

CAIRN LANKA (PRIVATE) LIMITED
(in Liquidation)

FINANCIAL STATEMENTS AND REPORT OF DIRECTORS

31 MARCH 2023

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

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



**CAIRN LANKA (PRIVATE) LIMITED
(IN LIQUIDATION)**

CORPORATE INFORMATION

Directors:

Mr. Hitesh Narendra Vaid
Mr. Vikash Jain (resigned as on 13th April 2022)
Mr. Jagdeep Singh (with effect from 11th April 2022)

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 03
Sri Lanka

Registered No:

PV 64688

Bankers:

CITI BANK NA



CAIRN LANKA (PVT) LTD (IN LIQUIDATION) – P V 64688

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY FOR THE YEAR ENDED 31 MARCH 2023.

The Directors present their Report and Financial statement for the year ended 31 March 2023.

1. **PRINCIPAL ACTIVITIES AND NATURE OF OPERATIONS**

The Company held a 100% interest in the exploration area of block SL-2007-01-001 in Sri Lanka which was relinquished in 2015. The Company's principal activity was the exploration for commercial quantities of oil and/or gas.

During the year the Company made a Profit of \$1,501,227 (2022: Loss of \$82,946). No dividend has been paid or declared in respect of the year ended 31 March 2023. Further company has disposed of all its assets and has no plan in future to continue its operations.

Consequently, the Directors have determined that the going concern basis of preparation of financial is no longer appropriate. Thus, the accounts are prepared on Liquidation basis.

2. **FINANCIAL RESULTS**

The financial statements of the Company are given on page 7 to 26. During the year, the Company had impaired the exploration assets to bring down the carrying value as nil as the recoverable value is nil.

3. **AUDITOR'S REPORT**

The Auditor's Report on the Financial Statements is given on page 5 to 6.

4. **ACCOUNTING POLICIES**

The accounting policies and notes are given on page 11 to 26 in the Financial Statement and there were no material changes in the Accounting Policies adopted.

5. **INTEREST REGISTER**

The Company has passed a unanimous shareholder resolution to dispense with the requirement of Interest Register pursuant to Sec. 30 of the Companies Act No.07 of 2007.

6. **DIRECTORS**

The Board of Directors of the Company as at date are Mr. Jagdeep Singh and Mr. Hitesh Narendra Vaid whose names are indicated on the page titled "Corporate Information" on page 2.

No remuneration has been paid to the Directors during the period under review.



7. **DIRECTORS INTERESTS IN CONTRACT**

Mr. Jagdeep Singh and Mr. Hitesh Narendra Vaid were not directly or indirectly involved in the contracts with the Company during the year.

8. **EVENTS SUBSEQUENT TO THE REPORTING DATE**

No subsequent event has taken place since 31 March 2023, the reporting date.

9. **CONTINGENT LIABILITIES**

The Company had no significant contingent liabilities accruing as at 31 March 2023.

10. **CHARITABLE DONATIONS**

The Company did not make any charitable contributions in Sri Lanka during the period.

11. **CREDITORS PAYMENT POLICY**

It is the Company's payment policy to ensure settlement of suppliers' services in accordance with the terms of the applicable contracts. In most circumstances, settlement terms are agreed prior to business taking place.

12. **DISCLOSURE OF INFORMATION TO AUDITORS**

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

BY ORDER OF THE BOARD


.....
Jagdeep Singh
Director


.....
Hitesh Vaid
Director


.....
Secretary
Jacey and Company
Secretaries to Cairn Lanka (Pvt) Limited (in Liquidation)

Date: 08 August 2023

.....
Secretary
Jacey & Company
Secretaries



GSM/LD/GM

INDEPENDENT AUDITOR'S 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 Cairn Lanka (Private) Limited, which comprise the statement of financial position as at 31 March 2023, 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 2023 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 and when the management decides that it is not a going concern, disclosing as applicable, matters relating to use of the basis of accounting other than as a going concern.

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

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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.

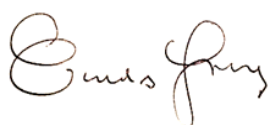
As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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.
- Conclude on the appropriateness of management's use of the other than going concern basis of accounting and assess the adequacy of related disclosures based on the audit evidence obtained.
- 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.



08 August 2023
Colombo

**CAIRN LANKA (PRIVATE) LIMITED
(IN LIQUIDATION)**

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2023

	Note	Year Ended 1 April 2022- 31 March 2023 \$	Year Ended 1 April 2021- 31 March 2022 \$
Revenue		-	-
Cost of Sales			
Exploration Costs Written Off	6	<u>(16,021)</u>	(78,171)
Gross Loss		(16,021)	(78,171)
Other Income	11	1,555,236	-
Administrative Expenses	3	(16,713)	(5,006)
Operating Profit/(Loss)		1,522,502	(83,177)
Finance Cost	4	(50)	(229)
Other Gains/((Losses)	5	(21,175)	460
Profit/(Loss) for the Year		1,501,277	(82,946)
Other Comprehensive Income		-	-
Total Comprehensive Income/(Loss)		1,501,277	(82,946)

The accounting policies and notes on pages 11 through 26 form an integral part of the Financial Statements.



**CAIRN LANKA (PRIVATE) LIMITED
(IN LIQUIDATION)**

STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

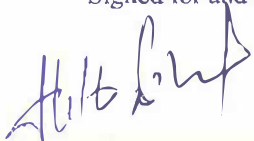
	Note	31 March 2023 \$	31 March 2022 \$
ASSETS			
Current Assets			
Inventory		-	991,450
Amounts Due from Related Parties		2,516,961	-
Cash and Cash Equivalents		-	144,262
		2,516,961	1,135,712
Total Assets		2,516,961	1,135,712
EQUITY AND LIABILITIES			
Equity Attributable to Equity Holders of the Parent			
Stated Capital	8	233,860,000	170,390,000
Retained Losses	9	(233,860,000)	(235,361,277)
Total Equity		-	(64,971,277)
Current Liabilities			
Amounts Due to Related Parties	10	2,516,961	66,106,989
		2,516,961	66,106,989
Total Equity and Liabilities		2,516,961	1,135,712

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

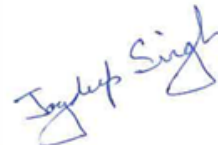


Finance Officer

The board of directors is responsible for the preparation and presentation of these Financial Statements. Signed for and on behalf of the board by:



Director



Director

The accounting policies and notes on pages 11 through 26 form an integral part of the Financial Statements.



**CAIRN LANKA (PRIVATE) LIMITED
(IN LIQUIDATION)**

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2023

	Stated Capital \$	Retained Losses \$	Total \$
As at 31 March 2021	170,390,000	(235,278,331)	(64,888,331)
1,910,543,842 Shares of LKR 10			
Loss for the Year	-	(82,946)	(82,946)
As at 31 March 2022	170,390,000	(235,361,277)	(64,971,277)
1,910,543,842 Shares of LKR 10			
New Shares Issued 1,182,699,980 Shares of LKR 10	63,470,000	-	63,470,000
Profit for the Year	-	1,501,277	1,501,277
As at 31 March 2023	233,860,000	(233,860,000)	-

3,093,243,822 Shares of LKR 10



**CAIRN LANKA (PRIVATE) LIMITED
(IN LIQUIDATION)**

STATEMENT OF CASH FLOWS

Year ended 31 March 2023

	Year Ended 1 April 2022- 31 March 2023 \$	Year Ended 1 April 2021- 31 March 2022 \$
Cash Flows Generated From / (Used In) Operating Activities		
Profit / (Loss) Before Tax	1,501,277	(82,946)
<i>Adjustments For:</i>		
Exploration Costs Written Off	6 16,021	78,171
Finance Costs	4 50	229
Finance Income	-	(246)
Unrealized Foreign Exchange (Gain) / Loss	21,175	(210)
Operating (Loss) / Gain Before Working Capital Changes	1,538,523	(5,002)
Increase/(Decrease) in Payables	(141,203)	33,843
(Increase)/Decrease in Receivables	(2,516,961)	-
(Increase)/Decrease in Inventory	991,450	10,833
Net Cash Flows From / (Used In) Operating Activities	(128,191)	39,674
Cash Flows Generated From/ (Used In) Investing Activities		
Expenditure on Exploration/Appraisal Assets	(16,021)	(78,171)
Interest Received	-	246
Net Cash Flows From/ (Used In) Investing Activities	(16,021)	(77,925)
Cash Flows Generated From/ (Used In) Financing Activities		
Interest Paid	(50)	(229)
Net Cash Flows Used in Financing Activities	(50)	(229)
Net (Decrease)/Increase in Cash and Cash Equivalents	(144,262)	(38,479)
Cash and Cash Equivalents at the Beginning of the Year	144,262	185,242
Effect of Exchange Rate Changes in Cash	-	(2,501)
Cash and Cash Equivalents at the End of the Year	7 -	144,262

The accounting policies and notes on pages 11 through 26 form an integral part of the Financial Statements.



**CAIRN LANKA (PRIVATE) LIMITED
(IN LIQUIDATION)**

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

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 Limited 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 2023 were authorized for issue in accordance with a resolution of the board of directors on 08 August 2023.

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. These financial statements have been prepared using the liquidation basis of accounting.

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 Liquidation basis of accounting

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.



**CAIRN LANKA (PRIVATE) LIMITED
(IN LIQUIDATION)**

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

2.1 BASIS OF PREPARATION (continued)

2.1.2 Liquidation basis of accounting (continued)

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

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.

Under the liquidation basis of accounting, all assets and liabilities are measured at their net realizable values. Costs expected to be incurred during the winding up, including administrative costs and professional fees expected to be incurred in future periods until the winding up of the Company is completed, have been accrued.

Provisions for contingent liabilities are accrued when the probability of loss is more likely than not. Contingent assets are not accrued unless receipt is virtually certain.

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 reporting 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 2023	Average 1 April 2022 - 31 March 2023	31 March 2022	Average 1 April 2021 - 31 March 2022
Sri Lanka Rupee (LKR)	329.08500	354.8068	294.03670	208.2797
Indian Rupee (INR)	82.16434	80.2724	75.58740	74.4623



**CAIRN LANKA (PRIVATE) LIMITED
(IN LIQUIDATION)**

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2.2 Financial liabilities

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

2.2.3 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:

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.

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 project, 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 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.



**CAIRN LANKA (PRIVATE) LIMITED
(IN LIQUIDATION)**

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

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

The Company follows a successful effort 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 Statement of Comprehensive Income.

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.

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.

2.2.5.1 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.



**CAIRN LANKA (PRIVATE) LIMITED
(IN LIQUIDATION)**

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2.5.1 Depletion (continued)

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.

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.

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. 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.

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 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



**CAIRN LANKA (PRIVATE) LIMITED
(IN LIQUIDATION)**

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

2.2.6 Impairment (continued)

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.

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. 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 statement of comprehensive income.



**CAIRN LANKA (PRIVATE) LIMITED
(IN LIQUIDATION)**

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimates.

3. ADMINISTRATIVE EXPENSES

	Year Ended 1 April 2022- 31 March 2023	Year Ended 1 April 2021- 31 March 2022
	\$	\$
Professional Fees	2,635	5,006
Rates & Taxes	14,078	-
	16,713	5,006



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Year ended 31 March 2023

4. FINANCE COST

	Year Ended 1 April 2022- 31 March 2023	Year Ended 1 April 2021- 31 March 2022
	\$	\$
Bank Charges	50	229
	50	229

5. OTHER GAINS / (LOSSES)

	Year Ended 1 April 2022- 31 March 2023	Year Ended 1 April 2021- 31 March 2022
	\$	\$
Interest on Deposits	-	246
Exchange Gains /(Losses)	(21,175)	214
	(21,175)	460

6. INTANGIBLE EXPLORATION/APPRAISAL ASSETS

	31 March 2023	31 March 2022
	\$	\$
Opening Balance	-	-
Additions During the Year	16,021	78,171
Exploration Costs Written Off	(16,021)	(78,171)
Closing Balance	-	-



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Year ended 31 March 2023

7. CASH AND CASH EQUIVALENTS

	31 March 2023	31 March 2022
	\$	\$
Cash and Bank Balances	-	144,262
	-	144,262

8. STATED CAPITAL

	\$
As at 1st April 2021 (1,910,543,842 fully paid ordinary shares)	170,390,000
Shares issued during the year	-
As at 31 March 2022 (1,910,543,842 fully paid ordinary shares)	170,390,000
1,182,699,980 fully paid shares issued during the year	63,470,000
As at 31 March 2023 (3,093,243,822 fully paid ordinary shares)	233,860,000

Note: During the year the Company has converted the Loan facility amounting to \$ 63,470,000/- into equity on 10 February 2023 with the approval from the Board of Investment of Sri Lanka dated 22 April 2022.



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Year ended 31 March 2023

9. RETAINED LOSSES

	31-March 2023	31-March 2022
	\$	\$
Opening Balance	(235,361,277)	(236,278,331)
Profit/(Loss) During the Year	1,501,277	(82,946)
Closing Balance	(233,860,000)	(235,361,277)

10. AMOUNTS DUE TO RELATED PARTIES

	31 March 2023	31 March 2022
	\$	\$
Amount Payable to:		
- Controlling Entities – CIG Mauritius Private Limited (Immediate Parent Company)	-	63,469,997
Related Entities (Refer Note Number 12)	2,516,961	2,636,992
	2,516,961	66,106,989

11. OTHER INCOME

	Year Ended 1 April 2022- 31 March 2023	Year Ended 1 April 2021- 31 March 2022
	\$	\$
Other Income*	1,555,236	-
	1,555,236	-

* Amount represents net of reversal of provision of USD 8,585,402 on account of sale of inventory.



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Year ended 31 March 2023

12. RELATED PARTY DISCLOSURES

	Year Ended	Year Ended
	01-April-2022	1 April 2021-
	31-March-2023	31-March-2022
	\$	\$
12.1 Transactions with controlling parties and related entities		
Controlling entities		
- Conversion of Trade Payable into equity (Immediate Parent Company – CIG Mauritius (Private) Limited)	63,470,000	-
Related entities		
- Sale of Inventory to Vedanta Limited	2,516,961	-
12.2 Amount payable to controlling parties and related entities		
Controlling entities		
- Payable to CIG Mauritius Private Limited (Immediate Parent Company) (now dissolved)	-	63,469,997
Refer note 10 to these Notes to the Financial Statements for amounts due to related entities as at 31 March 2023.		
12.3 Amount payable to controlling parties and related entities under Joint venture creditors		
- Vedanta Limited (Cairn India)	2,516,961	2,597,144
- Cairn India holding limited	-	2,257
<i>Further, certain administrative expenditure such as audit fees is borne by an affiliate company of the Parent entity</i>		
12.4 Amount receivable from related Entities under Joint venture		
- Vedanta Limited (Cairn India)	2,516,961	



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Year ended 31 March 2023

13. SETTLEMENT OF RELATED PARTY

Company is in the process of filling the approval from RBI, for settling of receivables against payables.

14. FINANCIAL RISK MANAGEMENT: OBJECTIVES AND POLICIES

The Company's primary financial instruments comprise receivables from related parties and payables to related parties. 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:

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 31st March 2023	< 1 year	1-3 years	3-5 years	>5 years	Total
Trade and Other Payables*	2,516,961	-	-	-	2,516,961
	2,516,961	-	-	-	2,516,961
At 31st March 2022	< 1 year	1-3 years	3-5 years	>5 years	Total
Trade and Other Payables*	66,106,989	-	-	-	66,106,989
	66,106,989	-	-	-	66,106,989

*Refer Note 12



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Year ended 31 March 2023

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

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 2023: \$nil).

The above strategies have been parted with as the company is under liquidation with the view of striking off the company within next few months.

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

	31 March 2023			31 March 2022		
	Floating rate	Fixed rate	Non-interest bearing	Floating rate	Fixed rate	Non-interest bearing
Financial Assets	-	-	2,516,961	-	-	144,262

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

	31 March 2023			31 March 2022		
	Floating rate	Fixed rate	Non-interest bearing	Floating rate	Fixed rate	Non-interest bearing
Financial Liabilities	-	-	2,516,961	-	-	66,106,989



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NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

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

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 financial statements.

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 2023 Financial Assets	31 March 2023 Financial Liabilities	31 March 2022 Financial Assets	31 March 2022 Financial Liabilities
LKR	-	-	5,252	-
INR			-	95,325
USD	2,516,961	2,516,961	139,010	66,011,664
Total	2,516,961	2,516,961	144,262	66,106,989

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:

Currency	31 March 2023		31 March 2022	
	Closing exchange rate	Effect of 10% strengthening of US dollar on net earning	Closing exchange rate	Effect of 10% strengthening of US dollar on net earning
LKR	-	-	294.03	525
INR	-	-	75.5874	(9,533)



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Year ended 31 March 2023

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

Foreign currency risk (continued)

Amount Payable to Vedanta limited of USD 2,516,961 will be completely settled with amount receivable from the same entity on account of sale of inventory. The said transaction is currently under RBI approval, therefore same is excluded from above calculations.

The sensitivities are based on financial assets and liabilities held at 31 March 2023 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. 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 2023. However, during the year the Company has converted the Loan facility amounting to \$ 63,470,000/- into equity on 10 February 2023 with the approval from the Board of Investment of Sri Lanka dated 22 April 2022.



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15. 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 reporting date. Since the financial statements have been prepared on liquidation 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 financial assets and financial liabilities namely, amounts receivable and payable from/to group companies.

16. EVENTS AFTER THE REPORTING DATE

No subsequent event has taken place since 31 March 2023, the reporting date.

