Registered number: SC 284624

CAIRN EXPLORATION (NO.2) LIMITED

REPORT & FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

Cairn Exploration (No.2) Limited

Directors:

Sharad Kothari (with effect from 22nd April 2019)
Pankaj Kalra (resigned on 22nd April 2019)
Sunil Bohra (resigned on 27th July 2018)

Auditors:

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Company Secretaries

Accomplish Secretaries Limited
3rd Floor, 11-12 St. James's Square
London
SW1Y 4LB

Registered Office:

Summit House,
4-5 Mitchell Street, Edinburgh,
EH6 7BD, Scotland

Registered No:

SC 284624

Cairn Exploration (No.2) Limited

Directors' Report

The directors present their report and financial statements for the year ended 31 March 2019. The Company has taken advantage of the small companies' exemption from preparing a Strategic Report.

Principal Activities and Business Review

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

The Company did not have any operations during the year ended 31 March 2019. During the year the Company made no profits/(losses) (Year ended 31 March 2018: $nil). No dividend has been paid or declared in respect of the year ended 31 March 2019 (Year ended 31 March 2018: $nil).

Future Developments

The Company did not trade during the year ended 31 March 2019. A similar outlook is expected for 2019-20.

Risk Factors

Exchange Rates
The Company's cash flow, income statement and balance sheet are reported in US Dollars and may be significantly affected by fluctuations in exchange rates.

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

Political Climate
The Company cannot predict the impact of future changes in fiscal policy in the country in which it operates.

Financial Instruments

For details of the Company's financial risk management: objectives and policies see note 10 of the Notes to the Accounts.

Going Concern

The directors, in their meeting held on 23rd June 2016, have resolved to liquidate the Company. The Company has the continued support of its parent while it initiates the liquidation process. The Company's ultimate parent undertaking is Volcan Investments Limited.

For reasons stated above, the director considers it inappropriate to prepare the financial statements on a going concern basis. The Company has nil assets and liabilities and following the directors' resolution to liquidate the Company, the accounts have been prepared on a break up basis. As there are no assets or liabilities at the balance sheet date, no difference has resulted from adopting the break up basis instead of the going concern basis

Directors

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

Sharad Kothari (with effect from 22nd April 2019)
Pankaj Kalra (resigned on 22nd April 2019)
Sunil Bohra (resigned on 27th July 2018)

Charitable and Political Donations

The Company did not make any political or charitable contributions in UK during the year ended 31 March 2019 (Year ended 31 March 2018: $nil).

Cairn Exploration (No.2) Limited

Directors' Report (continued)

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 2019 confirm, as far as they are aware, there is no relevant audit information of which the Company's auditors are unaware. In making this confirmation, the directors have taken appropriate steps to make themselves aware of the relevant audit information and that the Company's auditors are aware of this information.

Auditors

In accordance with section 487(2) of the Companies Act 2006, the auditors, Ernst & Young LLP are deemed re-appointed.

By Order of the Board

Sharad Kothari

DLF Atria, Phase II,
Jacaranda Marg,
DLF City, Gurugram - 122 002
Haryana, India

Date: 19 June 2019

Cairn Exploration (No.2) Limited

Directors' Responsibility Statement

The directors are responsible for preparing the Directors' Report and the Company's financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards as adopted by the European Union.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom law and International Financial Reporting Standards as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable IFRSs issued by the IASB and adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis, unless they consider that to be inappropriate.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act, 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF Cairn Exploration (No.2) Limited

We have audited the financial statements of Cairn Exploration (No.2) Limited for the year ended 31 March 2019 which comprise the Profit and Loss Account, the Balance Sheet, statement of cash flows, the statement of comprehensive income, the statement of changes in equity and the related notes 1 to 9, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Emphasis of matter

We draw attention to note 1 to the financial statements which explains that the directors intend to liquidate the company and therefore do not consider it to be appropriate to adopt the going concern basis of accounting in preparing the financial statements. Accordingly, the financial statements have been prepared on a break up basis as described in note 1. Our opinion is not modified in this respect of this matter.

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements and the directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit
- the directors were not entitled to take advantage of the small companies exemption in not preparing the strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Ernst & Young LLP

Mirco Bardella (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
27 June 2019

Notes:
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 Exploration (No.2) Limited
Income Statement
For the year ended 31 March 2019

	Notes	Year ended March 2019 $	Year ended March 2018 $
Operating (Loss)/ Profit		-	-
(Loss)/Profit before taxation		-	-
Taxation	3	-	-
(Loss) / Profit for the year		-	-

Cairn Exploration (No.2) Limited

Statement of Comprehensive Income

For the year ended 31 March 2019

	Year ended March 2019	Year ended March 2018
	$	$
(Loss) / Profit for the year	-	-
Total comprehensive (loss)/income for the year	-	-

Cairn Exploration (No.2) Limited
Balance Sheet
As at 31 March 2019

	Notes	**31 March 2019 $**	31 March 2018 $
Net Assets		-	-
Equity			
Called-up share capital	4	594,930	594,930
Other equity		319,256	319,256
Retained earnings		(914,186)	(914,186)
Total equity attributable to the equity holders		-	-

Signed on behalf of the Board

Sharad Kothari
Sharad Kothari
19 June 2019

Cairn Exploration (No.2) Limited
Statement of Cash Flows
For the year ended 31 March 2019

	Year ended March 2019	Year ended March 2018
	$	$
Cash flows from operating activities		
Profit/Loss before taxation	-	-
Cash generated from operations	-	-
Net cash from/(used in) operating activities	-	-
Cash flows from investing activities		
Net cash from/(used in) investing activities	-	-
Cash flow from financing activities		
Net cash from/(used in) financing activities	-	-
Net increase/(decrease) in cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the year	-	-
Cash and cash equivalents at the end of the year	-	-

Cairn Exploration (No.2) Limited

Statement of Changes in Equity

For the year ended 31 March 2019

	Share Capital (Note 4) $	Other Equity* $	Retained Earnings $	Total $
At 1 April 2017	594,930	319,256	(914,186)	-
Issued during the year	-	-	-	-
Loss for the year	-	-	-	-
At 1 April 2018	**594,930**	**319,256**	**(914,186)**	-
Issued during the year	-	-	-	
Loss for the year	-	-	-	-
At 31 March 2019	**594,930**	**319,256**	**(914,186)**	-

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

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

1 Accounting Policies

a) Basis of preparation

The financial statements of the Company for the year ended 31 March 2019 were authorised for issue in accordance with a resolution of the directors on 19 June 2019. The Company is a private company incorporated and domiciled in Scotland. The registered office is located at Summit House, 4-5 Mitchell Street, Edinburgh, EH6 7BD, Scotland.

The financial statements have been prepared on a break up basis as the directors of the Company resolved to liquidate the company on 23 June 2016. The parent entity has agreed to bear all closure costs in relation to the liquidation of the Company. No adjustments were necessary to values in the balance sheet.

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Principal Activities and Business Review on page 2. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are presented in the financial statements and supporting notes. In addition, notes 10 and 11 to the financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

For reasons stated above, the director considers it inappropriate to prepare the financial statements on a going concern basis. The Company has nil assets and liabilities and following the 'directors' resolution to liquidate the company, the accounts have been prepared on a break up basis. As there are no assets or liabilities at the balance sheet date, no difference has resulted from adopting the break up basis instead of the going concern basis.

Currently, the liquidation of the company is in process due to pending litigations in high court and tribunal court.

b) Accounting standards

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by IASB and as adopted by the European Union as they apply to the year ended 31 March 2019. IFRS as adopted by the European Union differs in certain respects from IFRS as issued by the IASB. However, the differences have no impact on the financial statements for the years presented.

The Company has adopted all new or amended and revised accounting standards and interpretations ('IFRSs') issued by IASB and as adopted by the European Union effective for the year ended 31 March 2019. Based on an analysis by the Company, the application of the new IFRSs has not had a material impact on the financial statements in the current reporting period and we do not anticipate any significant impact on future periods from the adoption of these new IFRSs as and when they become effective.

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended IAS and IFRS effective as of 1 April 2018:

- Amendment to IAS 23: Borrowing Cost: The amendment is effective from 01 January 2019, with earlier application permitted. The Company has applied the amendment prospectively from the current reporting year i.e. for the borrowing costs incurred on or after 01 April 2018.
- IFRS 9: Financial Instruments
- IFRS 15: Revenue from contracts with Customers
- Adoption of IFRIC 22 : Foreign Currency Transactions and Advance Consideration

b) Accounting standards (continued)

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

- IFRS 16: Leases, replaces the existing standard on accounting for leases, IAS 17, with effect from 1 April 2019
- IFRIC 23: Uncertainty over Income Tax Treatments effective for annual periods beginning on or after 01 January 2019, subject to EU endorsement.
- Amendments to IFRS 9: Prepayment features with Negative Compensation effective for annual periods beginning on or after 01 January 2019, subject to EU endorsement.
- Amendments to IAS 28: Long term interests in Associates and Joint Ventures effective for annual periods beginning on or after 01 January 2019, subject to EU endorsement.
- Annual improvements to IFRS standards 2015-2017 cycle effective for annual periods beginning on or after 01 January 2019, subject to EU endorsement.
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement effective for annual periods beginning on or after 01 January 2019, subject to EU endorsement.
- Amendments to References to the Conceptual Framework in IFRS Standards effective for annual periods beginning on or after 01 January 2020, subject to EU endorsement.
- Amendment to IFRS 3: Business Combinations effective for annual periods beginning on or after 01 January 2020, subject to EU endorsement.
- Amendments to IAS 1 and IAS 8: Definition of Material effective for annual periods beginning on or after 01 January 2020, subject to EU endorsement.
- IFRS 17: Insurance contracts effective for annual periods beginning on or after 01 January 2021, subject to EU endorsement

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(d).

d) Foreign currencies
The Company translates foreign currency transactions into the functional currency, US dollar (US $), at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in other currencies are translated into the functional currency at the rate of exchange prevailing at the Balance Sheet date.

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

Rates of exchange to $1 were as follows:

	31 March 2019	**Average Year ended March 2019**	31 March 2018	Average Year ended March 2018
Sterling	**0.765**	**0.762**	**0.704**	**0.716**
Indian Rupee	**69.171**	**69.889**	**65.044**	**65.021**

e) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, short-term deposits with bank and short term highly liquid investments that are readily convertible into cash which are subject to insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments.

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

f) 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.

g) Taxation

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

Current tax

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

Deferred tax

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

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future;

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

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

The carrying amount of deferred tax assets are reviewed at each balance sheet date and is adjusted to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re- assessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax relating to items recognised outside profit or loss is recognised either in OCI or directly in equity

g) Taxation (continued)

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

h) Equity Instruments

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

2 Operating Profit/Loss

a) Discontinued operations

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

b) Auditors' remuneration

Fees amounting to $5,565 (Year ended 31 March 2018: $5,896) are payable to the Company's auditors for the audit of the Company's annual accounts and are payable by another group company.

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

3 Taxation

Factors affecting tax charge for year

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

	Year ended March 2019	Year ended March 2018
	$	$
(Loss)/Profit before taxation	-	-
Corporation tax at the standard UK rate 19%	-	-
Effects of:		
Other permanent difference	-	-
Total tax charge	-	-

The UK Government has announced that the main rate of UK Corporation tax for the year ended 2019 is 19%. Further, reduction in the main rate 17% effective from 1st April 2020 have been fully enacted into UK law.

4 Share Capital

	31 March 2019 £1 Ordinary Number	31 March 2018 £1 Ordinary Number
Authorised ordinary shares	5,100,000	5,100,000

	31 March 2019 £1 Ordinary Number	31 March 2019 £1 Ordinary $	31 March 2018 £1 Ordinary Number	31 March 2018 £1 Ordinary $
Allotted, issued and fully paid ordinary shares	359,456	594,930	359,456	594,930

5 Capital Commitments

There are no capital commitments as at year ended 31 March 2019 (31 March 2018: Nil).

6 Related Party Transactions

No related party transactions were incurred during the year and no balances were outstanding as at balance sheet date.

Remuneration of key management personnel

Being in the non-executive position, Mr Sharad Kothari is not entitled for any remuneration from the Company. No remuneration has been paid to him by the Company

7 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, short and medium-term deposits, money market liquidity funds, marketable bonds, loans and other receivables and financial liabilities held at amortised cost. The Company's strategy has been to finance its operations through a mixture of retained profits and inter group borrowings. Other alternatives, such as equity finance and project finance are reviewed by the Board, when appropriate, to fund substantial acquisitions of oil and gas development projects.

The Company treasury function is responsible for managing investment and funding requirements including banking and cash flow monitoring. It must also recognise and manage interest and foreign exchange exposure whilst ensuring that the Company has adequate liquidity at all times in order to meet its immediate cash requirements.

The Company may, from time to time opt to use derivative financial instruments to minimise its exposure to fluctuations in foreign exchange and interest rates. Derivative financial instruments have not been used throughout the year ended 31 March 2019. It is, and has been throughout the year under review, the Company's policy that no trading in derivative financial instruments shall be undertaken.

The main risks arising from the Company's financial instruments are liquidity risk, foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks and these are summarised below:

7 Financial Risk Management: Objectives and Policies (continued)

Liquidity risk
The Company does not have any operations and is dependent on its Holding Company / Group companies for meeting its short / medium term expenditure requirements. The Company has a policy of putting its surplus cash in a combination of money market liquidity funds, fixed term deposits, mutual funds and marketable bonds with a number of international and Indian banks, financial institutions and corporates to ensure sufficient liquidity to enable the Company to meet its short/medium-term expenditure requirements.

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

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 the Company's exposure to foreign currency fluctuations, currency assets are matched with currency liabilities by borrowing or entering into foreign exchange contracts in the applicable currency if deemed appropriate. The Group also aims to hold working capital balances in the same currency as functional currency, thereby matching the reporting currency and functional currency of most companies in the Group. This minimises the impact of foreign exchange movements on the Company's Balance Sheet.

Where residual net exposures do exist and they are considered significant the Company and Group may from time to time, opt to use derivative financial instruments to minimise its exposure to fluctuations in foreign exchange and interest rates. The fair value of the outstanding currency derivatives in Cairn India Holdings Group as at 31 March 2019 was $nil (31 March 2018: $nil).

Credit risk
Credit risk from investments with banks and other financial institutions is managed by the Treasury functions in accordance with the Board approved policies of the group. Investments of surplus funds are only made with approved counterparties who meet the appropriate rating and/or other criteria, and are only made within approved limits. The respective Boards continually re-assess the Group's Policy and update as required. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty failure. At the year end the Company does not have any significant concentrations of bad debt risk. The maximum credit risk exposure relating to financial assets is represented by the carrying value as at the Balance Sheet date.

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

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

No changes were made in the objectives, policies or processes during the year ended 31 March 2019.

The Company has $nil capital and $nil net debt as of 31 March 2019 and 31 March 2018.

8 Financial Instruments

Fair value hierarchy
The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

At 31 March 2019 and 31 March 2018, the Company had no financial instruments receivable or payable

9 Ultimate Parent Company

The Company is a wholly-owned subsidiary of Cairn India Holdings Limited. Vedanta Resources Limited (erstwhile Vedanta Resources Plc) is the intermediary holding company. Volcan Investments Limited ("Volcan") is the ultimate controlling entity and controls Vedanta Resources Limited.

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 will be available on its website.