CAIRN INDIA HOLDINGS LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

CAIRN INDIA HOLDINGS LIMITED

Directors:

Jane Margaret Pearce
Robert Lucas
Arvind Giri

Auditors:

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

Secretary:

Vistra Secretaries Limited
4th Floor, 22-24 New Street,
St. Paul's Gate
St. Helier
Jersey
JE1 4TR

Registered Office:

4th Floor, 22-24 New Street,
St. Paul's Gate
St. Helier
Jersey
JE1 4TR

Registered No:

94164

CAIRN INDIA HOLDINGS LIMITED

Directors' Report

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

Principal Activities and Business Review

The Company's principal activity is that of an investment company.

During the year ended 31 March 2017, the Company made a profit of $339.1m (year ended 31 March 2016: $276.5m). The Company paid dividend of $nil during the year ended 31 March 2017 (year ended 31 March 2016: $nil).

Consolidated accounts are not produced for the Company and its subsidiaries, however, the results of the Company are included within the consolidated accounts of the intermediary parent undertaking, Vedanta Resources Plc.

Future Developments

The Company will continue to be an investment company and keep working on new business developments.

Financial Instruments

For details of the Company's financial risk management: objectives and policies see note 15 of the Notes to the Accounts.

Going Concern

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

Directors

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

Arvind Giri
Jane Margaret Pearce
Robert Lucas

Auditors

Ernst & Young LLP are appointed as auditors to the company and have indicated their willingness to continue in office.

By Order of the Board

Jane M Pearce

Director
4th Floor, 22-24 New Street,
St. Paul's Gate
St. Helier
Jersey
JE1 4TR

15 May 2017

CAIRN INDIA HOLDINGS LIMITED

Statement of directors' responsibilities in relation to the financial statements

The directors are responsible for preparing the Report and the financial statements in accordance with applicable law and regulations.

Jersey Company law requires the directors to prepare financial statements for each financial period in accordance with any generally accepted accounting principles. The financial statements of the Company are required by law to give a true and fair view of the state of affairs of the Company at the year end and of the profit or loss of the Company for the year then ended. In preparing these financial statements, the directors should:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable;
- specify which generally accepted accounting principles have been adopted in their preparation; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping accounting records which are sufficient to show and explain its transactions and are such as to disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements prepared by the Company comply with the requirements of the Companies (Jersey) Law 1991. 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 INDIA HOLDINGS LIMITED

We have audited the financial statements of Cairn India Holdings Limited for the year ended 31 March 2017 which comprise the Income Statement, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards.

This report is made solely to the company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept, or proper 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
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

Mirco Bardella (Senior statutory auditor)
for and on behalf of Ernst & Young LLP
London
17 May 2017

CAIRN INDIA HOLDINGS LIMITED
Income Statement
For the year ended 31 March 2017

	Notes	**Year ended March 2017 $**	Year ended March 2016 $
Administrative expenses	2(a)	**(1,253,874)**	(3,825,903)
Operating loss	2	**(1,253,874)**	(3,825,903)
Finance income	4	**340,468,517**	306,735,755
Finance costs	5	**(117,899)**	(26,427,352)
Profit before taxation		**339,096,744**	276,482,500
Taxation	6	**-**	-
Profit for the year		**339,096,744**	276,482,500

CAIRN INDIA HOLDINGS LIMITED

Statement of Comprehensive Income

For the year ended 31 March 2017

	Year ended March 2017 $	Year ended March 2016 $
Profit for the year	**339,096,744**	276,482,500
Total comprehensive income for the year	**339,096,744**	276,482,500

CAIRN INDIA HOLDINGS LIMITED

Balance Sheet

As at 31 March 2017

	Notes	**31 March 2017 $**	31 March 2016 $
Non-current assets			
Investments	7	**481,328,473**	481,328,473
		481,328,473	481,328,473
Current assets			
Trade and other receivables	8	**23,368,032**	1,268,974,463
Bank Deposits	9	**787,215,396**	438,579,573
Liquid investments		**492,846,179**	505,552,099
Cash and cash equivalents	10	**259,810**	27,239,529
		1,303,689,417	2,240,345,664
Total assets		**1,785,017,890**	2,721,674,137
Current liabilities			
Trade and other payables	11	**242,594**	188,680
Total liabilities		**242,594**	188,680
Net assets		**1,784,775,296**	2,721,485,457
Equity			
Called-up share capital	12	**755,567,901**	755,567,901
Share premium	13 a)	**458,227,729**	458,227,729
Other equity	13 b)	**(5,494,180)**	(5,568,885)
Retained earnings		**576,473,846**	1,513,258,712
Total equity		**1,784,775,296**	2,721,485,457

The financial statements were approved by the Board of Directors on 15 May 2017, and were signed on its behalf by

Director
15 May 2017

Robert

Director – Vistra Secretaries Limited, Company Secretary

CAIRN INDIA HOLDINGS LIMITED
Statement of Cash Flows
For the year ended 31 March 2017

	Note	**Year ended March 2017 $**	Year ended March 2016 $
Cash flows from operating activities			
Profit before taxation		**339,096,744**	276,482,500
Finance income		**(340,468,517)**	(306,735,755)
Finance costs		**117,899**	26,427,352
Bank charges paid		**(74,566)**	(28,560)
Trade and other payables movement		**11,379**	17,033
Trade and other receivables movement		**(15,192)**	367
Foreign exchange differences		**(1,026)**	(1,799)
Provision of loan given to fellow subsidiary		**-**	600,000
Net cash (used) in operating activities		**(1,333,279)**	(3,238,862)
Cash flows from investing activities			
Liquid Investments sold/(made) (net)		**12,705,920**	1,365,935
Dividend received from related party		**210,231,514**	230,430,000
Interest received		**99,977,120**	43,550,709
Bank Deposits		**(348,635,699)**	(285,981,467)
Loan advanced to subsidiaries		**-**	(600,000)
Receipt from/(Payments to) related parties		**-**	41,495,000
Net cash from/(used in) investing activities		**(25,721,145)**	30,260,177
Cash flows from financing activities			
Net proceeds from/to related parties		**-**	-
Net cash used in financing activities		**-**	-
Net increase/(decrease) in cash and cash equivalents		**(27,054,424)**	27,021,315
Opening cash and cash equivalents at beginning of year		**27,239,529**	218,214
Transfer of balances from group companies		**74,705**	-
Closing cash and cash equivalents	10	**259,810**	27,239,529

CAIRN INDIA HOLDINGS LIMITED

Statement of Changes in Equity

For the year ended 31 March 2017

	Share Capital $	Share Premium $	Other Equity* $	Retained Earnings $	Total $
At 1 April 2015	755,567,901	458,227,729	(5,463,350)	1,236,776,212	**2,445,108,492**
Waiver of intergroup balances	-	-	(105,535)	-	(105,535)
Profit for the year	-	-	-	276,482,500	276,482,500
At 1 April 2016	755,567,901	458,227,729	(5,568,885)	1,513,258,712	**2,721,485,457**
Transfer of balances from group companies	-	-	74,705	-	**74,705**
Profit for the year	-	-	-	339,096,744	**339,096,744**
Impairment of loan (Note 14)	-	-	-	(1,275,881,610)	**(1,275,881,610)**
At 31 March 2017	**755,567,901**	**458,227,729**	**(5,494,180)**	**576,473,846**	**1,784,775,296**

* Other equity represents waiver of intergroup balances.

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

1 Accounting Policies

a) Basis of preparation

The Company is a private company incorporated under the Companies (Jersey) Law 1991. The registered office is located at 4th Floor, 22-24 New Street, St. Paul's Gate, St. Helier, Jersey JE1 4TR.

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

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Principal Activities and Business Review on page 2. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are presented in the financial statements and supporting notes. In addition, notes 15 and 16 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 10 of IAS 27 Consolidated and Separate Financial Statements from preparing consolidated financial statements.

b) Accounting standards

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the IASB and in accordance with IFRS as adopted by the European Union and as they apply to the year ended 31 March 2017. IFRS as adopted by the European Union differs in certain respects from IFRS as issued by the IASB. However, the differences have no impact on the financial statements for the years presented.

The Company has adopted all new or amended and revised accounting standards and interpretations ('IFRSs') issued by IASB and as adopted by the European Union effective for the year ended 31 March 2017. Based on an analysis by the Company, the application of the new IFRSs has not had a material impact on the financial statements in reported period and we do not anticipate any significant impact on future periods from the adoption of these new IFRSs.

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended IAS and IFRS effective as of 1 April 2016:

- IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception - Amendments to IFRS 10, IFRS 12 and IAS 28
- IFRS 11 Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11
- IFRS 14 Regulatory Deferral Accounts
- IAS 1 Disclosure Initiative - Amendments to IAS 1
- IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38
- IAS 16 and IAS 41 Agriculture - Bearer Plants - Amendments to IAS 16 and IAS 41
- IAS 27 - Equity Method in Separate Financial Statements - Amendments to IAS 27
- AIP IFRS 5 Non-current Assets Held for Sale and Discontinued Operations - Changes in methods of disposal
- AIP IFRS 7 Financial Instruments: Disclosures - Servicing contracts
- AIP IFRS 7 Financial Instruments: Disclosures - Applicability of the offsetting disclosures to condensed interim financial statements
- AIP IAS 19 Employee Benefits - Discount rate: regional market issue
- AIP IAS 34 Interim Financial Reporting - Disclosure of information 'elsewhere in the interim financial report'

1 Accounting Policies (continued)

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 9-Financial Instruments effective for annual periods beginning on or after 01 January 2018
- IFRS 15-Revenue from Contracts with customers period beginning on or after 01 January 2018
- Amendments to IFRS 10 and IAS 28-Sale or contribution of assets between an investor and its Associate or Joint venture whose effective date has been deferred indefinitely
- Amendments to IAS 7-Disclosure Initiatives for annual periods beginning on or after 01 January 2017
- Amendments to IAS 12-Recognition of Deferred Tax Assets for Unrealised Losses for annual periods beginning on or after 01 January 2017
- Amendment to IFRS 2-Classification and Measurement of Share-based Payment Transactions for annual periods beginning on or after 01 January 2018
- IFRS 16-Leases for annual periods beginning on or after 01 January 2019.

c) Presentation currency

The functional and presentation currency of Cairn India Holdings Limited is US Dollars ("$"). The Company's policy on foreign currencies is detailed in note 1(h).

d) Finance income

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

Dividend income

The dividend on investment is recognised in the income statement when the Company's right to receive payment is established.

e) Investments

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

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

f) Financial instruments

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

Financial assets are categorised as financial assets held at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. The Company holds financial assets which are classified as loans and receivables.

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

1 Accounting Policies (continued)

f) Financial instruments (continued)

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

Loans and other receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted on an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less any impairment. Trade and other receivables are recognised when invoiced. Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

The carrying amounts of loans and other receivables are tested at each reporting date to determine whether there is objective material evidence of impairment, for example overdue trade debt. Any impairment losses are recognised through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Income Statement or Balance Sheet in accordance with where the original receivable was recognised.

Bank deposits

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

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and short-term deposits with an original maturity of three months or less.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts

Trade payables and other non-derivative financial liabilities

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

Interest-bearing bank loans and borrowings

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

Borrowing costs

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

g) Equity

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

h) Foreign currencies

The Company translates foreign currency transactions into the functional currency, $, at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into the functional currency at the rate of exchange prevailing at the Balance Sheet date. Exchange differences arising are taken to the Income Statement except for those incurred on borrowings specifically allocable to development projects, which are capitalised as part of the cost of the asset.

1 Accounting Policies (continued)

i) Taxation

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

The current tax is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Balance Sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred income tax liabilities are recognised for all taxable temporary differences except in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in Joint Ventures where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future. A deferred income tax liability is not recognised if a temporary difference arises on initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, carry forward of unused tax assets and unused tax losses can be utilised, except where the deferred income tax asset relating to the deductible temporary timing difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in Joint Ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets are reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the periods in which the asset is realised or the liability is settled, based on tax rates and laws enacted or substantively enacted at the Balance Sheet date.

Deferred tax assets and liabilities are only offset where they arise within the same entity and tax jurisdiction and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

j) Exceptional items

Exceptional items are those not considered to be part of the normal operation of the business.

k) Key estimations and assumptions

The Company has used estimates and assumptions in arriving at certain figures within the financial statements. The resulting accounting estimates may not equate with the actual results, which will only be known in time. Those areas believed to be key areas of estimation are noted below, with further details of the assumptions used listed at the relevant note.

Impairment testing

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

2 Operating Loss

a) Operating loss is stated after charging:

	Year ended March 2017 $	Year ended March 2016 $
Provision made for loan given to fellow subsidiary	-	600,000
Administrative expenses	**1,253,874**	3,225,903
	1,253,874	3,825,903

b) Continuing operations

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

c) Employee benefit expenses
Administrative expenses include $148,566 (year ended March 2016: $ 144,814) on account of employee benefit expenses.

3 Auditors' Remuneration

Fees amounting to $8,816 (year ended 31 March 2016: $8,400) are payable to the Company's auditors for the audit of the Company's accounts. The Company has a system in place for the award of non-audit work to the auditors which, in certain circumstances, requires Audit Committee approval of its parent company.

4 Finance Income

	Year ended March 2017 $	Year ended March 2016 $
Interest Income	**103,881,565**	76,305,432
Change in fair value of investments asset held for trading* (net of realised loss)	**26,355,115**	-
Dividend income	**210,231,837**	230,430,323
	340,468,517	306,735,755

* Pertains to unrealised gain on bonds

5 Finance Costs

	Year ended March 2017 $	Year ended March 2016 $
Bank charges	**74,566**	28,560
Foreign exchange loss	**43,333**	44,107
Change in fair value of investments asset held for trading (net of realised gain)	-	26,354,685
	117,899	26,427,352

6 Taxation on Profit

Profits arising in the Company for the year ended 31 March 2017 of assessment will be subject to Jersey tax at the standard corporate income rate of 0% (2016: 0%).

CAIRN INDIA HOLDINGS LIMITED

Notes to the Accounts (continued)

For the year ended 31 March 2017

7 Investments in Subsidiaries

	31 March 2017 $	31 March 2016 $
Cost and net book value:		
At March'17	**481,328,473**	481,328,473
Investments		
	481,328,473	481,328,473

In the current year and previous year the Company made nil investment in its subsidiaries.

In the opinion of the Directors, the value of shares in the Company's subsidiary undertakings (Cairn Energy Hydrocarbons Limited) is not less than the amounts at which these are shown in the Balance Sheet.

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 and ordinary shares**	**Nature of Business**
Cairn Energy Discovery Limited	Scotland	100%	Exploration & production
Cairn Exploration (No. 2) Limited	Scotland	100%	Exploration & production
Cairn Energy Hydrocarbons Limited	Scotland	100%	Exploration & production
Cairn Energy Gujarat Block 1 Limited	Scotland	100%	Exploration & production
Cairn Energy India Pty Limited	Australia	100%	Exploration & production
Indirect Holding			
Cairn South Africa Proprietary Limited	South Africa	100%	Exploration & production
Cairn Mauritius Holding Limited	Mauritius	100%	Holding company
Cairn Mauritius Pvt Limited	Mauritius	100%	Holding company
Cairn Lanka Pvt Limited	Sri Lanka	100%	Exploration & production

During the year 2016-17, following subsidiary have been liquidated/deregistered as a result of which the holding is reduced to nil.

Direct holdings

Cairn Energy Holdings Limited	Scotland
Cairn Exploration (No. 7) Limited	Scotland
Cairn Energy Australia Pty Limited	Australia

During the year 2015-16, the following subsidiary was liquidated/deregistered as a result of which the holding is reduced to nil.

Direct holdings

Cairn Exploration (No. 6) Limited	Scotland

7 Investments in Subsidiaries (continued)

The Company holds interest in RJ-ON-90/1 oil and gas field, through a step down subsidiary Cairn Energy Hydrocarbons Ltd. The Production Sharing Contract ('PSC') for the said field provides for an extension of the contract at the same terms by a maximum period of ten years, in case there is a continued production of commercial natural gas from the said field. The management expects to continue with the production and sale of natural gas for a period of ten years even after the completion of the initial contract period, and therefore is of view that extension of the said field by additional period of ten years will be at the same terms and condition of current PSC as per the legal opinions available with the Company. However, the Government has come out with a new policy for the grant of extension to the PSCs of Pre-New Exploration Licensing Policy (Pre-NELP) with different profit petroleum slabs. The said policy also includes the name of the said field. The Company is in the process of obtaining legal advice in respect of the said policy. Market participant may consider cash flows for extended period at such revised slabs. Basis the above valuation, the Company believes that there is no impairment in the carrying value of the investments.

8 Trade and Other Receivables

	31 March 2017 $	31 March 2016 $
Current Assets		
Amounts owed by group companies (refer note 14)	-	1,252,976,583
Others debtors	**23,368,032**	15,997,880
	23,368,032	1,268,974,463

	Total $	Current $	< 30 days $	30-60 days $	60-90 days $	90-120 days $	>120 days $
2016-17							
Neither past due nor impaired	23,368,032	23,368,032	-	-	-	-	-
Past due but not impaired	-	-	-	-	-	-	-
At 31 March 2017	**23,368,032**	**23,368,032**	-	-	-	-	-
2015-16							
Neither past due nor impaired	1,268,974,463	1,268,974,463	-	-	-	-	-
Past due but not impaired	-	-	-	-	-	-	-
At 31 March 2016	**1,268,974,463**	**1,268,974,463**	-	-	-	-	-

Amount owed by group companies pertains to the loan given to group companies which was payable on demand as at 31 March 2016. (Refer Note 14)

9 Bank Deposits

	31 March 2017 $	31 March 2016 $
Bank deposits (Less than 3 months)	**787,215,396**	438,579,573
	787,215,396	438,579,573

10 Cash and Cash Equivalents

	31 March 2017 $	31 March 2016 $
Short-term deposits	**6,959**	27,151,163
Mutual Funds	**252,851**	88,366
	259,810	27,239,529

Cash at bank earns interest at floating rates based on daily bank deposit rates.

11 Trade and Other Payables

	31 March 2017 $	31 March 2016 $
Other accruals	**242,594**	188,680
	242,594	188,680

12 Share Capital

	31 March 2017 Number	31 March 2016 Number
Authorised shares		
Ordinary shares of £1 each	**1,200,000,000**	1,200,000,000
Redeemable preference shares of £1,000 each	**600,000**	600,000
	1,200,600,000	1,200,600,000

	31 March 2017 Number	**31 March 2017 $**	31 March 2016 Number	31 March 2016 $
Ordinary shares of £1 each				
At 31 March	**420,810,062**	**755,567,901**	420,810,062	755,567,901

CAIRN INDIA HOLDINGS LIMITED

Notes to the Accounts (continued)

For the year ended 31 March 2017

13 a) Share Premium and Reserves

	31 March 2017 $	31 March 2016 $
At 31 March	**458,227,729**	458,227,729

b) Other Equity

	31 March 2017 $	31 March 2016 $
At 1 April opening balance	**(5,568,885)**	(5,463,350)
Transfer of balances from group companies	**74,705**	(105,535)
At 31 March 2017 closing balance	**(5,494,180)**	(5,568,885)

Other equity consists of debts owing from Cairn India Holdings Limited to other group companies which were waived, and have been recognised directly in equity.

14 Related Party Transactions

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

	31 March 2017 $	31 March 2016 $
Transactions during the year		
Dividend received (1)	**210,230,000**	230,430,000
Interest income on bonds (2)	**5,876,774**	6,665,668
Loan given (3)	-	600,000
Interest income on loan (3)	**65,073,044**	42,929,496
Loan rolled over (3)	**1,250,000,000**	-
Impairment of loan (3)	**1,275,881,610**	-
Loan received back (3)	-	41,495,000
Reimbursement of consultancy expenses (4)	-	2,000,000
Redemption of debt bonds in the market (2)	**14,311,000**	-
Assignment of intergroup balances (5)	**74,705**	105,535
Waiver/(Transfer) of/from intergroup balances (5)	-	105,535
Balances owed by group companies/related parties		
Cairn Energy Hydrocarbon Limited	**74**	74
Cairn India Limited	**51,158**	-
Vedanta Resources Plc. (2)	**80,903,886**	64,957,692
THL Zinc Ltd (3)	-	1,252,976,583
	2,902,402,251	1,317,934,349

(1) The Company received dividends of $210.2m (year ended 31 March 2016: $230.4m) from Cairn Energy Hydrocarbons Limited.

14 Related Party Transactions (continued)

(2) The Company had purchased the debt bonds of Vedanta Resources Plc from secondary market. The Company earned interest income of $4.5m (year ended 31 March 2016:$6.7m) on bonds. The balance outstanding at the balance sheet date is at carrying value and includes accrued interest of $1.7m (31 March 2016: $2.0m).
(3) During the previous year, a loan of $0.6m was given to Group company, Cairn Lanka Private Limited.

During the previous year, loan amounting to $41.2m advanced earlier to Group Company, Cairn Lanka Private Limited had been received.

Interest income on the loan of $1,250m given to THL Zinc amounted to $65.07m (year ended 31 March 2016: $42.9m). During the year, the loan was rolled over for a further period of two years with an interest rate of 4.5%+LIBOR p.a. (31 March 2016: 3%+ LIBOR p.a.).
During the year, the previous holding company, Cairn India Limited, merged with Vedanta Limited under a scheme of merger approved by the relevant approving authorities. Pursuant to the scheme becoming effective, the loan receivable from THL Zinc including the interest thereon has been impaired as the guarantee given by Vedanta Resources Plc. Stands withdrawn with effect from 27th March 2017. The said loss has been recorded directly in the statement of changes in equity.

(4) The Company reimbursed consultancy expenses of $2.0m to its intermediate parent company Vedanta Resources Plc. during the previous year.

(5) During the current year, the Company received net assets amounting to $74,705 from its subsidiary company, Cairn Energy Australia Pty Limited due to liquidation of the latter. The same was subsequently recognised in Other Equity.

Remuneration of key management personnel
Arvind Giri received remuneration of $148,566 from the Company during the year. Further, the other directors of the company Chris Burton, Jane Margaret Pearce and Robert Lucas received a total remuneration of $ 12,638 for the year (year ended 31 March 2016: $14,623).

15 Financial Risk Management: Objectives and Policies

Liquidity risk

Cairn India Holdings Group has uncommitted secured working capital facility to fund its short term capital requirements. Uncommitted facility as of 31 March 2017 was $25m (31 March 2016:$25m). As at 31 March 2017, there were no outstanding amounts under these facilities. In addition, as at 31 March 2017, the Cairn India Holdings Group had $25m of trade finance facilities (31 March 2016: $25m) in place to cover the issue of bank guarantees / letter of credit. Fixed rates of bank commission and charges apply to these. A sum of 31 March 2017 there were no outstanding amounts under the facility (31 March 2016: $0m).

The Cairn India Holdings Group currently has surplus cash which it has placed in a combination of fixed term deposits, marketable bonds and money market mutual funds 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

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

15 Financial Risk Management: Objectives and Policies (continued)

Interest rate risk (continued)
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, no such instruments have been used by the Company during 2016-17.

Interest rate risk table
The following table demonstrates the sensitivity of the Company's profit before tax to a change in interest rates (through the impact on floating rate borrowings and deposits).

	Increase/decrease in basis points	Effect on profit before tax
2016-17	50	$ 12,269,160
2015-16	50	$10,562,649

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

Foreign currency risk
The Company manages exposures that arise from non-functional currency receipts and payments by matching receipts and payments in the same currency and actively managing the residual net position. Generally the exposure has been limited given that receipts and payments have mostly been in US dollars and the functional currency of most companies in the Group is US dollars.

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

In order to minimise Company's exposure to foreign currency fluctuations, currency assets are matched with currency liabilities by borrowing or entering into foreign exchange contracts in the applicable currency if deemed appropriate. The Group also aims where possible to hold surplus cash, debt and working capital balances in functional currency which in most cases is US dollars, thereby matching the reporting currency and functional currency of most companies in the Group. This minimises the impact of foreign exchange movements on the Group's Statement of Financial Position.

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

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 Cairn India Holdings 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 Group does not have any significant concentrations of bad debt risk other than that disclosed.

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.

15 Financial Risk Management: Objectives and Policies (continued)

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

No changes were made in the objectives, policies or processes during the year ended 31 March 2017.
The Company's capital and net debt were made up as follows:

	31 March 2017 $	31 March 2016 $
Trade and other payables	**242,594**	188,680
Less: cash and cash equivalents	**259,810**	27,239,529
Net funds	**(17,216)**	(27,050,849)
Equity	**1,784,775,296**	2,721,485,457
Capital and net debt	**1,784,758,080**	2,694,434,608
Gearing ratio	**-**	-

16 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, together with their fair values are as follows:

Financial assets	**Carrying amount**		**Fair value**	
	31 March 2017 $	31 March 2016 $	**31 March 2017 $**	31 March 2016 $
Cash and cash equivalents	**259,810**	27,239,529	**259,810**	27,239,529
Bank Deposits	**787,215,396**	438,579,573	**787,215,396**	438,579,573
Liquid investments	**492,846,179**	505,552,099	**492,846,179**	505,552,099
Trade and other receivables (including non-current)	**23,368,032**	1,268,974,463	**1,299,291,510**	1,268,974,463
	1,303,689,417	2,240,345,664	**1,303,689,417**	2,240,345,664

All of the above financial assets are current and unimpaired. An analysis of the ageing of amounts owed by group companies is provided in note 8.

The Company has $242,600 financial liabilities as at 31 March 2017 (31 March 2016: $188,686).

16 Financial Instruments (continued)

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

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

Fair Value Hierarchy

Particulars	As at 31 March 2017			As at 31 March 2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
At fair value through profit or loss						
-Held for trading	-	492,846,179	-	-	505,552,099	-
Total	-	492,846,179	-	-	505,552,099	-
Financial liabilities						
Total	-	-	-	-	-	-

17 Ultimate Parent Company

The Company is a wholly-owned subsidiary of Vedanta Limited which in turn is a subsidiary of Vedanta Resources Plc. Volcan Investments Limited ("Volcan") is the ultimate controlling entity and controls Vedanta Resources Plc.

The results of the Company are consolidated into intermediate parent company, viz. Vedanta Resources Plc. The registered office of Vedanta Resources Plc, is 2nd Floor, Vintners Place, 68 Upper Thames Street, London, EC4V 3BJ. Copies of Vedanta Resources Plc's financial statements are available on its website.