

CAIRN LANKA (PRIVATE) LIMITED  
FINANCIAL STATEMENTS AND REPORT OF DIRECTORS  
31 MARCH 2017

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. Pankaj Kalra  
Mr. Sunil Bohra

**Auditors:**

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

**Lawyers:**

Sudath Perera Associates  
#5, 9th Lane, Nawala Road,  
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



CAIRN LANKA (PVT) LTD – P V 64688

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY FOR THE YEAR ENDED 31 MARCH 2017.

The Directors have pleasure in submitting their Report together with the Audited Statement of Accounts for the year ended 31 March 2017.

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

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

During the year the Company made a loss of \$774,003 (2016: \$1,620,072). No dividend has been paid or declared in respect of the year ended 31 March 2017.

The first exploration phase for this block was for a period of 3 years commencing from 16th October 2008.

The phase-I exploration programme in the block SL 2007-01-001 (Sri Lanka) consisting of 1750 km<sup>2</sup> of 3D seismic and drilling of three exploration wells were completed in December, 2011, resulting in two sub commercial gas and condensate discoveries i.e. CLPLDorado-91H/1z and, the CLPL-Barracuda-1G/1. The well CLPL-Dorado-North-82K/1 was abandoned as a dry hole.

Following this success, the Company entered second phase of exploration extending for two years from 15 October 2011. As part of Sri Lanka Phase II exploration program, 600 sq.km of 3D seismic) was acquired and another exploration well was drilled in 2013. The well CLPL-Wallago-50H/1 was abandoned as a dry hole.

Two consequent 6 months' extension was granted by the Government of Sri Lanka (GoSL) deferring the expiry of second phase from 15 October 2013 to 15 October 2014. After that, the company sought an additional year extension, which was granted by Government of Sri Lanka (GoSL) deferring the second phase expiry.

In previous financial year, considering the prevailing macroeconomic climate, the low materiality and high development cost, together with low volume, high-risk exploration potential of the license fail to justify further appraisal capital expenditure or exploration activity. Further, given the prevailing 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 Srilankan Operation has been closed and all the assets and liabilities are being settled. As on balance sheet date, Majority of the assets held are Inventory and, efforts are ongoing for disposal of the same.

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



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

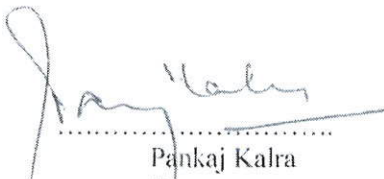
The directors of the Company who held office at 31 March 2017 confirm, as far as they are aware that there is no relevant audit information of which the Company's auditors are unaware. In making this confirmation, the directors have taken appropriate steps to make themselves aware of the relevant audit information and that the Company's auditors are aware of this information.

13. AUDITORS

The retiring Auditors Messrs Ernst & Young, Chartered Accountants, have signified their willingness to be re-appointed at a fee to be determined by the Board. The Audit fee payable for the year ended 31<sup>st</sup> March, 2017 amounted to LKR 400,000 (\$2,698) [2016: LKR 627,500 (\$4,486)].

The Auditor did not have any other relationship with the Company other than that of the Auditor, during the year under review.

BY ORDER OF THE BOARD

  
.....  
Pankaj Kalra  
Director

  
.....  
Sunil Bohra  
Director

.....  
Secretary  
Jacey and Company  
Secretaries to Cairn Lanka (Pvt) Ltd

Date: 15 May, 2017



GSM/MTP

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of Cairn Lanka (Private) Limited, ("the Company"), which comprise the balance sheet as at 31 March 2017 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

***Board's Responsibility for the Financial Statements***

The Board of Directors ("Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control as Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

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

***Opinion***

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 March 2017 and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

☺

(Contd...2/)



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working world

### **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.

### **Report on Other Legal and Regulatory Requirements**

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

- a) The basis of opinion and scope and limitations of the audit are as stated above.
- b) In our opinion:
  - 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, and
  - the financial statements of the Company, comply with the requirements of section 151 of the Companies Act No. 07 of 2007.

15 May 2017  
Colombo



CAIRN LANKA (PRIVATE) LIMITED

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2017

	Note	Year Ended 1 April 2016- 31 March 2017 \$	Year Ended 1 April 2015- 31 March 2016 \$
<b>Cost of Sales</b>			
Exploration Costs written off	6	(744,227)	(1,476,972)
<b>Gross Loss</b>		(744,227)	(1,476,972)
Administrative Expenses	3	(5,956)	(12,190)
<b>Operating Loss</b>		(750,183)	(1,489,162)
Finance Cost	4	(16,828)	(131,423)
Other Gains	5	(6,992)	513
<b>Loss for the year</b>		(774,003)	(1,620,072)
<b>Other Comprehensive Income</b>		-	-
<b>Total Comprehensive Income</b>		(774,003)	(1,620,072)

The accounting policies and notes on pages 12 through 23 form an integral part of the Financial Statements.



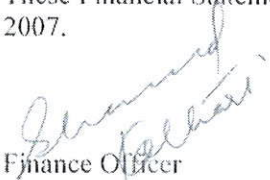
**CAIRN LANKA (PRIVATE) LIMITED**

**BALANCE SHEET**

As at 31 March 2017

	Note	31 March 2017 \$	31 March 2016 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Inventory		1,002,283	1,081,658
Cash and cash equivalents	7	338,814	90,856
Time deposits	8	150,000	150,000
Other receivables	9	629	57
		<u>1,491,726</u>	<u>1,322,571</u>
<b>Total Assets</b>		<u>1,491,726</u>	<u>1,322,571</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity Attributable to Equity Holders of the Parent</b>			
Stated capital	10	170,390,000	170,390,000
Retained losses	11	(235,834,802)	(235,060,799)
<b>Total Equity</b>		<u>(65,444,802)</u>	<u>(64,670,799)</u>
<b>Current Liabilities</b>			
Trade and other payables	12	66,936,528	65,993,370
		<u>66,936,528</u>	<u>65,993,370</u>
<b>Total Equity and Liabilities</b>		<u>1,491,726</u>	<u>1,322,571</u>

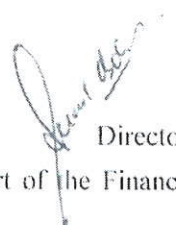
These Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.

  
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 12 through 23 form an integral part of the Financial Statements.

15 May, 2017





CAIRN LANKA (PRIVATE) LIMITED

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2017

	Note	Stated Capital \$	Retained Losses \$	Total \$
As at 1 April 2015 1,910,543,842 shares of LKR 10	10	170,390,000	(233,440,727)	(63,050,727)
Loss for the year	11	-	(1,620,072)	(1,620,072)
As at 1 April 2016 1,910,543,842 shares of LKR 10		170,390,000	(235,060,799)	(64,670,799)
Loss for the year	11	-	(774,003)	(774,003)
As at 31 March 2017		<u>170,390,000</u>	<u>(235,834,802)</u>	<u>(65,444,802)</u>

The accounting policies and notes on pages 12 through 23 form an integral part of the Financial Statements.



CAIRN LANKA (PRIVATE) LIMITED

CASH FLOW STATEMENT

Year ended 31 March 2017

	Note	Year Ended 1 April 2016- 31 March 2017 \$	Year Ended 1 April 2015- 31 March 2016 \$
<b>Cash flows generated from/(used in) operating activities</b>			
Loss before tax		(774,003)	(1,620,072)
Adjustments for:			
Exploration costs written off	6	1,049,108	1,476,972
Depreciation		(1,161)	-
Finance costs	4	16,828	67,411
Finance income	5	(1,877)	(513)
Unrealized foreign exchange difference		(9,296)	64,027
Trade and other receivables movement		(1)	-
Interest received		1,377	481
<b>Operating (loss)/Gain before working capital changes</b>		<b>280,975</b>	<b>(11,694)</b>
Increase/(decrease) in trade and other payables		(4,052)	3,172
(Increase)/decrease in Inventory		79,375	-
<b>Net cash flows from/(used in) operating activities</b>		<b>356,298</b>	<b>(8,522)</b>
<b>Cash flows generated from/(used in) investing activities</b>			
Expenditure on exploration/appraisal assets		(408,158)	(893,466)
<b>Net cash flows used in investing activities</b>		<b>(408,158)</b>	<b>(893,466)</b>
<b>Cash flows generated from/(used in) financing activities</b>			
Interest paid		-	(67,411)
Net proceeds from related parties		299,994	805,000
<b>Net cash flows generated from financing activities</b>		<b>299,994</b>	<b>737,589</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>248,134</b>	<b>(164,399)</b>
Cash and cash equivalents at the beginning of the year		90,856	255,550
Effect of exchange rate changes in cash		(176)	(295)
<b>Cash and cash equivalents at the end of the year</b>	7	<b>338,814</b>	<b>90,856</b>

The accounting policies and notes on pages 12 through 23 form an integral part of the Financial Statements.



**CAIRN LANKA (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year ended 31 March 2017

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**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. The ultimate controlling party of the Company is Volcan Investments Limited (“Volcan”). Vedanta Resources PLC is the intermediate holding Company of the Company.

**1.4 Date of Authorization for Issue**

The Financial Statements of the Company for the year ended 31 March 2017 were authorized for issue in accordance with a resolution of the board of directors on 15 May, 2017.

**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 previous financial year, 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 operation has been closed and all the assets and liabilities are being settled. As on balance sheet date, Majority of the assets held are Inventory and, efforts are ongoing for disposal of the same.



CAIRN LANKA (PRIVATE) LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
Year ended 31 March 2017

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 Financial Statements are presented in United State Dollars "\$", which is the Company's functional and presentation currency. Transactions in other than "\$" currency are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in other than "\$" currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. Exchange differences arising are taken to the Statement of Comprehensive Income 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 2017	Average 1 April 2016 - 31 March 2017	31 March 2016	Average 1 April 2015- 31 March 2016
Sri Lanka Rupee (LKR)	152.5223	148.2770	149.1998	139.8882
Indian Rupee (INR)	64.8386	67.0615	66.3329	65.6947



## 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2.2 Taxation

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

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

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

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

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

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

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

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



## 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2.3 Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except to the extent where borrowing costs that are directly attributable to the acquisition, construction, or production of an asset that takes a substantial period of time to get ready for its intended use or sale, are capitalized as part of that asset.

### 2.2.4 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 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, undepleted, within exploration/appraisal assets until such a 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 which are ultimately not considered commercially viable, all related costs are written off to the Statement of Comprehensive Income.

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 development/producing asset or replaces part of the existing development/producing asset. Any remaining costs associated with the part replaced are expensed.

Net proceeds from any disposal of an exploration asset are initially credited against the previously capitalised costs. Any surplus proceeds are credited to the Statement of Comprehensive Income. 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

Statement of Comprehensive Income 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

#### 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 and 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.

#### Impairment

Exploration/appraisal assets are reviewed regularly for indicators of impairment and costs are written off where circumstances indicate that the carrying value might not be recoverable. In such circumstances the exploration asset is allocated to development/producing assets within the same geographic segment and tested for impairment. Any such impairment arising is recognised in the Statement of Comprehensive Income for the period. Where there are no development/producing assets within a geographic segment, the exploration/appraisal costs are charged immediately to the Statement of Comprehensive Income.

### 2.2.5 Decommissioning

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. 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 Statement of Comprehensive Income, and the unwinding of the discount on the provision is included within “Finance costs”.

### 2.2.6 Cash and Cash Equivalents

Cash and cash equivalents are cash in hand, demand deposits and short-term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents.



CAIRN LANKA (PRIVATE) LIMITED  
 NOTES TO THE FINANCIAL STATEMENTS  
 Year ended 31 March 2017

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2.7 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement.

3. ADMINISTRATIVE EXPENSES

	Year Ended 1 April 2016- 31 March 2017	Year Ended 1 April 2015- 31 March 2016
	\$	\$
Professional fees	8,999	9,147
Premises insurance	(3,043)	3,043
	<u>5,956</u>	<u>12,190</u>

4. FINANCE COST

	Year Ended 1 April 2016- 31 March 2017	Year Ended 1 April 2015- 31 March 2016
	\$	\$
Interest on loan	16,828	67,407
Other finance cost	-	4
Exchange loss	-	64,012
	<u>16,828</u>	<u>131,423</u>





CAIRN LANKA (PRIVATE) LIMITED  
 NOTES TO THE FINANCIAL STATEMENTS  
 Year ended 31 March 2017

5. OTHER GAINS

	Year Ended 1 April 2016- 31 March 2017	Year Ended 1 April 2015- 31 March 2016
	\$	\$
Interest on deposits	1,877	513
Exchange gain	8,783	-
Others	(17,652)	-
	<u>(6,992)</u>	<u>513</u>

6. INTANGIBLE EXPLORATION/APPRaisal ASSETS

	31 March 2017	31 March 2016
	\$	\$
As at 1 April	-	-
Additions during the year	744,227	1,476,972
Exploration costs written off	(744,227)	(1,476,972)
Realisable value of stores and spares transferred to inventory	-	-
As at 31 March	<u>-</u>	<u>-</u>

7. CASH AND CASH EQUIVALENTS

	31 March 2017	31 March 2016
	\$	\$
Cash and bank balances	300,656	10,845
Short-term bank deposits	38,158	80,011
	<u>338,814</u>	<u>90,856</u>

8. TIME DEPOSITS

	31 March 2017	31 March 2016
	\$	\$
Time deposits	150,000	150,000
	<u>150,000</u>	<u>150,000</u>



CAIRN LANKA (PRIVATE) LIMITED  
 NOTES TO THE FINANCIAL STATEMENTS  
 Year ended 31 March 2017

9. OTHER RECEIVABLES

	31 March 2017 \$	31 March 2016 \$
Sundry debtors	629	57
	<u>629</u>	<u>57</u>

10. STATED CAPITAL

As at 1 <sup>st</sup> April 2015 (1,910,543,842 fully paid ordinary shares)	\$ 170,390,000
As at 1 <sup>st</sup> April 2016 (1,910,543,842 fully paid ordinary shares)	<u>170,390,000</u>
Issued during the year	-
As at 31 March 2017 (1,910,543,842 fully paid ordinary shares)	<u>170,390,000</u>

11. RETAINED LOSSES

	31 March 2017 \$	31 March 2016 \$
As at 1 April	(235,060,799)	(233,440,727)
(Loss) during the year	(774,003)	(1,620,072)
As at 31 March	<u>(235,834,802)</u>	<u>(235,060,799)</u>



**CAIRN LANKA (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year ended 31 March 2017

**12. TRADE AND OTHER PAYABLES**

	31 March 2017 \$	31 March 2016 \$
Amount payable to:		
- Controlling entities – CIG Mauritius Private Limited* (Immediate Parent Company)	63,429,994	63,130,000
- Related entities – Cairn India Holdings Limited (Group Company)**	620,479	603,651
Joint venture creditors	2,881,941	2,251,544
Sundry creditors including accrued expenses	4,114	8,175
	<u>66,936,528</u>	<u>65,993,370</u>

\*Non-interest bearing

\*\*Interest bearing

**13. RELATED PARTY DISCLOSURES**

	Year Ended 1 April 2016- 31 March 2017 \$	Year Ended 1 April 2015- 31 March 2016 \$
<b>13.1 Transactions with controlling parties and related entities</b>		
Controlling entities		
- Amount borrowed from CIG Mauritius Private Limited (Immediate Parent Company)	300,000	41,700,000
Related entities		
- Amount repaid to Cairn India Holdings Limited (Group Company)	-	41,495,000
- Amount borrowed from Cairn India Holdings Limited (Group Company)	-	600,000
- Interest on loan from Cairn India Holdings Limited (Group Company)	16,828	67,407
<b>13.2 Amount payable to controlling parties and related entities</b>		
Controlling entities		
- Payable to CIG Mauritius Private Limited (Immediate Parent Company)	63,429,994	63,130,000
Related entities		
- Payable to Cairn India Holdings Limited (Group Company)	620,479	603,651

Refer note 12 to these Notes to the Financial Statements for amounts due to related entities as at 31 March 2017.



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**14. COMMITMENT AND CONTINGENCIES**

	31 March 2017	31 March 2016
14.1 CAPITAL EXPENDITURE COMMITMENT	\$	\$
Exploration capital commitment	-	-
	-	-

**14.2 CONTINGENCIES**

There are no contingencies as at 31 March 2017 (31 March 2016: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:

**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.

**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.



**CAIRN LANKA (PRIVATE) LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

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**15. FINANCIAL RISK MANAGEMENT: OBJECTIVES AND POLICIES (continued)****Interest rate risk (continued)**

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

	Increase/decrease in basis points	Effect on loss before tax
1 April 2016- 31 March 2017	50/-50	\$ 199/(\$ 199)
1 April 2015- 31 March 2016	50/-50	\$ 12,932/(\$ 12,932)

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

**Foreign currency risk**

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

The following table demonstrates the sensitivity to movements in the \$: LKR, \$: INR, \$: AUD and \$: GBP exchange rates, with all other variables held constant, on the Company's monetary assets and liabilities. The Company's exposure to foreign currency changes for all other currencies is not material.

	Effect on loss before tax \$
1 April 2016- 31 March 2017	
10% increase/decrease in Sri Lanka Rupee to \$	23,147 / (28,291)
10% increase/decrease in Indian Rupee to \$	3,008 / (3,676)
10% increase/decrease in AUD to \$	(4,296) / 5,251
10% increase/decrease in GBP to \$	(159) / 195
1 January 2015- 31 March 2016	
10% increase/decrease in Sri Lanka Rupee to \$	(12,539) / 15,325
10% increase/decrease in Indian Rupee to \$	(9,597) / 11,729
10% increase/decrease in AUD to \$	(4,303) / 5,260
10% increase/decrease in GBP to \$	(183) / 224

**Credit risk**

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



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

**Credit risk (continued)**

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 2017.

**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 2017, the balance sheet date.

