CAIRN SOUTH AFRICA (PTY) LTD

SPECIAL PURPOSE IFRS FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

Sensitivity: Internal (C3)

STATEMENT OF COMPREHENSIVE LOSS

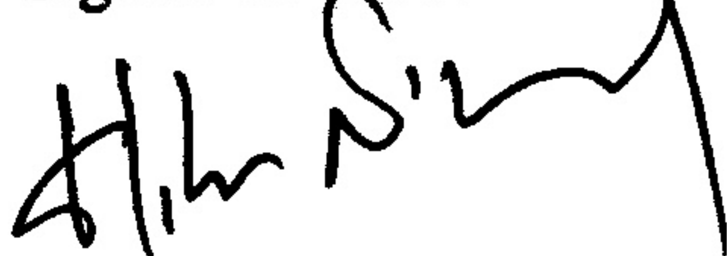
	Note	Year Ended 31 March 2020 US$	Year Ended 31 March 2019 US$
Revenue from contract with customers		-	-
Cost of Sales			
Exploration costs written off	7	(14,921)	(126,144)
Gross loss		**(14,921)**	**(126,144)**
Administrative expenses	3	(14,914)	(60,290)
Operating loss		**(29,835)**	**(186,434)**
Finance income	5	7	112
Finance cost	4	(1,275)	(1,302)
Other Gains and Losses	4a	89,774	(32,450)
Loss for the year		**58,670**	**(220,074)**
Total comprehensive loss for the year		**58,670**	**(220,074)**

STATEMENT OF FINANCIAL POSITION

	Note	31 March 2020 US$	31 March 2019 US$
ASSETS			
Non-current assets			
Intangible exploration/appraisal assets	7	-	-
Current assets			
Cash and cash equivalents	8	17,278	5,226
Total assets		**17,278**	**5,226**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Stated capital	9	38,400,000	35,800,000
Accumulated losses	10	(38,485,312)	(38,543,982)
Equity reserve (Share application pending allotment)		90,000	20,000
Total equity		**4,688**	**(2,723,982)**
Current liabilities			
Trade and other payables	11	12,590	2,729,208
Total liabilities		**12,590**	**2,729,208**
Total equity and liabilities		**17,278**	**5,226**

Financial Statements of Cairn South Africa (Pty) Ltd. were approved by the Board of Directors on September 9, 2020

Signed on behalf of the Board



Hitesh Vaid
Director
September 9, 2020

The accompanying notes form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

	Note	Stated capital US$	Accumulated Losses US$	Equity Reserve US$	Total US$
As at 01 April 2018		**35,700,000**	**(38,323,908)**	**20,000**	**(2,603,908)**
Issue of share capital for cash 1 share	9	100,000	-	-	100,000
Total comprehensive loss for the year	10	-	(220,074)	-	(220,074)
As at 31 March 2019		**35,800,000**	**(38,543,982)**	**20,000**	**(2,723,982)**
Issue of share capital for cash 1 share	9	2,600,000	-	(20,000)	2,580,000
Share application money received during the year- pending allotment				90,000	90,000
Total comprehensive loss for the year	10	-	58,670	-	58,670
As at 31 March 2020		**38,400,000**	**(38,485,312)**	**90,000**	**4,688**

CASH FLOW STATEMENT

	Note	2020 US$	2019 US$
Cash flows from operating activities			
Loss before tax		**58,670**	(220,074)
Adjustments for:			
Exploration costs written off	7	**14,921**	126,144
Finance income	5	**(7)**	(112)
Finance costs	4	**1,275**	-
Exchange loss/ (gain)	4a	**30,227**	(38,615)
Operating loss before working capital changes		**105,087**	(55,427)
Movement in trade and other payables		**(2,746,631)**	60,486
Movement in trade and other receivables		**-**	-
Net cash flows used in operating activities (A)		**(2,641,547)**	5,059
Cash flows from investing activities			
Expenditure on exploration/appraisal assets		**(14,921)**	(126,144)
Interest received		**7**	112
Net cash flows used in investing activities (B)		**(14,914)**	(126,032)
Cash flows from financing activities			
Proceeds from issuance of shares		**2,670,000**	100,000
Interest paid		**(1,275)**	-
Net cash flows generated from financing activities (C)		**2,668,725**	100,000
Net cash Increase/(decrease) in cash and cash equivalents (A+ B+ C)		**12,264**	(20,973)
Cash and cash equivalents at the beginning of the year		**5,226**	27,893
Effect of exchange rate changes in cash		**(212)**	(1,694)
Cash and cash equivalents at the end of the year	8	**17,278**	5,226

ACCOUNTING POLICIES

1. CORPORATE INFORMATION

1.1 General

Cairn South Africa (Pty) Ltd ("Company") is a private limited Company incorporated and domiciled in South Africa. The registered office of the Company is located at 22, Bree Street, Cape Town, 8001, South Africa.

1.2 Principal Activities and Nature of Operations

During the year, the principal activities of the Company were oil and gas exploration.

1.3 Parent Entity and Ultimate Parent Entity

The Company's parent entity is Cairn Energy Hydrocarbons Limited. The ultimate controlling entity of the Company is Volcan Investments Limited ("Volcan"). Vedanta Resources Plc. is the intermediate holding Company of the Company.

1.4 Date of Authorisation for Issue

The Annual Financial Statements of Company for the year ended 31 March 2020 were authorised for issue in accordance with a resolution of the board of directors on September 9, 2020

2 BASIS OF PREPARATION

The Annual Financial Statements have been prepared in accordance with historical cost basis. The financial statements have been prepared in accordance with the International Financial Reporting Standards in addition to the following :

- All assets have been assessed for impairment regardless of whether any indicators for impairment was identified and;
- All possible liabilities that might arise from the deregistration has been accrued for.

2.1.1 Statement of Compliance

The Annual Financial Statements of the Company have been prepared in accordance with International Financial Reporting Standards "IFRS".

2.1.2 Going Concern

As the operations has been closed, the Company has settled all the assets and liabilities (except few balances) on Year ended 31 March 2020 with adequate financial support received from its parent in order to discharge its liabilities. The management is contending to liquidate the Company once all statutory requirements have been complied with. Refer to note 17 for further disclosures on going concern matters.

2.2 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the process of applying the Company's accounting policies, management has made the following judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the Annual Financial Statements.

Contingencies and commitments

In the normal course of business, contingent liabilities or provisions may arise from litigation, taxation and other claims against the Company, provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation.

Where it is management's assessment that the outcome cannot be reliably quantified or is uncertain the claims are disclosed as contingent liabilities unless the likelihood of an adverse outcome is remote. Such liabilities are disclosed in the notes but are not provided for in the financial statements.

Sensitivity: Internal (C3)

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS (continued)

When considering the classification of a legal or tax cases as probable, possible or remote there is a judgement involved. This pertains to the application of the legislation, which in certain cases is based upon management's interpretation of laws of the land and the likelihood of settlement. Management uses in-house and external legal professionals to inform their decision. Although there can be no assurance regarding the final outcome of the legal proceedings, the company doesn't expect them to have a materially adverse impact on its financial position or profitability.

Fair value

When the fair values of financial assets and liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the Discounted Cash flow Model. The inputs into these models are taken from observable markets where possible but if this is not feasible, a degree of judgement is required in establishing fair values.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.3.1 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 Statement of financial position 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 Statement of comprehensive Loss except for those incurred on borrowings specifically allocated to development projects, which are capitalised as part of the cost of the asset.

Foreign currency exchange rates

	31 March 2020	**Average 2020**	**31 March 2019**	**Average 2019**
ZAR	17.892	14.784	14.479	13.757
Indian Rupee (INR)	74.8109	70.8601	69.171	69.889

2.3.2 Accounting standards

The Company's annual financial statements are consistent with IFRS as issued by the International Accounting Standards Board ("IASB").

The Company has adopted all new or amended and revised accounting standards and interpretations ('IFRSs') issued by IASB effective for the year ended 31 March 2020. (Refer note 2.4)

2.3.3 Presentation currency

The functional and presentation currency of the Company is US Dollars ("US$"). The Company's policy on foreign currencies is detailed in note 2.3.1.

2.3.4 Jointly Controlled Operations

A farm-in-agreement is a contract signed between two companies, the Farmor and Farmee, where the Farmor is the owner of the acreage and the Farmee is willing to perform the drilling and exploration in the acreage of the Farmor.

2.3.4 Jointly Controlled Operations (continued)

As per the farm-in-agreement signed between PetroSA and Cairn Energy Hydrocarbon Limited (acting on behalf of its wholly owned subsidiary Cairn South Africa (Pty) Ltd) (Cairn) , PetroSA transfers sixty percent (60%) of its participating or exploration right awarded by the South African Agency for Promotion of Petroleum Exploration and Exploitation (SOC) Limited to Cairn. In exchange, for the transferred interest Cairn paid sixty of license fees paid by PetroSA to the government in respect of the concerned block.

A Joint arrangement is an arrangement of which two or more parties have joint control. Joint control is considered when there is contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Company participates in unincorporated joint operations which involves the joint control of assets used in the Company's oil and gas exploration and producing activities. The Company accounts for its share of assets, liabilities, income and expenditure of the Joint Operation in which the Company holds an interest, classified in the appropriate Statement of Financial Position and Statement of comprehensive loss headings. The Company's principal licence interests are jointly controlled operations.

The parties to the jointly controlled operations are Cairn South Africa (Pty) Ltd which has a 60% participating interest and PetroSA (SOC) Ltd which has a 40% participating interest.

During FY 2018-19, Company had received letter from PASA (Petroleum Agency SA) that exploration right has lapsed through effluxion of time, in line with past judicial precedents and asked to submit a closure application. The company along with Petro SA had filed the closure application on September 19th, 2018. The Petroleum Agency SA invited Cairn SA to a final exploration right closure meeting on 17th September 2019 in Cape Town, South Africa, to present on the activities conducted during the tenure of exploration right, prior to the issuing of the closure certificate. Subsequently, the application for the closure has been granted on 20th September 2019. As a result, all the operations have been closed.

2.3.5 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 statement of financial position date.

Deferred tax is provided, using the statement of financial position method, on all temporary differences at the statement of financial position 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;

- DTAs are only recognised to the extent that it is probable that future taxable profits will be available against which these can be utilised.

Sensitivity: Internal (C3)

2.3.5 Taxation (continued)

The carrying amount of deferred income tax assets are reviewed at each statement of financial position 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 statement of financial position date. Tax relating to items recognised directly in other comprehensive income is recognised in the statements of comprehensive income and not profit/loss.

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.

2.3.6 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, 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 Statement of comprehensive loss.

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. 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 capitalized within the development assets.

Sensitivity: Internal (C3)

ACCOUNTING POLICIES (continued)

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

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 loss. 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 loss to the extent that the net proceeds exceed or are less than the appropriate portion of the net capitalised costs of the asset. There are no restrictions on title and no amount is pledged as security for fixed assets.

2.3.7 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.

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.

2.3.8 Impairment

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.

Sensitivity: Internal (C3)

ACCOUNTING POLICIES (continued)

2.3.8 Impairment (continued)

Non-Financial Assets (continued)
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.

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 company'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 statement of comprehensive loss.
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.

Intangible exploration/appraisal assets
In assessing whether there is any indication that an Intangible exploration/appraisal assets 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.

Sensitivity: Internal (C3)

2.3.8 Impairment (continued)

Intangible exploration/appraisal assets (continued)
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 loss.

2.3.9 Restoration, rehabilitation and environmental costs

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the development or ongoing production of oil fields. Costs arising from the decommissioning of plant and other site preparation work are provided for based on their discounted net present value, with a corresponding amount being capitalised at the start of each project. 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. The amount provided for is recognised, as soon as the obligation to incur such costs arises. These costs are charged to the statement of comprehensive income over the life of the operation through the depreciation of the asset and the unwinding of the discount on the provision. The cost estimates are reviewed periodically and are adjusted to reflect known developments which may have an impact on the cost estimates or life of operations. The cost of the related asset is adjusted for changes in the provision due to factors such as updated cost estimates, new disturbance and revisions to discount rates.

The adjusted cost of the asset is depreciated over the lives of the assets to which they relate. The unwinding of the discount is shown as a finance cost in the statement of comprehensive loss.

Costs for restoration of subsequent site damage which is caused on an ongoing basis during production are provided for at their net present value and charged to the statement of comprehensive loss as extraction progresses. Where the costs of site restoration are not anticipated to be significant, they are expensed as incurred.

2.3.10 Financial instruments

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

i) Financial assets

A) Initial recognition and measurement
All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Sensitivity: Internal (C3)

2.3.10 Financial instruments (continued)

Interest income from debt instruments is recognised using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses.

B) Derecognition
The Company derecognises a financial asset when the contractual rights to cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

C) Impairment
In accordance with IFRS 9, the Company applies expected credit loss ("ECL") model for measurement and recognition of impairment loss on the following financial assets:
Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, debt securities and deposits

The Company follows 'simplified approach' for recognition of impairment loss allowance on trade receivables, contract assets and lease receivables. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

At each reporting date, for recognition of impairment loss on other financial assets and risk exposure, the Company determines whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used.

If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the Company reverts to recognising impairment loss allowance based on 12-month ECL.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive, discounted at the original EIR. ECL impairment loss allowance (or reversal) during the year is recognised as income/expense in profit or loss. The statement of financial position presentation for financial assets measured at amortised cost is described below:
ECL is presented as an allowance, i.e., as an integral part of the measurement of those assets in the balance sheet. The Company does not reduce impairment allowance from the gross carrying amount.

For assessing increase in credit risk and impairment loss, the Company combines financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.
The Company does not have any purchased or originated credit-impaired (POCI) financial assets, i.e., financial assets which are credit impaired on purchase/origination.

Sensitivity: Internal (C3)

ACCOUNTING POLICIES (continued)

ii) Financial liabilities

A) Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or as loans and borrowings, payables, as appropriate.

All financial liabilities are recognised initially at fair value, and in the case of financial liabilities at amortised cost, net of directly attributable transaction costs.

The Company's financial liabilities consists of trade and other payables.

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

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

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

2.3.11 Cash and Cash Equivalents
Cash and cash equivalents comprise cash at bank and in hand, short-term deposits with bank 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, net of bank overdrafts.

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

2.3.13 Interest-bearing bank loans and borrowings
Interest bearing loans and overdrafts are recorded at the fair value. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis and charged to the statement of comprehensive income using the effective interest method. They are netted against the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Sensitivity: Internal (C3)

ACCOUNTING POLICIES (continued)

2.3.14 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 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 statement of comprehensive loss 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.

2.3.15 Provisions for liabilities and charges

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 statement of comprehensive loss as a finance cost. Provisions are reviewed at each statement of financial position date and are adjusted to reflect the current best estimates.

2.3.16 Revenue Recognition

Revenues from contracts with customers is recognised when control of the goods or services is transferred to the customer which usually is on delivery of the goods to the shipping agent at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Revenue is recognised net of discounts, volume rebates, outgoing sales taxes/ goods and service tax and other indirect taxes excluding excise duty. Revenues from sale of by-products are included in revenue.

Revenue from oil, gas and condensate sales represent the Company's share of oil, gas and condensate production, recognised on a direct entitlement basis, when control is transferred to the buyers. Direct entitlement basis represents entitlement to variable physical volumes of hydrocarbons, representing recovery of the costs incurred and a stipulated share of the production remaining after such cost recovery. The stipulated share of production is arrived at after reducing government's share of profit petroleum which is accounted for when the obligation in respect of the same arises.

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs part of its obligation by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration when that right is conditional on Company's future performance.

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is received. Contract liabilities are recognised as revenue when the Company performs under the contract.

Sensitivity: Internal (C3)

2.3.16 Revenue Recognition (continued)

Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

Interest income
Interest income from debt instruments is recognised using the effective interest rate method on an accrual basis and is recognised as finance income in the statement of comprehensive loss.

2.4 New Standards and Interpretations

2.4.1 Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

The Company has adopted with effect from 01st April 2019, the following new amendments and pronouncements:

IFRS 16: Lease
IFRS 16, Leases, replaces the existing standard on accounting for leases, IAS 17, with effect from 1 April 2019. This standard introduces a single lessee accounting model and requires a lessee to recognize a 'right of use asset' (ROU) and a corresponding 'lease liability' for all leases. Lease costs will be recognised in the income statement over the lease term in the form of depreciation on the ROU asset and finance charges representing the unwinding of the discount on the lease liability. In contrast, the accounting requirements for lessors remain largely unchanged.

The Company has elected to apply the modified retrospective approach on transition, and accordingly the comparative figures will not be restated. For contracts in place at this date, the Company will continue to apply its existing definition of leases under current accounting standards (“grandfathering”), instead of reassessing whether existing contracts are or contain a lease at the date of application of the new standard. Further, as permitted by IFRS 16, the Company will not bring leases of low value assets or short-term leases with 12 or fewer months remaining on to balance sheet.

Transition to IFRS 16 does not have a material effect on the Company’s Financial Statement.

Other Amendments

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended IAS and IFRS effective as of 1 April 2019:

IFRIC 23 - IFRIC 23 clarifies how to apply the recognition and measurement requirements in IAS 12 *Income Taxes* when there is uncertainty over income tax treatments. A consequential impact of the clarification is on the disclosure of contingent liabilities. The clarification did not have a material effect on the Company’s financial statements as the Company does not have any litigation matters under the Income Tax.

Sensitivity: Internal (C3)

2.4 New Standards and Interpretations (continued)

A number of other minor amendments to existing standards also became effective on 01 April 2019 and have been adopted by the Group. The adoption of these new accounting pronouncements did not have a material impact on the accounting policies, methods of computation or presentation applied by the Group.

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are not expected to have a significant impact on the Group's financial statements. The Group has not early adopted any amendment, standard or interpretation that has been issued but is not yet effective.

None of the new standards or amendments to standards that are mandatory for the first time materially affected any of the amounts recognised in the current period or any prior period and are not likely to significantly affect future periods.

Sensitivity: Internal (C3)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Year Ended March 2020 US$	Year Ended March 2019 US$
3. ADMINISTRATIVE EXPENSES		
Professional fees	16,518	2,119
Miscellaneous costs	(2,550)	19,377
Legal Fees	945	38,794
	14,914	**60,290**

Administrative expenses include accrual of $2,800 (year ended 31 March 2019: $8,291) against auditor's remuneration for the year.

4. FINANCE COST

	Year Ended March 2020 US$	Year Ended March 2019 US$
Bank and other charges	1,275	1,302
	1,275	**1,302**

4a. Other Gains and Losses

	Year Ended March 2020 US$	Year Ended March 2019 US$
Exchange (gain)/ loss	(89,773)	32,450
	30,218	**32,450**

5. FINANCE INCOME

	Year Ended March 2020 US$	Year Ended March 2019 US$
Interest income from effective interest	7	112
Exchange gain	-	-
	7	**112**

6. DEFERRED TAX

	Year Ended March 2020 US$	Year Ended March 2019 US$
Profit/(Loss) before tax	58,670	(220,074)
Tax Rate (@ 28%)	(17,170)	(61,621)
Permanent differences arising on (Para 5 of the10th schedule of -Income tax 1962) exploration deductions	(4,178)	(35,320)
Deferred tax asset not recognised on assessed loss	21,348	96,941
Tax	-	-

Sensitivity: Internal (C3)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

6. DEFERRED TAX (continued)

The brought forward assessed loss cannot be carried forward in future years in case the entity has ceased trading as per section 20(1)(a) of the Income Tax Act 58 of 1962. **Therefore, in the income tax return of the FY 2018-19, the brought forward tax losses have been written off**. Further, the deferred tax asset of US $ 21,348 [Year ended 31 March 2019 $17,349,700] has not been recognized in respect of the tax losses incurred during the year as such losses can't be carried forward as per the aforementioned section of the Income Tax Act 58 of 1962.

	2020	**2019**
	US$	**US$**
7. INTANGIBLE EXPLORATION/APPRAISAL ASSETS		
As at 1 April	-	-
Additions during the year	14,921	137,821
Exploration costs written off	(14,921)	(126,144)
Asset disposal	-	(11,677)
As at 31 March	**-**	**-**
8. CASH AND CASH EQUIVALENTS		
Cash at bank	17,278	5,226
	17,278	**5,226**
9. STATED CAPITAL		
Authorised shares		
No. of ordinary shares (No Par Value)	100,000	100,000
Paid up amount	**US$**	**US$**
As at 1 April	35,800,000	35,700,000
Fully paid ordinary shares - issued for cash 26 shares (March 2019:1 share)	2,600,000	100,000
	38,400,000	**35,800,000**
10. ACCUMULATED LOSSES		
Opening	(38,543,982)	(38,323,908)
Loss during the year	58,670	(220,074)
Closing	**(38,485,312)**	**(38,543,982)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

11. TRADE AND OTHER PAYBLES

	2020 US$	2019 US$
Joint operation creditors	1,881	2,713,388
Sundry creditors including accrued expenses	10,709	15,820
	12,590	**2,729,208**

12. CONTINGENCIES

As part of the farm-in agreement for Block 1, the Group was required to carry its joint operation partner, Petro SA, up to a gross expenditure of US$ 100.0 million for a work programme including 3D and 2D seismic studies and at least one exploration well. Till 2018-19, the Group had spent US$ 38.1 million towards exploration expenditure and a minimum carry of US$ 61.9 million (including drilling one well) was outstanding at the end of the initial exploration period. The Group had sought an extension for execution of deed for entry into the second renewal phase of the exploration period with a request to maintain status quo of the prior approvals due to uncertainty in the proposed changes in fiscal terms impacting the Group financial interest in the block. The same was granted by the South African authority subject to risk of exploration right getting expired on account of recent High Court judgments. The Group had provided for the requisite damages as applicable under the South African Regulations.

During Q2, financial year 2018-19, Company had received letter from PASA (Petroleum Agency SA) that exploration right had lapsed through effluxion of time, in line with past judicial precedents and asked to submit a closure application. The company along with Petro SA has filed the closure application on 19 September 2018.

The Petroleum Agency SA invited Cairn SA to a final exploration right closure meeting on 17th September 2019 in Cape Town, South Africa, to present on the activities conducted during the tenure of exploration right, prior to the issuing of the closure certificate. Subsequently, the application for the closure has been granted on 20th September 2019. Hence, there are no contingencies as at 31 March 2020 (31 March 2019: US $61.9 million).

13. RELATED PARTIES

Relationships	**Name of the related party**
Ultimate Holding Company	Volcan Investments Limited
Parent Holding Company	Cairn Energy Hydrocarbons Limited
Indian Parent Company of Cairn Energy Hydrocarbons Limited	Vedanta Limited (formerly Cairn India Limited)

Amounts included in trade payables regarding related parties	**2020 US$**	**2019 US$**
Vedanta Limited	-	(2,488,597)
Cairn Lanka (Private) Limited	-	(92,844)

Note: During the current year, the Company has issued twenty six additional equity shares to its holding company Cairn Energy Hydrocarbons Limited of US$2,600,000 (2019: US$100,000). Further, during the current year share application money of US$90,000 has been received as an equity contribution but has not been allocated to share capital till date.

Sensitivity: Internal (C3)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

14. DIRECTORS' EMOLUMENTS

No emoluments were paid to the directors during the year.

15. FINANCIAL RISK MANAGEMENT: OBJECTIVE AND POLICIES

The Company's primary financial instruments comprise cash, and financial liabilities held at amortised cost. The Company's strategy has been to finance its operations through a mixture of retained profits and bank borrowings. Other alternatives, such as equity finance and project finance are reviewed by the Board, when appropriate, to fund substantial acquisitions of oil and gas development projects.

The Company treasury function is responsible for managing investment and funding requirements including banking and cash flow monitoring. It must also recognise and manage interest and foreign exchange exposure whilst ensuring that the Company has adequate liquidity at all times in order to meet its immediate cash requirements.

The Company may from time to time, opt to use derivative financial instruments to minimise its exposure to fluctuations in foreign exchange and interest rates. The main risks arising from the Company's financial instruments are liquidity risk, interest rate risk, foreign currency risk, capital management risk and credit risk. The Board reviews and agrees policies for managing each of these risks and these are summarised below:

Liquidity Risk
During the current year, The Petroleum Agency SA invited Cairn SA to a final exploration right closure meeting on 17th September 2019 in Cape Town, South Africa, to present on the activities conducted during the tenure of exploration right, prior to the issuing of the closure certificate. Subsequently, the application for the closure has been granted on 20th September 2019, hence no liquidity risk as on 31st March, 2020.

The maturity profile of the company's financial liabilities based on the remaining period from the statement of financial position date to the contractual maturity date is given in the table below:

(In US$)

At 31st March 2020	**< 1 year**	**1-3 years**	**3-5 years**	**>5 years**	**Total**
Trade and other Payables	**12,590**	**-**	**-**	**-**	**12,590**
	12,590	**-**	**-**	**-**	**12,590**
At 31st March 2019	**< 1 year**	**1-3 years**	**3-5 years**	**>5 years**	**Total**
Trade and other Payables	**2,729,208**	**-**	**-**	**-**	**2,729,208**
	2,729,208	**-**	**-**	**-**	**2,729,208**

Sensitivity: Internal (C3)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

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

Interest rate risk
The Company is not exposed to interest rate risk in respect of fixed and variable rate borrowings.

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.

The Company also aims to hold working capital balances in the same currency as functional currency, thereby matching the reporting currency and functional currency of most companies in the Group. This minimises the impact of foreign exchange movements on the Company's Statement of financial position.

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 fair value of the outstanding currency derivatives as at 31 March 2020 was US$ nil (31 March 2019: US$ nil).

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

(In US$)

	31 March 2020 Financial Assets US$	**31 March 2020 Financial Liabilities US$**	31 March 2019 Financial Assets US$	31 March 2019 Financial Liabilities US$
USD	**16,986**	**-**	3,052	2,675,912
INR	**-**	**-**	-	53,296
ZAR	**292**	**12,590**	2,174	-
Total	**17,278**	**12,590**	5,226	2,729,208

The following table demonstrates the sensitivity to movement in the US$: INR 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.

(In US$)

	31 March 2020	
	Closing exchange rate	**Effect of 10% strengthening of US dollar on net earning**
ZAR	**17.89**	**1,169**

Sensitivity: Internal (C3)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Foreign currency risk (continued)

		(In US$)
		31 March 2019
	Closing exchange rate	Effect of 10% strengthening of US dollar on net earning
INR	69.17	5,330

Credit risk
Credit risk from investments with banks and other financial institutions is managed by the Treasury functions in accordance with the Board approved policies. 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 Board continually re-assess the Company'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 credit risk.

The maximum credit risk exposure relating to financial assets is represented by the carrying value as at the statement of financial position 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. (Refer note 17)

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.

Sensitivity: Internal (C3)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

16. FINANCIAL INSTRUMENTS

The Company calculates the fair value of assets and liabilities by reference to amounts considered to be receivable or payable on the statement of financial position date. The Company's financial assets and liabilities, together with their fair values are as follows:

Financial assets	**Carrying amount**		**Fair value**	
	31 March 2020 US$	**31 March 2019 US$**	**31 March 2020 US$**	**31 March 2019 US$**
Cash and cash equivalents	**17,278**	5,226	**17,278**	5,226 -
	17,278	5,226	**17,278**	5,226

Financial liabilities	**Carrying amount**		**Fair value**	
	31 March 2020 US$	**31 March 2019 US$**	**31 March 2020 US$**	**31 March 2019 US$**
Trade and other payables	**12,590**	2,729,208	**12,590**	2,729,208
	12,590	2,729,208	**12,590**	2,729,208

Fair value hierarchy

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

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

At 31 March 2020 the Company had no financial instruments in level 1, 2 or 3.

Sensitivity: Internal (C3)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

17. GOING CONCERN MATTER

Cairn South Africa (Pty) Limited made a profit for the year ended 31st March 2020 of US$ 58,670 (31 March 2019: US$ 220,074) .The total assets exceed total liabilities as at 31st March 2020 by US$ 4,688 & (total liabilities exceeded total assets as at 31 March 2019 by US$ 2,723,982).

In addition, due to uncertainty over the fiscal regime in South Africa and expiry of the exploration right of the block in FY 18-19, the future continuing exploration activities in the block had been discontinued and the Company had filed the closure application with Petroleum Agency SA (PASA) on 19 September 2018.

During the current year, The Petroleum Agency SA invited Cairn SA to a final exploration right closure meeting on 17th September 2019 in Cape Town, South Africa, to present on the activities conducted during the tenure of exploration right, prior to the issuing of the closure certificate. Subsequently, the application for the closure has been granted on 20th September 2019.

As the operations has been closed, the Company has settled all the assets and liabilities (except few balances) on Year ended 31 March 2020 with adequate financial support received from its parent in order to discharge its liabilities. The management is contending to liquidate the Company once all statutory requirements have been complied with. IAS1 – Presentation of Financial Statements and IAS10 – Events after the Reporting Period require that the financial statements should not be prepared on a going concern basis if management determines that it intends to liquidate the entity or to cease trading. The directors have considered an alternative basis of preparation but believe that IFRS as a basis for preparation best reflects the financial position and performance of the entity.

The carrying value of the assets, which were determined in accordance with the accounting policies, have been reviewed for possible impairment and changes which have occurred since the year end and consideration has been given to whether any additional provisions are necessary as a result of the decision to deregister. It is expected that all assets will realise at least at the amounts at which they are included in the statement of financial position and there will be no material additional liabilities.

It should be noted that due to events after finalisation of the AFS, the final amounts to be received could vary from the amount shown in the statement of financial position due to circumstances which arise subsequent to preparation of the financial statement and these variations could be material.

18. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

There were no significant events after the statement of financial position date that occurred.

19. PREVIOUS YEAR FIGURES

The Company has reclassified and regrouped previous year figures to confirm to this year's classification.

Sensitivity: Internal (C3)

20. ULTIMATE PARENT COMPANY

The Company is a wholly-owned subsidiary of Cairn Energy Hydrocarbons Limited which in turn is a subsidiary of Cairn India Holdings Limited. Cairn India Holdings Limited is the subsidiary of Vedanta Limited. Vedanta Limited is the intermediary holding company. Volcan Investments Limited ("Volcan") is the ultimate controlling entity and controls Vedanta Limited. Volcan is controlled by persons related to the Executive Chairman, Mr. Anil Agarwal.

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

Sensitivity: Internal (C3)