**	168,000
Brand fees paid to Vedanta Resources Limited	**11,644**	-
Issue of Equity shares [(2)]	**399,580**	100
Outstanding balances		
Balances amounts owed to Cairn India Holding Limited	**74**	74
Balances amounts owed to Vedanta Resources Limited	**11,029**	-
Balances amounts owed by Vedanta Limited	**190**	205

(1) On 26 September 2019 the Company passed a special resolution to reduce its share capital balance by cancelling and extinguishing 306,052,717 ordinary shares by transferring its proceeds to retained earnings along with share premium of $19,573,690. The Company paid total dividend of $ 554.5m out of which $153.0m is paid out of profits and $ 401.5m out of retained earnings generated through capital reduction, (year ended 31 March 2019: $168.0m) to its holding company, Cairn India Holdings Limited.

(2) During year ended 31 March 2020, the Company issued 322,840,866 equity shares of $399,580,000 to its parent company, Cairn India Holdings Limited (31st March 2019: 76,300 equity shares of $0.1m).
(3) Being in non-executive position no directors were entitled to any remuneration from the Company. Professional fee paid to the consultants for their directorship services to the Company amounted to $24,160 year ended 31 March 2020 (the year ended 31 March 2019: $25,057).

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 2020 was $25.0m (31 March 2019: $25.0m). As at 31 March 2019, there were no outstanding amounts under these facilities. In addition, as at 31 March 2020, the Cairn India Holdings Group had $25.0m of trade finance facilities (31 March 2019: $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 2020, there were no outstanding amounts under the facility. (31 March 2019: $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 31 March 2020	**< 1 year**	**1-3 years**	**3-5 years**	**>5 years**	**Total**
Trade and other Payables	**420,627**	-	-	-	**420,627**
Lease Liability	**28,444**	-	-	-	**28,444**
Short term borrowings	**495**	-	-	-	**495**
	449,566	-	-	-	**449,566**

At 31 March 2019	**< 1 year**	**1-3 years**	**3-5 years**	**>5 years**	**Total**
Trade and other Payables	451,867	-	-	-	451,867
	451,867	-	-	-	**451,867**

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 2019: $nil).

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

(in $'000)

	31 March 2020			**31 March 2019**		
	Floating rate	**Fixed rate**	**Non-interest bearing**	**Floating rate**	**Fixed rate**	**Non-interest bearing**
Financial Assets	**77,784**	**181,343**	**2,34,038**	100,131	157,502	215,853

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

	31 March 2020			31 March 2019		(in $'000)
	Floating rate	**Fixed rate**	**Non-interest bearing**	**Floating rate**	**Fixed rate**	**Non-interest bearing**
Financial liabilities	**495**	**36,064**	**413,007**	-	-	451,867

Considering the net asset position as at 31 March 2020 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% increase in interest rate of floating rate of financial assets/ liabilities(net) on profit and represents management's assessment of the possible change in interest rates.

	31 March 2020	31 March 2019 (in $'000)
Change in interest rates	**Effect on profit for the year**	Effect on profit for the year
0.5%	**386**	501
1.0%	**773**	1,001
2.0%	**1,546**	2,003

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.

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.

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

	31 March 2020 Financial Assets	**31 March 2020 Financial Liabilities**	31 March 2019 Financial Assets	**(in $'000)** 31 March 2019 Financial Liabilities
USD	357,159	431,985	242,769	388,217
GBP	11,323	1,552	12,039	1,535
INR	122,637	13,688	216,560	59,100
Others	2,046	2,341	2,118	3,015
Total	**493,165**	**449,566**	473,486	451,867

23 Financial Risk Management: Objectives and Policies (continued)

Foreign currency risk (continued)

The Company's exposure to foreign currency arises where a 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 2020	
	Closing exchange rate	**Effect of 10% strengthening of US dollar on net earning**
INR	**74.811**	**10,895**
GBP	**0.81**	**977**

	31 March 2019	
	Closing exchange rate	Effect of 10% strengthening of US dollar on net earning
INR	69.171	15,746
GBP	0.76	1,050

The sensitivities are based on financial assets and liabilities held at 31 March 2020 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 10 & note 11.

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

Capital management

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

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

No changes were made in the objectives, policies or processes during year ended 31 March 2020.

The Company has $ 495,000 short term borrowings as at 31 March 2020.

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

As at March 2020	**Fair value through profit or loss**	**Amortised cost**	**Total carrying value**	**Total fair value**
	$'000	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	-	20,019	20,019	20,019
Trade and other receivables	-	171,638	171,638	171,638
Other assets	-	80,510	80,510	80,510
Short – Term investments	59,662	161,336	220,998	220,998
	59,662	**4,33,503**	**493,165**	**493,165**

Financial liabilities

As at March 2020	**Fair value through profit or loss**	**Amortised cost**	**Total carrying value**	**Total fair value**
	$'000	**$'000**	**$'000**	**$'000**
Joint Operation trade payables	-	250,277	250,277	250,277
Dues to Joint Venture Partner	-	110,726	110,726	110,726
Operational buyers' credit/suppliers' credit	-	7,620	7,620	7,620
Amounts owed to group companies	-	11,274	11274	11,274
Profit petroleum payable	-	39,129	39,129	39,129
Other payables	-	1,601	1,601	1,601
Lease Liability		28,444	28,444	28,444
Short term borrowings	-	495	495	495
	-	**449,566**	**449,566**	**449,566**

All of the above financial assets are current and unimpaired with the exception of Joint Operation trade receivables. An analysis of the ageing of Joint Operation trade receivables is provided in note 10 & note 11.

24 Financial Instruments (continued)

Financial assets

As at March 2019	Fair value through profit or loss $'000	Amortised cost $'000	Total carrying value $'000	Total fair value $'000
Cash and cash equivalents	-	135,093	135,093	135,093
Trade and other receivables	-	194,336	194,336	194,336
Other assets	-	36,622	36,622	36,622
Short – Term investments	100,131	7,304	107,435	107,435
	1,00,131	**373,355**	**473,486**	**473,486**

Financial liabilities

As at March 2019	Fair value through profit or loss $'000	Amortised cost $'000	Total carrying value $'000	Total fair value $'000
Joint Operation trade payables	-	171,926	171,926	171,926
Dues to Joint Venture Partner	-	208,032	208,032	208,032
Operational buyers' credit/suppliers' credit	-	13,706	13,706	13,706
Amounts owed to group companies	-	74	74	74
Profit petroleum payable	-	58,021	58,021	58,021
Other payables	-	108	108	108
	-	**451,867**	**451,867**	**451,867**

Investments in equity of subsidiaries, associates and joint ventures which are carried at cost are not covered under IFRS 7 and hence not been included above

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).

24 Financial Instruments (continued)

Fair Value Hierarchy

Particulars	**As at 31 March 2020**		
	Level 1	**Level 2**	**Level 3**
Financial assets			
At fair value through profit or loss			
Short term investments – Investments in Mutual funds	**59,662**	**-**	**-**
Total	**59,662**	**-**	**-**

Particulars	**As at 31 March 2019**		
	Level 1	**Level 2**	**Level 3**
Financial assets			
At fair value through profit or loss			
Short term investments - Investments in Mutual funds – Held for trading	**100,131**	**-**	**-**
Total	**100,131**	**-**	**-**

The fair value of the financial assets and liabilities are at the amount that would be received to sell an asset and paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used to estimate the fair values:

- Investments traded in active markets are determined by reference to quotes from the financial institutions; for example: Net asset value (NAV) for investments in mutual funds declared by mutual fund house. For other listed securities traded in markets which are not active, the quoted price is used wherever the pricing mechanism is same as for other marketable securities traded in active markets. Other current investments are valued by referring to market inputs including quotes, trades, poll, primary issuances for securities and /or underlying securities issued by the same or similar issuer for similar maturities and movement in benchmark security, etc.
- Financial assets forming part of Trade and other receivables, cash and cash equivalents (including restricted cash and cash equivalents), bank deposits, and financial liabilities forming part of trade and other payables and short-term borrowings: Approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Other non-current financial assets and financial liabilities: Fair value is calculated using a discounted cash flow model with market assumptions, unless the carrying value is considered to approximate to fair value.
- Long-term fixed-rate and variable rate borrowings: Listed bonds are fair valued based on the prevailing market price. For all other long-term fixed-rate and variable-rate borrowings, either the carrying amount approximates the fair value, or fair value has been estimated by discounting the expected future cash flows using a discount rate equivalent to the risk-free rate of return adjusted for the appropriate credit spread.
- Quoted financial asset investments: Fair value is derived from quoted market prices in active markets.

For all other financial instruments, the carrying amount is either the fair value, or approximates the fair value.

The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationship and the value of other financial instruments recognised at fair value.

The estimated fair value amounts as at 31 March 2020 have been measured as at that date. As such, the fair values of these financial instruments subsequent to reporting date may be different than the amounts reported at each year-end.

25 Ultimate Parent Company

The Company is a wholly owned subsidiary of Vedanta Limited which in turn is a subsidiary of Vedanta Resources Limited (erstwhile Vedanta Resources Plc.). Volcan Investments Limited ("Volcan") is the ultimate controlling entity and controls Vedanta Resources Limited. 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 Limited. The registered office of Vedanta Resources Limited, is 5th Floor, 6 St. Andrew Street, London, EC4A 3AE. Copies of Vedanta Resources Limited's financial statements are available on its website.

26 Subsequent events

The following are the subsequent events

- Subsequently to year end, company has carried out capital reduction of $ 250m. This led to increase in distributable reserves of the Company. The company has distributed total dividend of $297.8m to CIHL ($105m in June 2020, $16m in August 2020, $94.8m in September 2020 and $82m in October 2020).
- Company has received equity infusion of $26.9m from CIHL