

CAIRN LANKA (PRIVATE) LIMITED
FINANCIAL STATEMENTS AND REPORT OF DIRECTORS
31 MARCH 2020

References to “the Company” or “Cairn” are reference to CAIRN LANKA (PRIVATE) LIMITED.

Amounts in the Financial Statements have been denominated in United States Dollars (“\$”) unless specifically stated otherwise.

CAIRN LANKA (PRIVATE) LIMITED

CORPORATE INFORMATION

Directors:

Mr. Sharad Goenka (resigned as on 05th Aug 2019)
Mr. Sharad Kothari (with effect from 25th Jun 2019)
Mr. Hitesh Vaid (with effect from 25th Jun 2020)
Ms. Pooja Yadava (with effect from 25th Jun 2020)

Auditors:

Ernst & Young
201, De Saram Place,
Colombo 10, Sri Lanka

Secretaries:

Jacey & Company
No. 9/5, Thambiah Avenue
Off Independence Avenue
Colombo 07
Sri Lanka

Registered Office:

Lanka Shipping Tower No. 99
St. Michael's Road
Colombo 3
Sri Lanka

Registered No:

PV 64688

Bankers:

CITI BANK NA
SBI SRI LANKA



Ernst & Young
Chartered Accountants
201 De Saram Place
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Colombo 10
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GSM/NJ/DN

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CAIRN LANKA (PRIVATE) LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Carin Lanka (Private) Limited, which comprise the statement of financial position as at 31 March 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2020 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 2.1.2 to these financial statements which indicate the preparation and presentation of these financial statements on a basis other than as a going concern. Our opinion is not qualified in respect of this matter.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines 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, management is 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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 SLAuSs 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.

(Contd...2/)

Partners:  W R H Fernando FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W R H De Silva ACA ACMA W K B S P Fernando FCA FCMA
Ms. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA Ms. P V K N Sajeewani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA
Principals: G B Goudian ACMA A A J R Perera ACA ACMA T P M Ruberu FCMA FCCA

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.



16 September 2020
Colombo

CAIRN LANKA (PRIVATE) LIMITED**STATEMENT OF COMPREHENSIVE INCOME**

Year ended 31 March 2020

	Note	Year Ended 1 April 2019- 31 March 2020 \$	Year Ended 1 April 2018- 31 March 2019 \$
Cost of Sales			
Exploration Costs written off	6	(56,691)	(68,798)
Gross Loss		(56,691)	(68,798)
Administrative Expenses	3	(9,251)	(8,020)
Operating Loss		(65,942)	(76,818)
Finance Cost	4	(31,199)	(30,552)
Net Other Losses	5	(15,184)	(21,824)
Loss for the year		(112,325)	(129,194)
Other Comprehensive Income		-	-
Total Comprehensive Income / (Loss)		(112,325)	(129,194)

The accounting policies and notes on pages 12 through 26 form an integral part of the Financial Statements.



CAIRN LANKA (PRIVATE) LIMITED

BALANCE SHEET

As at 31 March 2020

	Note	31 March 2020 \$	31 March 2019 \$
ASSETS			
Current Assets			
Inventory		1,002,283	1,002,283
Cash and cash equivalents	7	123,291	47,061
Time deposits	8	150,000	150,000
Other receivables	9	32,548	44,266
		<u>1,308,122</u>	<u>1,243,610</u>
Total Assets		<u>1,308,122</u>	<u>1,243,610</u>
EQUITY AND LIABILITIES			
Equity Attributable to Equity Holders of the Parent			
Stated capital	10	170,390,000	170,390,000
Retained losses	11	(236,247,714)	(236,135,389)
Total Equity		<u>(65,857,714)</u>	<u>(65,745,389)</u>
Current Liabilities			
Trade and other payables	12	67,165,836	66,988,999
		<u>67,165,836</u>	<u>66,988,999</u>
Total Equity and Liabilities		<u>1,308,122</u>	<u>1,243,610</u>

These Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.

Preshk
16/9/2020
Finance Officer

The board of directors is responsible for the preparation and presentation of these Financial Statements.

Signed for and on behalf of the board by:

Huda A. H.
Director

Miladana
16/9/20.
Director

The accounting policies and notes on pages 12 through 28 form an integral part of the Financial Statements.



CAIRN LANKA (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
Year ended 31 March 2020

	Note	Stated Capital \$	Retained Losses \$	Total \$
As at 31 March 2018		170,390,000	(236,006,195)	(65,616,195)
1,910,543,842 shares of LKR 10				
Loss for the year		-	(129,194)	(129,194)
As at 31 March 2019		170,390,000	(236,135,389)	(65,745,389)
1,910,543,842 shares of LKR 10				
Loss for the year		-	(112,325)	(112,325)
As at 31 March 2020		170,390,000	(236,247,714)	(65,857,714)

The accounting policies and notes on pages 12 through 28 form an integral part of the Financial Statements.



CAIRN LANKA (PRIVATE) LIMITED**CASH FLOW STATEMENT**

Year ended 31 March 2020

	Note	Year Ended 1 April 2019- 31 March 2020 \$	Year Ended 1 April 2018- 31 March 2019 \$
Cash flows generated from/(used in) operating activities			
Loss before tax		(112,325)	(129,194)
Adjustments for:			
Exploration costs written off	6	56,691	68,798
Depreciation		-	-
Finance costs	4	31,199	22,338
Finance income	5	(4,614)	(4,650)
Unrealized foreign exchange difference		18,269	30,552
Trade and other receivables movement		-	-
Interest received		-	-
Operating (loss)/Gain before working capital changes		(10,780)	(12,156)
Increase/(decrease) in trade and other payables		145,583	129,304
(Increase)/decrease in trade and other receivables		(5,857)	(269)
(Increase)/decrease in Inventory		-	-
Net cash flows from/(used in) operating activities		128,946	116,878
Cash flows generated from/(used in) investing activities			
Expenditure on exploration/appraisal assets		(56,691)	(68,798)
Proceeds from maturity of deposits		-	-
Deposits made (original maturity of more than 3 months)		-	(172,622)
Interest received		4,614	4,650
Net cash flows used in investing activities		(52,077)	(236,771)
Cash flows generated from/(used in) financing activities			
Interest paid		-	(30,552)
Net cash flows generated from financing activities		-	(30,552)
Net (decrease)/increase in cash and cash equivalents		76,869	(150,444)
Cash and cash equivalents at the beginning of the year		47,061	197,111
Effect of exchange rate changes in cash		(639)	394
Cash and cash equivalents at the end of the year	7	123,291	47,061

The accounting policies and notes on pages 12 through 28 form an integral part of the Financial Statements.



Sensitivity: Internal (C3)

CAIRN LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2020

1. CORPORATE INFORMATION

1.1 General

CAIRN LANKA (PRIVATE) LIMITED (“Company”) is a private limited company incorporated and domiciled in Sri Lanka. The registered office of the Company is located at Lanka Shipping Tower No. 99, St. Michael’s Road, Colombo 03, Sri Lanka.

1.2 Principal Activities and Nature of Operations

The Company’s principal activity is the exploration for commercial quantities of oil and/or gas. Refer note 2.1.2.

1.3 Parent Entity and Ultimate Parent Entity

The Company’s parent entity is CIG Mauritius Private Limited. Cairn India Holdings Limited is the intermediary parent entity in India. Vedanta Resources PLC is the intermediate holding Company of the Company. The ultimate controlling party of the Company is Volcan Investments Limited (“Volcan”).

1.4 Date of Authorization for Issue

The Financial Statements of the Company for the year ended 31 March 2020 were authorized for issue in accordance with a resolution of the board of directors on September 16, 2020.

2.1 BASIS OF PREPARATION

The Financial Statements have been prepared in accordance with the Sri Lanka Accounting Standards as issued by the Institute of Chartered Accountants of Sri Lanka.

2.1.1 Statement of Compliance

The Financial Statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards (commonly referred by the term “SLFRS”) as issued by the Institute of Chartered Accountants of Sri Lanka.

The preparation and presentation of these Financial Statements are in compliance with the Companies Act. No. 07 of 2007.

2.1.2 Going Concern

In 2015-16, considering the prevailing macroeconomic climate, the low materiality and high development cost, together with low volume, high-risk exploration potential of the license failed to justify further appraisal capital expenditure or exploration activity. Further, given the level of gas prices and fiscal terms, the development of hydrocarbons in the said block was not commercially viable. Hence, the management had impaired the carrying value of the related assets.

On 15 October 2015, at the expiry second phase extension Company has relinquished the block. Subsequently, Sri Lankan operations have been closed. As on balance sheet date, the major part of the assets is of inventory for which efforts are ongoing for disposal of the same.



CAIRN LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2020

2.1 BASIS OF PREPARATION (continued)

2.1.2 Going Concern (continued)

Consequently, the Directors have determined that the going concern basis of preparation of financial statement is no longer appropriate. Thus the accounts are prepared on non-going concern basis and all the assets and liabilities have been recorded at fair value/net realizable value.

2.1.3 Change in Accounting Policies

Accounting policies adopted by the Company in the preparation of current year financial statements are consistent with previous year.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.2.1 Foreign Currency Translation

The functional currency for entity is determined as the currency of the primary economic environment in which it operates. The Company translates foreign currency transactions into the functional currency, \$, at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in other currencies are translated into the functional currency at the rate of exchange prevailing at the Balance Sheet date. Non – monetary assets and liabilities denominated in other currencies and measured at historical cost or fair value are translated at the exchange rates prevailing on the dates on which such values were determined. 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.

Rates of exchange to \$1 were as follows:

	31 March 2020	Average 1 April 2019 - 31 March 2020	31 March 2019	Average 1 April 2018 - 31 March 2019
Sri Lanka Rupee (LKR)	189.155	179.438	174.763	168.447
Indian Rupee (INR)	74.8109	70.860	69.171	69.889

2.2.2 Financial liabilities

Financial liabilities of the company include amounts due to related parties and trade and other payables. The carrying value of financial liabilities approximate their carrying value as it is expected to be settled within a period not exceeding twelve months.



2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2.3 Taxation

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

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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:

Tax payable on future remittance of the past earnings of subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future;

Deferred income tax is not recognised on the impairment of goodwill which is not deductible for tax purposes or on the initial recognition of an asset or liability in a transaction that is not a business combination, which are at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

Deferred tax assets are recognised only to the extent that it is more likely than not that will be recovered.

The carrying amount of deferred income 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 asset to be recovered.

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. Tax relating to items recognised directly in other comprehensive income is recognised in the consolidated statements of comprehensive income and not in the income statement.

Deferred tax assets and liabilities are only offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.2.4 Borrowing Costs

Borrowing costs directly relating to the acquisition, construction or production of a qualifying capital project under construction are capitalised and added to the project cost during construction until such time that the assets are substantially ready for their intended use in accordance with the company's policy which is when they are capable of commercial production. Where funds are borrowed specifically to finance a qualifying capital projects, the amount capitalised represents the actual borrowing costs incurred. Where surplus funds are available out of money borrowed specifically to finance a project, the income generated from such short-term investments is also capitalised to reduce the total capitalised borrowing cost. Where the funds used to finance a project form part of general



2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2.4 Borrowing Costs (continued)

borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the company during the year.

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

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

2.2.5 Oil and gas intangible exploration/appraisal assets and property, plant & equipment - development/ producing assets

The Company follows a successful efforts based accounting policy for oil and gas assets.

Costs incurred prior to obtaining the legal rights to explore an area are expensed immediately to the Income Statement.

Expenditure incurred on the acquisition of a licence interest is initially capitalised on a licence-by-licence basis. Costs are held, are not amortised or depreciated, within exploration/appraisal assets until such time as the exploration phase on the licence area is complete or commercial reserves have been discovered.

Exploration expenditure incurred in the process of determining exploration targets is capitalised initially within exploration/appraisal assets and subsequently allocated to drilling activities. Exploration/appraisal drilling costs are initially capitalised on a well-by-well basis until the success or otherwise of the well has been established. The success or failure of each exploration/appraisal effort is judged on a well-by-well basis.

Drilling costs are written off on completion of a well unless the results indicate that hydrocarbon reserves exist and there is a reasonable prospect that these reserves are commercial.

Following appraisal of successful exploration wells, if commercial reserves are established and technical feasibility for extraction demonstrated, then the related capitalised exploration/appraisal costs are transferred into a single field cost centre within development/producing assets after testing for impairment (see below). Where results of exploration drilling indicate the presence of hydrocarbons that are ultimately not considered commercially viable, all related costs are written off to the Income Statement.

All costs incurred after the technical feasibility and commercial viability of producing hydrocarbons has been demonstrated are capitalised within development/producing assets on a field-by-field basis. Subsequent expenditure is capitalised only where it either enhances the economic benefits of the



2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

development/producing asset or replaces part of the existing development/producing asset. Any remaining costs associated with the part replaced are expensed. The cost of such quantity of crude oil inventory which is expected to be lying in the pipeline during the entire life of the pipeline (initial fill) is capitalised within the development assets.

Net proceeds from any disposal of an exploration asset are initially credited against the previously capitalised costs. Any surplus proceeds are credited to the Income Statement. Net proceeds from any disposal of development/producing assets are credited against the previously capitalised cost. A gain or loss on disposal of a development/producing asset is recognised in the Income Statement to the extent that the net proceeds exceed or are less than the appropriate portion of the net capitalised costs of the asset.

2.2.5 Depletion

The Company depletes separately, where applicable, any significant components within development/producing assets, such as fields, processing facilities and pipelines, which are significant in relation to the total cost of a development/producing asset.

The Company depletes expenditure on property, plant & equipment - development/producing assets on a unit of production basis, based on proved and probable reserves on a field-by-field basis. In certain circumstances, fields within a single development area may be combined for depletion purposes.

All expenditure carried within each field is depreciated from the commencement of production on a unit of production basis, which is the ratio of oil and gas production in the period to the estimated quantities of commercial reserves at the end of the period plus the production in the period, generally on a field -by-field basis or group of fields which are reliant on common infrastructure.

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

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

2.2.6 Impairment

Financial Assets

A Financial asset is assessed at each reporting date to determine whether there is any objective evidence that is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.



2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2.6 Impairment (continued)

Financial Assets (continued)

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in the consolidated statements of income. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in the consolidated statement on impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in the consolidated statements of income. For available-for-sale financial assets that are equity securities, the change in fair value is recognised directly in the consolidated income statement.

In respect of trade and other receivables, the company would provide for impairment losses unless the company is satisfied that no recovery of the amount owing is possible; at that point the amounts are considered irrecoverable and are written off against the financial asset directly.

Non-Financial Assets

Impairment charges and reversals are assessed at the level of cash generating units. A cash generating unit (CGU) is the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or group of assets.

Formal impairment tests are carried out annually for goodwill. In addition, formal impairment tests for all assets are performed when there is an indication of impairment. The company conducts an internal review of asset values annually, which is used as a source of information to assess for any indications of impairment or reversal of previously recognised impairment losses. Internal and external factors are also monitored to assess for indicators of impairment or reversal of previously recognised impairment losses.

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

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



2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2.6 Impairment (continued)

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

The carrying amount of the CGU is determined on a basis consistent with the way the recoverable amount of the CGU is determined. The carrying amount is net of deferred tax liability recognised in the fair value of the assets acquired in business combination.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the assets or CGU is reduced to its recoverable amount. An impairment loss is recognised in the consolidated income statement.

Any reversal of the previously recognised impairment loss is limited to the extent that the asset's carrying amount doesn't exceed the carrying amount that would have been determined if no impairment loss had previously been recognised except if initially attributed to goodwill.

Exploration and Evaluation Assets

In assessing whether there is any indication that an exploration and evaluation asset may be impaired, the company considers, as a minimum, the following indicators:

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area;
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale; and
- Reserve information prepared annually by external experts.

When a potential impairment is identified, an assessment is performed for each area of interest in conjunction with the group of operating assets (representing a cash-generating unit) to which the exploration and evaluation assets is attributed. Exploration areas in which reserves have been discovered but require major capital expenditure before production can begin, are continually evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is under way or planned. To the extent that capitalised expenditure is no longer expected to be recovered, it is charged to the income statement.

2.2.7 Restoration, rehabilitation and environmental costs

At the end of the producing life of a field, costs are incurred in removing and decommissioning production facilities. The Company recognises the full discounted cost of dismantling and decommissioning as an asset and liability when the obligation arises.



CAIRN LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2020

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2.7 Restoration, rehabilitation and environmental costs (continued)

The decommissioning asset is included within property, plant & equipment – development/producing assets with the cost of the related installation. The liability is included within provisions. Revisions to the estimated costs of decommissioning which alter the level of the provisions required are also reflected in adjustments to the decommissioning asset. The amortisation of the asset, calculated on a unit of production basis based on proved and probable reserves, is included in the “Depletion and decommissioning charge” in the Income Statement, and the unwinding of the discount on the provision is included within “Finance costs”.

2.2.8 Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and in hand, short-term deposits with bank with original tenor less than 3 months and short term highly liquid investments that are readily convertible into cash which are subject to insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments.

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

2.2.9 Inventories

Inventories are measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

2.2.10 Provisions

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

3. ADMINISTRATIVE EXPENSES

	Year Ended 1 April 2019- 31 March 2020 \$	Year Ended 1 April 2018- 31 March 2019 \$
Professional fees	9,251	8,020
Premises insurance	-	-
	<u>9,251</u>	<u>8,020</u>



CAIRN LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2020

4. FINANCE COST

	Year Ended 1 April 2019- 31 March 2020	Year Ended 1 April 2018- 31 March 2019
	\$	\$
Interest on loan	31,199	30,552
	31,199	30,552

5. OTHER GAINS / (LOSSES)

	Year Ended 1 April 2019- 31 March 2020	Year Ended 1 April 2018- 31 March 2019
	\$	\$
Interest on deposits	4,614	4,650
Exchange gain /(losses)	(19,798)	(26,473)
Other Losses	-	-
	(15,184)	(21,824)

6. INTANGIBLE EXPLORATION/APPRaisal ASSETS

	31 March 2020	31 March 2019
	\$	\$
As at 1 April	-	-
Additions during the year	56,691	68,798
Exploration costs written off	(56,691)	(68,798)
As at 31 March	-	-



CAIRN LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2020

7. CASH AND CASH EQUIVALENTS

	31 March 2020	31 March 2019
	\$	\$
Cash and bank balances	6,275	15,010
Short-term bank deposits	117,016	32,051
	<u>123,291</u>	<u>47,061</u>

8. TIME DEPOSITS

	31 March 2020	31 March 2019
	\$	\$
Time deposits	150,000	150,000
	<u>150,000</u>	<u>150,000</u>

9. OTHER RECEIVABLES

	31 March 2020	31 March 2019
	\$	\$
Sundry debtors	32,548	44,266
	<u>32,548</u>	<u>44,266</u>

10. STATED CAPITAL

	\$
As at 1st April 2018 (1,910,543,842 fully paid ordinary shares)	170,390,000
Issued during the year	-
As at 31 March 2019 (1,910,543,842 fully paid ordinary shares)	170,390,000
Issued during the year	-
As at 31 March 2020 (1,910,543,842 fully paid ordinary shares)	170,390,000



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11. RETAINED LOSSES

	31 March 2020 \$	31 March 2019 \$
As at 1 April	(236,135,389)	(236,006,195)
(Loss) during the year	(112,325)	(129,194)
As at 31 March	<u>(236,247,714)</u>	<u>(236,135,389)</u>

12. TRADE AND OTHER PAYABLES

	31 March 2020 \$	31 March 2019 \$
Amount payable to:		
- Controlling entities – CIG Mauritius Private Limited* (Immediate Parent Company)	63,469,995	63,429,995
- Related entities – Cairn India Holdings Limited (Group Company)**	807,097	775,899
Joint venture creditors	2,885,073	2,780,392
Sundry creditors including accrued expenses	3,671	2,713
	<u>67,165,836</u>	<u>66,988,999</u>

*Non-interest bearing

**Interest bearing

13. RELATED PARTY DISCLOSURES

	Year Ended 1 April 2019- 31 March 2020 \$	Year Ended 1 April 2018- 31 March 2019 \$
13.1 Transactions with controlling parties and related entities		
Controlling entities		
- Amount borrowed from CIG Mauritius Private Limited (Immediate Parent Company)	-	-
Related entities		
- Interest on loan from Cairn India Holdings Limited (Group Company)	31,199	29,360



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13.2 Amount payable to controlling parties and related entities

Controlling entities		
- Payable to CIG Mauritius Private Limited (Immediate Parent Company)	63,469,995	63,429,994
Related entities		
- Payable to Cairn India Holdings Limited (Group Company)	807,097	775,899

Refer note 12 to these Notes to the Financial Statements for amounts due to related entities as at 31 March 2020.

13.3 Amount payable to controlling parties and related Entities under Joint venture creditors

- Vedanta Limited (Cairn India)	2,618,429	2,618,429
- CIG Mauritius Private Limited	50,166	50,166

14. COMMITMENT AND CONTINGENCIES

	31 March 2020	31 March 2019
14.1 CAPITAL EXPENDITURE COMMITMENT	\$	\$
Exploration capital commitment	-	-
	-	-

14.2 CONTINGENCIES

There are no contingencies as at 31 March 2020 (31 March 2019: Nil)

15. FINANCIAL RISK MANAGEMENT: OBJECTIVES AND POLICIES

The Company's primary financial instruments comprise cash, short and medium-term deposits, money market liquidity funds, and financial liabilities. Other alternatives, such as equity finance and project finance are reviewed by the Group's Board, when appropriate, to fund substantial acquisitions of oil and gas development projects.

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



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15. FINANCIAL RISK MANAGEMENT: OBJECTIVES AND POLICIES (continued)

Liquidity risk

Liquidity risk is the risk that an entity will encounter financial difficulty in meeting obligations associated with financial liabilities. As the operations of the Company has reduced significantly and there are no cash generating assets in the Company, adequate financial support extended in the form of equity finance and funds received from the sole shareholder, CIG Mauritius Private Limited and Group Company, Cairn India Holdings Limited will be used to pay out its future financial obligations. The Company is therefore not exposed to liquidity risk.

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 31 st March 2020	< 1 year	1-3 years	3-5 years	>5 years	Total
Trade and other Payables	67,165,705	-	-	-	67,165,705
	67,165,705	-	-	-	67,165,705
At 31 st March 2019	< 1 year	1-3 years	3-5 years	>5 years	Total
Trade and other Payables	66,988,999	-	-	-	66,988,999
	66,988,999	-	-	-	66,988,999

Interest rate risk

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

Short/medium-term borrowing arrangements are available at floating rates. The treasury functions may from time to time opt to manage a proportion of the interest costs by using derivative financial instruments like interest rate swaps. At this time, however, there are no such instruments (31 March 2019: \$nil).

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

	31 March 2020			31 March 2019		
	Floating rate	Fixed rate	Non-interest bearing	Floating rate	Fixed rate	Non-interest bearing
Financial Assets	-	267,016	37,977	-	225,726	14,962



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15. FINANCIAL RISK MANAGEMENT: OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

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

	31 March 2020			31 March 2019		
	Floating rate	Fixed rate	Non-interest bearing	Floating rate	Fixed rate	Non-interest bearing
Financial liabilities	705,000	-	66,460,705	705,000	-	66,283,883

Considering the net debt position in respect of floating rate instruments as at 31 March 2020 and the investment in bank deposits, foreign currency bonds and foreign mutual funds, any increase in interest rates would result in a net profit and any decrease in interest rates would result in a net loss. The sensitivity analysis below has been determined based on the exposure to interest rates at the balance sheet date.

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

Change in interest rates	31 March 2020	31 March 2019
	Effect on profit for the year	Effect on profit for the year
0.5%	(3,525)	(3,525)
1.0%	(7,050)	(7,050)
2.0%	(14,100)	(14,100)

Foreign currency risk

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

In order to minimise Company's exposure to foreign currency fluctuations, the company may enter into foreign exchange contracts in the applicable currency if deemed appropriate. The Company may also hold working capital balances in the same currency as functional currency, thereby matching the reporting currency and functional currency of most companies in the Company. This minimises the impact of foreign exchange movements on the Company's Balance Sheet.



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15. FINANCIAL RISK MANAGEMENT: OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

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

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

	31 March 2020	31 March 2020	31 March 2019	31 March 2019
	Financial Assets	Financial Liabilities	Financial Assets	Financial Liabilities
LKR	58,480	-	2,580	-
INR	5	120,553	5	130,491
AUD	-	37,965	-	43,815
GBP	-	1,737	-	1,836
USD	246,508	67,005,450	238,103	66,812,740
Total	304,993	67,165,705	240,688	66,988,883

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) and equity arising as a result of the revaluation of the company's foreign currency financial instruments:

	31 March 2020	
	Closing exchange rate	Effect of 10% strengthening of US dollar on net earning
LKR	189.16	5,848
AUD	1.63	(3,796)
INR	74.81	(12,055)
GBP	1.2375	(174)



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15. FINANCIAL RISK MANAGEMENT: OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

	31 March 2019	
	Closing exchange rate	Effect of 10% strengthening of US dollar on net earning
LKR	174.76	258
AUD	1.41	(4,381)
INR	69.17	(13,049)
GBP	1.308	(184)

The sensitivities are based on financial assets and liabilities held at 31 March 2020 where balances are not denominated in the company's functional currency. The sensitivities do not take into account the company's sales and costs and the results of sensitivities could change due to other factors such as change in the value of financial assets and liabilities as a result of non-foreign exchange influenced factors. A 10% depreciation of the US\$ would have an equal and opposite effect on the company's financial instruments.

Credit risk from investments with banks and other financial institutions is managed by the Group's Treasury functions in accordance with the Board approved policies. Investments of surplus funds are only made with approved counterparties who meet the appropriate rating and/or other criteria, and are only made within approved limits. The respective Boards continually re-assess the Group's policy and update as required. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty failure.

At the year end the Company does not have any significant concentrations of bad debt risk (if any) other than that disclosed in note 9.

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

Capital management

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

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

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



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16. FAIR VALUE OF 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. Since the financial statements have been prepared on a non-going concern basis, assets and liabilities including all financial assets and liabilities are valued at fair value. Hence, there is no difference between the carrying value and fair value with regards to the following financial assets and liabilities namely, time deposits, cash and cash equivalents, sundry debtors, joint venture creditors, amounts payable to group companies and sundry creditors.

17. EVENTS AFTER THE BALANCE SHEET DATE

No subsequent event has taken place since 31 March 2020, the balance sheet date.

