CAIRN INDIA HOLDINGS LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

CAIRN INDIA HOLDINGS LIMITED

Directors:

Jane Margaret Pearce
Gavin Carruthers

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 2018.

Principal Activities and Business Review

The Company's principal activity is that of an investment company. During the year, the Company invested in AvanStrate Inc. a manufacturing unit of glass substrate for TFT colour LCD based in Japan.

During the year ended 31 March 2018, the Company made a profit of $487.3m (year ended 31 March 2017: $339.1m). The Company didn't pay any dividend during the year ended 31 March 2018 and 31 March 2017.

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 18 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:

Jane Margaret Pearce
Robert Lucas (resigned on 15th May, 2017)
Gavin Carruthers (with effect from 15th May, 2017)
Arvind Giri (resigned on 30th May, 2018)

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

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

10 August 2018

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

Opinion

We have audited the financial statements of Cairn India Holdings Limited (the "company") for the year ended 31 March 2018 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 20, 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 as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

Other information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.
We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- proper accounting records have not been kept by the company, 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 company's accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

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

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

CAIRN INDIA HOLDINGS LIMITED

Income Statement

For the year ended 31 March 2018

	Notes	**Year ended March 2018 $**	Year ended March 2017 $
Administrative expenses	2(a)	**(2,217,113)**	(1,253,874)
Operating loss	2	**(2,217,113)**	(1,253,874)
Finance income	4	**534,244,000**	340,468,517
Finance costs	5	**(33,430,377)**	(117,899)
Profit before taxation		**498,596,510**	339,096,744
Taxation	6	**(222,801)**	-
Profit for the year		**498,373,709**	339,096,744

CAIRN INDIA HOLDINGS LIMITED

Statement of Comprehensive Income

For the year ended 31 March 2018

	Year ended March 2018 $	Year ended March 2017 $
Profit for the year	**498,373,709**	339,096,744
Total comprehensive income for the year	**498,373,709**	339,096,744

CAIRN INDIA HOLDINGS LIMITED

Balance Sheet

As at 31 March 2018

	Notes	31 March 2018 $	31 March 2017 $
Non-current assets			
Investments	7	**682,591,643**	481,328,473
Bank deposits	10	**15,909,132**	-
Other receivables	8	**151,225,929**	-
Financial instruments (derivatives)	9	**32,797,510**	-
Current assets			
Other receivables	8	**895,772**	40,244
Liquid investments	10	**789,318,979**	1,303,642,214
Cash and cash equivalents	11	**2,630**	6,959
Total assets		**1,672,741,595**	1,785,017,890
Non-current liabilities			
Long term borrowings	12	**374,732,627**	-
Financial instruments (derivatives)	9	**14,925,161**	-
Current liabilities			
Current maturities of long term borrowings	12	**51,595,168**	-
Other payables	14	**3,789,634**	242,594
Total liabilities		**445,042,590**	242,594
Net assets		**1,227,699,005**	1,784,775,296
Equity			
Called-up share capital	15	**755,567,901**	755,567,901
Share premium	16 a)	**458,227,729**	458,227,729
Other equity	16 b)	**(5,494,180)**	(5,494,180)
Retained earnings		**19,397,555**	576,473,846
Total equity		**1,227,699,005**	1,784,775,296

The financial statements were approved by the Board of Directors on 10 August 2018, and were signed on its behalf by

Director
10 August 2018

Director – Vistra Secretaries Limited, Company Secretary

CAIRN INDIA HOLDINGS LIMITED

Statement of Cash Flows

For the year ended 31 March 2018

	Notes	Year ended March 2018 $	Year ended March 2017 $
Profit before taxation		**498,596,510**	339,096,744
Adjustments:			
Finance income		**(522,854,731)**	(340,468,517)
Finance costs	5	**33,430,377**	117,899
Unrealized foreign exchange (gain)/loss (net)	4	**(11,389,269)**	(1,026)
Bank charges paid		**(241,437)**	(74,566)
Decrease/(Increase) in other receivables		**14,183**	(15,192)
Increase in other payables		**2,074,182**	11,379
Cash generated from operations		**(370,185)**	(1,333,279)
Interest paid		**(16,803,845)**	-
Net cash (used in) operating activities		**(17,174,030)**	(1,333,279)
Cash flows from investing activities			
Loans given to related parties	17	**(1,062,636,059)**	-
Acquisition of financial asset of subsidiary	17	**(150,555,025)**	-
Acquisition of subsidiary		**(7,827,211)**	-
Investment made in subsidiaries		**(193,435,958)**	-
Proceeds from redemption of liquid investment		**1,113,022,676**	12,453,068
Purchase of liquid investment		**(632,709,627)**	(348,635,698)
Dividend received	17	**490,466,235**	210,231,514
Interest received		**40,736,166**	99,977,120
Net cash (used in) investing activities		**(402,938,803)**	(25,973,996)
Cash flows from financing activities			
Proceeds from long-term borrowings		**641,235,000**	-
Repayment of long-term borrowings		**(220,000,000)**	-
Corporate guarantee commission paid	17	**(1,126,496)**	-
Net cash from financing activities		**420,108,504**	-
Net (decrease) in cash and cash equivalents		**(4,329)**	(27,307,275)
Cash and cash equivalents at beginning of year		**6,959**	27,239,529
Transfer of balances from group companies		**-**	74,705
Cash and cash equivalents at the end of the year	11	**2,630**	6,959

CAIRN INDIA HOLDINGS LIMITED
Statement of Changes in Equity
For the year ended 31 March 2018

	Share Capital $	Share Premium $	Other Equity* $	Retained Earnings $	Total $
	(Note 15)	(Note 16 a)	(Note 16 b)		
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 17)	-	-	-	(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**
Profit for the year	-	-	-	498,373,709	**498,373,709**
Impairment of loan (Note 17)	-	-	-	(1,055,450,000)	**(1,055,450,000)**
At 31 March 2018	**755,567,901**	**458,227,729**	**(5,494,180)**	**19,397,555**	**1,227,699,005**

* Other equity includes waiver of intergroup balances.

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

CAIRN INDIA HOLDINGS LIMITED

Notes to the Accounts
For the year ended 31 March 2018

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 18 and 19 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.

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

b) Accounting standards

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

The Company has adopted all new or amended and revised accounting standards and interpretations ('IFRSs') issued by IASB and as adopted by the European Union effective for the year ended 31 March 2018. Based on an analysis by the Company, the application of the new IFRSs 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 2017:

- Amendments to IAS 7 Statement of Cash flows: Disclosure initiative. The required disclosure is given in note 13.
- Amendments to IAS 12 Income taxes : Recognition of deferred tax assets

New IFRSs that have been issued but not yet come into effect
In addition to the above, IASB has issued a number of new or amended and revised accounting standards and interpretations (IFRSs) that have not yet come into effect. The Company has 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, subject to EU endorsement.
- IFRS 15-Revenue from Contracts with customer's period beginning on or after 01 January 2018, subject to EU endorsement.
- Amendments to IAS 28- IFRS 9 shall apply to long term interests in associates and joint ventures that form part of the net investment where the equity method is not applied. The amendments are effective for periods beginning on or after 1 January 2019.

1 Accounting Policies (continued)

b) Accounting standards (continued)

- Amendment to IFRS 2-Classification and Measurement of Share-based Payment Transactions for annual periods beginning on or after 01 January 2018
- IFRS 16-Leases for annual periods beginning on or after 01 January 2019.
- IFRS 17-Insurance contracts for annual periods beginning on or after 1 January 2021
- Amendments to IAS 40 clarifies when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments are effective for periods beginning on or after 1 January 2018
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration for annual periods beginning on or after 1 January 2018
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatment for annual periods beginning on or after 01 January 2019

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(m).

d) Finance income

Finance income constitutes the following items:

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

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.

Fair value gain/ (loss)
The fair value gain/ (loss) in relation to financial assets held for trading is accounted for as investment income in the income statement.

e) Financial instruments – initial recognition and subsequent measurement

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

i) Financial assets

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

1 Accounting Policies (continued)

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

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

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

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

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

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

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

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

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

1 Accounting Policies (continued)

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

Derecognition

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

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

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

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

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

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

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment. The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR. The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income (recorded as finance income in the statement of profit or loss) continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company.

1 Accounting Policies (continued)

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

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

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

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

ii) Financial liabilities

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

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

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

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

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

1 Accounting Policies (continued)

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

Loans and borrowings

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

Financial guarantee contracts

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

Derecognition

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

iii) Offsetting of financial instruments

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

iv) Financial instruments fair valued through profit and loss

Held for trading financial assets

Financial assets are classified as held for trading if they have been acquired principally for the purpose of selling in the near term. The change in fair value of trading investments incorporates any dividend and interest earned on the held for trading investments and is accounted for in the income statement.

Derivative financial instruments

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

Derivative financial instruments are initially recorded at their fair value on the date of the derivative transaction and are re-measured at their fair value at subsequent balance sheet dates. The resultant gains or losses are recognised in the income statement unless these are designated as effective hedging instruments.

f) Investments

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

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 and a post-tax discount rate. Forecast production profiles are determined on an asset by asset basis, using appropriate petroleum engineering techniques.

1 Accounting Policies (continued)

g) Liquid investments

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

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

These include short term marketable securities and other bank deposits.
Short term marketable securities are categorised as held for trading and are initially recognised at fair value with any gains or losses arising on re-measurement recognised in the income statement.
Other bank deposits are subsequently measured at amortised cost using the effective interest method.
The value of trading investments incorporates any dividend and interest earned on the held for trading investments.

h) Cash and cash equivalents

Cash and short term deposits in the statement of financial position comprises 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.

i) Other payables

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

j) 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.

k) 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.

l) 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.

m) 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. 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.

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).

1 Accounting Policies (continued)

n) 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.

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.

o) Exceptional items

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

1 Accounting Policies (continued)

p) Key estimations and assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of expenses, assets and, liabilities, and the accompanying disclosures and disclosure of contingent 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.

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

(i) Impairment testing
Discounted future net cash flows for IAS 36 purposes are calculated using commodity price, technological change, cost and discount rate assumptions on forecast production profiles of oil & gas and liquid crystal display. See note 7 for further details.

(ii) Fair value measurement
When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of estimation is required in establishing fair values. Estimates include considerations of inputs such as stock prices, vesting terms, exercise price, volatility, risk free rate of return, equity value and other factors. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

As part of the accounting for the acquisition of AvanStrate Inc., put option liability and conversion option with an estimated fair value of $13.9m and $30.6m respectively has been recognised in the financial statement. Company believes the fair values on the acquisition date recognised in the financials are not materially different from the fair value as of reporting date. See note 7 for further details.

2 Operating Loss

a) Operating loss is stated after charging:

	Year ended March 2018 $	Year ended March 2017 $
Administrative expenses	**2,217,113**	1,253,874
	2,217,113	1,253,874

b) Continuing operations

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

c) Administrative expenses
Administrative expenses include $195,075 (year ended March 2017: $ 161,249) on account of directors remuneration.

3 Auditors' Remuneration

Fees amounting to $8,156 (year ended 31 March 2017: $8,816) 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 2018 $	Year ended March 2017 $
Interest Income	**32,388,496**	103,881,565
Foreign exchange gain	**11,389,269**	-
Change in fair value of investments asset held for trading* (net of realised gain/loss)	-	26,355,115
Dividend income	**490,466,235**	210,231,837
	534,244,000	340,468,517

*Pertains to unrealised gain/loss on bonds

5 Finance Costs

	Year ended March 2018 $	Year ended March 2017 $
Interest on borrowings	**18,253,781**	-
Bank and other charges	**241,437**	74,566
Amortisation of borrowing costs	**5,147,794**	-
Corporate guarantee commission	**1,126,496**	-
Foreign exchange loss	-	43,333
Change in fair value of investments held for trading * (net of realised gain/loss)	**8,660,869**	-
	33,430,377	117,899

*Pertains to unrealised gain /loss on bonds

6 Taxation on Profit

Profits arising in the Company for the year ended 31 March 2018 of assessment will be subject to Jersey tax at the standard corporate income tax rate of 0% (2017: 0%).

Factors affecting tax charge for year

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

	Year ended March 2018 $'000	Year ended March 2017 $'000
Profit before taxation	**498,596,510**	339,096,744
Corporation tax at the standard Jersey rate of 0% (Apr'16-Mar'17- 0%)	-	-
Effects of:		
Withholding tax deducted on interest income from foreign jurisdictions	**222,801**	-
Total tax charge	**222,801**	-
Effective tax rate	**0.04%**	0.00%

7 Investments in Subsidiaries

	31 March 2018 $	31 March 2017 $
Cost and net book value:		
Opening investment		
Cairn Energy Hydrocarbons Limited	**481,328,473**	481,328,473
Investments made during the year		
Cairn Energy Hydrocarbons Limited (Refer note 17)	**193,435,959**	-
AvanStrate Inc. (including $ 7,818,383 costs attributable to acquisition of shares in AvanStrate Inc.)	**7,827,211**	-
	682,591,643	481,328,473

The directors, in their meeting held on 28th December, 2017, have approved an investment of $157.8m for a 51.63% stake in the voting rights in Japanese manufacturer for LCD glass substrate, AvanStrate Inc. ("ASI") and its two subsidiaries AvanStrate Taiwan ("AST") and AvanStrate Korea ("ASK").

The transaction consists of three elements:

- acquisition of 51.63% of equity stake of ASI for a nominal consideration of $8,827 (JPY 1.0m)
- acquisition of $150.6m (JPY 17,058m) debt in ASI & ASK with a face value of $299.0m from banks;
- extension of $7.2m (JPY 814.8m) loan to ASI.

As per the shareholding agreement (SHA) entered with the other majority shareholder holding 46.6% in ASI, Company has a call option, conversion option to convert part of the loan into equity of ASI and it has issued put option to the other majority shareholder. These are exercisable as per the terms mentioned below.

The non-controlling shareholders of ASI have been given an option to offload their shareholding to the Company. The option is exercisable after 5 years from the date of acquisition at a price higher of $0.757 per share and the fair market value of the share. Accordingly, Company has recorded a derivative liability of $13.9m as fair value change through profit & loss. (Refer note 9)

The Company shall have an option to purchase all but not less than all the shares of non-controlling shareholders of ASI. The option is exercisable after 5 years from the date of acquisition at a price higher of $1.0816 per share and fair market value of the share multiplied by 150%, 140% or 130%, depending upon the time of exercise. The Call Option is exercisable in whole and not in part. Call option being out of money, hence no derivative asset/liability has been recorded in financials.

The Company shall be entitled to convert loan given into the equity shares of ASI. The option is exercisable from January 1, 2018 to December 31, 2020 at a price of $86.0 per share, subject to a condition that the shareholding of non-controlling shareholders of ASI should not fall below 20%. Accordingly, Company has recognised an asset of $30.6m representing the fair value of conversion option. Subsequent changes to the fair value are recorded as fair value change through profit & loss.

As a part of the overall transaction, the Company has also acquired a financial asset in the nature of loan receivable which at initial recognition has been recorded at fair value being the transaction value of acquisition of ASI after allocating values to put option, call option and conversion option from the total consideration paid. Accordingly, Company has recorded $141.1m as the fair value of loan acquired on initial recognition. (Refer note 8)

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

7 Investments in Subsidiaries (continued)

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
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
AvanStrate Inc.	Japan	51.63%	LCD Glass substrate
Indirect Holding			
Cairn South Africa (Pty) 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
AvanStrate Korea Inc.	Korea	51.63%	LCD Glass substrate
AvanStrate Taiwan Inc.	Taiwan	51.63%	LCD Glass substrate

During the year 2016-17, the following subsidiaries were liquidated/deregistered as a result of which these holdings were reduced to nil:

Direct holdings

Cairn Energy Holdings Limited	Scotland
Cairn Exploration (No. 2) Limited	Scotland
Cairn Energy Australia Pty Limited	Australia

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

8 Other Receivables

	31 March 2018 $	31 March 2017 $
Non-Current Assets		
Amount owed by group companies* (Refer note 7)	**151,225,929**	-
Current Assets		
Amount owed by group companies*	**869,711**	-
Others debtors	**26,061**	40,244
Total	**152,121,701**	**40,244**
Neither past due nor impaired	**152,121,701**	40,244
Past due but not impaired		
Less than 1 month	-	-
Between 1-3 months	-	-
Between 3-12 months	-	-
Greater than 12 months	-	-
Total	**152,121,701**	40,244

*Amount owed by group companies pertains to the loan given to group companies which are repayable in half-yearly instalments starting from April 2021 till October 2027. (Also refer note 7)

9 Financial instruments (derivatives)

Non-Current Financial Assets		
Fair value of Conversion option (Refer note 7)	**32,797,510**	-
Total	**32,797,510**	-
Non-Current Financial Liabilities		
Fair value of Put option liability (at FVTPL) (Refer note 7)	**14,925,161**	-
Total	**14,925,161**	-

10 Liquid Investments

	31 March 2018 $	31 March 2017 $
Non-Current Deposits		
Bank deposits*	**15,909,132**	-
Total	**15,909,132**	-
Current Investments		
Bank deposits	**398,461,293**	803,633,584
Investment in bonds	**390,410,652**	499,755,779
Investment in mutual funds	**447,034**	252,851
Total Liquid investments	**789,318,979**	1,303,642,214

*Non-current bank deposit represents amounts kept under "Debt Service Reserve Account" (DSRA) created under the terms of the borrowing facility taken during the current year (Refer note 12). Balance in DSRA account can only be utilised for servicing the loan.

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

11 Cash and Cash Equivalents

	31 March 2018 $	31 March 2017 $
Cash at bank	**2,630**	6,959
	2,630	6,959

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

12 Borrowings

	31 March 2018 $	31 March 2017 $
Long term borrowings:		
Secured term loan from banks	426,327,795	-
Less: Current maturities of long term borrowings	(51,595,168)	-
Total Non-current borrowings	**374,732,627**	-
Total current borrowings	**51,595,168**	-

a) The Company has taken the loan for the purpose of capital and operating expenditure incurred through its subsidiary Cairn Energy Hydrocarbons Limited ("CEHyC") in Rajasthan oil and gas block and also to fund the intercompany loan to its fellow subsidiary, Twin Star Mauritius Holding Limited ("TSML").

b) The said loan is secured through a corporate guarantee from Vedanta Limited (the Holding company) and charge on CEHyC's all banks accounts, cash and investments, all receivables and current assets (but excluding any shares issued to CEHyC by its subsidiaries, all of its right, title and interest in and to Production Sharing Contract of RJ-ON-90/1 block and all of its fixed assets of any nature).

c) The Company has not defaulted in the repayment of principal and interest as at Balance sheet date.

d) The loan is subject to certain financial and non-financial covenants. The Company has complied with the covenants as per terms of the loan agreement.

CAIRN INDIA HOLDINGS LIMITED

Notes to the Accounts (continued)

For the year ended 31 March 2018

13 Net Debt Movement [1]

$

	Cash and cash equivalents	Liquid Investments*	Total cash and liquid investments	Debt carrying value due within one year	Debt carrying value due after one year	Total Net Debt
At 1 April 2016	**27,239,529**	**960,121,439**	**987,360,968**	**-**	**-**	**987,360,968**
Cash flow	(27,307,275)	336,182,630	308,875,355	-	-	308,875,355
Other non-cash changes [2]	74,705	7,338,145	7,412,850	-	-	7,412,850
At 1 April 2017	**6,959**	**1,303,642,214**	**1,303,649,173**	**-**	**-**	**1,303,649,173**
Cash flow	(4,329)	(480,313,049)	(480,317,378)	(51,595,168)	(369,639,832)	(901,552,378)
Other non-cash changes [2]	-	(18,101,054)	(18,101,054)	-	(5,092,795)	(23,193,849)
At 31 March 2018	**2,630**	**805,228,111**	**805,230,741**	**(51,595,168)**	**(374,732,627)**	**378,902,946**

*Includes Non-Current bank deposits. (Refer note 10)

1) Net debt is a Non IFRS measure and represents total debt after fair value adjustments under IAS 32 and 39 as reduced by cash and cash equivalents and liquid investments.
2) Other non-cash changes comprises of amortisation of borrowing costs, fair value movement in investments, accrued interest on investments and transfer of balances from group companies.

14 Other Payables

	31 March 2018 $	31 March 2017 $
Current		
Other payables (at amortised cost)	**3,789,634**	242,594
Total	**3,789,634**	242,594

Non-Interest bearing other payables are normally settled in a 30 to 60 days term. Fair values of other payables are not materially different from the carrying values presented.

15 Share Capital

	31 March 2018 Number	31 March 2017 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 2018 Number	31 March 2018 $	31 March 2017 Number	31 March 2017 $
Paid up amount				
At 31 March	**420,810,062**	**755,567,901**	420,810,062	755,567,901

16 a) Share Premium and Reserves

	31 March 2018 $	31 March 2017 $
At 31 March	**458,227,729**	458,227,729

b) Other Equity

	31 March 2018 $	31 March 2017 $
Opening balance	**(5,494,180)**	(5,568,885)
Transfer of balances from group companies	**-**	74,705
Closing balance	**(5,494,180)**	(5,494,180)

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

CAIRN INDIA HOLDINGS LIMITED

Notes to the Accounts (continued)

For the year ended 31 March 2018

17 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:

	Note	31 March 2018 $	31 March 2017 $
Transactions during the year			
Dividend received	1	**490,436,218**	210,230,000
Interest income on bonds	2	**4,330,658**	5,876,774
Loan given to AvanStrate Inc.	3	**7,186,059**	-
Acquisition of financial asset of subsidiary	3	**150,555,025**	-
Interest income on loan	3,4	**1,077,327**	65,073,044
Loan given	4	**1,055,450,000**	-
Loan rolled over	4	**-**	1,250,000,000
Impairment of loan	4	**1,055,450,000**	1,275,881,610
Capital investment	5	**193,444,786**	-
Corporate guarantee received	6	**495,650,000**	-
Guarantee commission paid	6	**1,126,496**	-
Redemption of debt bonds in the market	2	**17,348,219**	14,311,000
Support services taken from Vedanta Limited		**15,600**	15,600
Expense reimbursement to Vedanta Resources Plc	7	**840,000**	-
Assignment of intergroup balances	8	**-**	74,705
Balances owed by /(to) group companies/related parties			
Cairn Energy Hydrocarbon Limited		**74,289**	74,289
Vedanta Limited (erstwhile Cairn India Limited)		**-**	51,158
AvanStrate Inc. (Face value)	3	**203,119,153**	-
AvanStrate, Korea (Face value)	3	**117,653,347**	-
Vedanta Resources Plc.	7	**(840,000)**	-
Fair Value of Bonds			
Vedanta Resources Plc.	2	**63,301,800**	80,903,886
Corporate Guarantee outstanding			
Vedanta Limited	6	**495,650,000**	-

17 Related Party Transactions (continued)

(1) The Company received dividends of $490.4m (year ended 31 March 2017: $210.2m) from Cairn Energy Hydrocarbons Limited.

(2) The Company had purchased the debt bonds of Vedanta Resources Plc from secondary market. The Company earned interest income of $4.3m (year ended 31 March 2017:$5.8m) on bonds. The balance outstanding at the balance sheet date is at carrying value of $63.3m (year ended 31 March 2017: $80.9m) which includes accrued interest of $ 1.3m (31 March 2017: $1.7m). During the year bonds worth $17.3m were matured (31 March 2017: $14.3m).

(3) During the period, the Company has paid an amount of $150.6m to acquire control in AvanStrate Inc., Japan and its wholly owned subsidiary AvanStrate, Korea. As a part of the integrated transaction, the Company has entered into put, call, conversion option (refer note 7 for further details) and acquired financial instruments having a face value of $203.1m and $117.7m from AvanStrate Inc., Japan and AvanStrate, Korea respectively. The said instruments are in different tranches and carry interest rates ranging from six months JPY TIBOR + 1% to 2.5%. The first interest payment is due in April 2018 and thereafter every six months. The loans are repayable in half yearly instalments starting April 2021 till October 2027.

(4)The Company also advanced a loan of $1,055.5m (31 March 2017: nil) to Twin Star Mauritius Holdings Limited and Bloom Fountain in different tranches which were impaired during the year. This impairment has been recorded directly in the statement of changes in equity. No interest was accrued on the same.

Interest income on the loan of $1,250m given to THL Zinc amounted to $65.07m during the previous year. During the previous 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 had been impaired as the guarantee given by Vedanta Resources Plc. stood withdrawn with effect from 27th March 2017. The said loan of $1,250m and accrued interest thereon of $25.9m was recorded directly in the statement of changes in equity.

(5) The Company has made an investment of $193,435,959 in the equity of Cairn Energy Hydrocarbons Limited and $8,827 in AvanStrate Inc., Japan during the year ended 31st March 2018.

(6) The Company received a corporate guarantee from its holding company, Vedanta Limited for an amount of $748,650,000 towards the loan facility undertaken during the year representing 115% of the loan facility availed. The balance outstanding is $495,650,000. The company has paid a corporate guarantee commission amounting to $1,126,496 to Vedanta Limited during the year.

(7) The Company reimbursed consultancy expenses of $840,000m to its intermediate parent company Vedanta Resources Plc. during the current year. The said expenses have been capitalised along with the investment made in ASI. Refer note 7.

(8) During the previous 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 $182,476 (31 March 2017: $148,566) from the Company during the year. Further, the other directors of the company Gavin Carruthers, Jane Margaret Pearce and Robert Lucas received a total remuneration of $12,599 for the year (year ended 31 March 2017: $12,683).

18 Financial Risk Management: Objectives and Policies

Management of Cairn India Holdings Limited manages the financial risk of the Company along with its subsidiaries at consolidated level.

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.

Liquidity risk

The Cairn India Holdings Group generates sufficient cash flows from the current operations which together with the available cash and cash equivalents and short terms investments provide liquidity both in the short term as well as in the long term. As of 31 March 2018, the Group has taken a loan facility of $431.0m (31 March 2017: nil). The Group also has uncommitted secured working capital facility worth $25.0m (31 March 2017: $25.0m). As at 31 March 2018, there were no outstanding amounts under these facilities. In addition, as at 31 March 2018, the Group had $ nil of trade finance facilities (31 March 2017: $25.0m) in place to cover the issue of bank guarantees / letter of credit. Fixed rates of bank commission and charges apply to these facilities. As of 31 March 2018 there were no outstanding amounts under the facility (31 March 2017: $ nil).

The Cairn India Holdings Group currently has surplus cash which it has placed in a combination of 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.

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:

At 31st March 2018	< 1 year	1-3 years	3-5 years	>5 years	Total
Other Payables	3,789,634	-	14,925,161	-	**18,714,795**
Borrowings*	66,224,769	243,607,332	166,921,859	-	**476,753,960**

At 31st March 2017	< 1 year	1-3 years	3-5 years	>5 years	Total
Other Payables	242,594	-	-	-	**242,594**

* includes contractual interest payment of $45.8 m based on interest rate prevailing at the end of the reporting period

Interest rate risk

Surplus funds are placed on short/medium-term deposits at fixed/floating rates and loan to subsidiaries. It is Cairn India Holding'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.

18 Financial Risk Management: Objectives and Policies (continued)

Interest rate risk (continued)

The Cairn India Holdings Group has long term borrowing of $431.0m towards Oil and Gas business and has a loan receivable from AvanStrate Inc. amounting to $151.2m. These borrowings are linked to floating rates. Further 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. However, no such instruments have been used by the Company during the current and previous year.

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

	31 March 2018			31 March 2017		
	Floating rate	**Fixed rate**	**Non-interest bearing**	**Floating rate**	**Fixed rate**	**Non-interest bearing**
Financial Assets	152,542,674	804,781,077	32,826,201	252,851	1,303,389,363	47,203

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

	31 March 2018			31 March 2017		
	Floating rate	**Fixed rate**	**Non-interest bearing**	**Floating rate**	**Fixed rate**	**Non-interest bearing**
Financial liabilities	426,327,795	-	18,714,795	-	-	242,594

Considering the net debt position with respect to floating rate instruments as at 31 March 2018 and the investment in bank deposits, foreign currency bonds and foreign mutual funds, any increase in interest rates would result in a net loss and any decrease in interest rates would result in a net profit. The sensitivity analysis below has been determined based on the exposure to interest rates at the balance sheet date.

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

	31 March 2018	**31 March 2017**
Change in interest rates	**Effect on profit**	**Effect on profit**
0.5%	**(1,368,926)**	1,264
1.0%	**(2,737,851)**	2,529
2.0%	**(5,475,702)**	5,057

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.

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 Company's Statement of Financial Position.

18 Financial Risk Management: Objectives and Policies (continued)

Foreign currency risk (continued)

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

	31 March 2018		31 March 2017	
	Financial Assets	**Financial Liabilities**	Financial Assets	Financial Liabilities
USD	**805,251,225**	**429,123,733**	1,303,689,417	242,594
JPY	**184,893,150**	**14,925,161**	-	-
Others	**5,577**	**993,696**	-	-
Total	**990,149,952**	**445,042,590**	1,303,689,417	242,594

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

	31 March 2018	
	Closing exchange rate (JPY/$)	**Effect of 10% strengthening of US dollar on net earning**
JPY	105.69	16,996,799

A 10% weakening of US dollar would have an equal and opposite effect on the company's financial statements.

There was no material balance in financial instruments in currencies other than USD as at 31 March 2017 and hence no sensitivity is presented.

The sensitivities are based on financial assets and liabilities held at 31 March 2018 where balances are not denominated in the company's functional currency. The sensitivities do not take into account the company's sales and costs and the results of sensitivities could change due to other factors such as change in the value of financial assets and liabilities as a result of non-foreign exchange influenced factors.

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 Company 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. (Refer note 8)

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.

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.

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

No changes were made in the objectives, policies or processes during the year ended 31 March 2018.
The Company's capital and net debt were made up as follows:

	31 March 2018 $	31 March 2017 $
Cash and cash equivalents	**2,630**	6,959
Liquid investments and bank deposits	**805,228,111**	1,303,642,214
Less: Current maturities of long term borrowings	**(51,595,168)**	-
Less: Long term borrowings	**(374,732,627)**	-
Net funds	**378,902,946**	1,303,649,173
Equity	**1,216,702,368**	1,784,775,296

19 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 2018 $	31 March 2017 $	**31 March 2018 $**	31 March 2017 $
Cash and cash equivalents	**2,630**	6,959	**2,630**	6,959
Liquid investments and bank deposits	**805,228,111**	1,303,642,214	**805,228,111**	1,303,642,214
Other receivables (including non-current)	**152,121,701**	40,244	**152,121,701**	40,244
Financial instruments (derivatives)	**32,797,510**	-	**32,797,510**	-
	990,149,952	1,303,689,417	**990,149,952**	1,303,689,417

All of the above financial assets are unimpaired. An analysis of the ageing of amounts owed is provided in note 8.

Financial liabilities	**Carrying amount**		**Fair Value**	
	31 March 2018 $	31 March 2017 $	**31 March 2018 $**	31 March 2017 $
Other payables	**3,789,634**	242,594	**3,789,634**	242,594
Financial instruments (derivatives)	**14,925,161**	-	**14,925,161**	-
Current maturities of long term borrowings	**51,595,168**	-	**51,595,168**	-
Long term borrowings	**374,732,627**	-	**374,732,627**	-
	445,042,590	242,594	**445,042,590**	242,594

19 Financial Instruments (continued)

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

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

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

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

Fair Value Hierarchy

Particulars	As at 31 March 2018			As at 31 March 2017		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Financial assets						
At fair value through profit or loss						
Held for trading	**447,035**	**390,410,652**	-	252,851	499,755,779	-
Financial instruments (derivatives)	-	-	**32,797,510**	-	-	-
Total	**447,035**	**390,410,652**	**32,797,510**	252,851	499,755,779	-

Particulars	As at 31 March 2018			As at 31 March 2017		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Financial Liabilities						
At amortized cost						
Borrowings	-	**426,327,795**	-	-	-	-
At fair value through profit or loss						
Financial instruments (derivatives)	-	-	**14,925,161**	-	-	-
Total	-	**426,327,795**	**14,925,161**	-	-	-

20 Ultimate Parent Company

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

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

21 Subsequent events

Subsequent to year end, the Company received dividend of $30.0m from Cairn Energy Hydrocarbons Limited.