Registered number: SC172470

CAIRN ENERGY HYDROCARBONS LIMITED

REPORT & FINANCIAL STATEMENTS

FOR YEAR ENDED 31 MARCH 2019

Cairn Energy Hydrocarbons Limited

Directors:

Sharad Kothari (with effect from 22nd April 2019)
David Rudge
Paul Cooper
Suniti Bhat (resigned as on 8th October 2018)
Pankaj Kalra (resigned as on 22nd April 2019)

Auditors:

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Company Secretaries

Accomplish Secretaries Limited
3rd Floor 11-12, St. James's Square, London,
United Kingdom, SW1Y 4LB

Registered Office:

Summit House,
4-5 Mitchell Street, Edinburgh,
EH6 7BD, Scotland

Registered No:

SC172470

Cairn Energy Hydrocarbons Limited

Strategic Report

The directors present their strategic report for year ended 31 March 2019.

Principal Activities and Business Review

Cairn Energy Hydrocarbons Limited ("Company") is engaged in the exploration, development and production of oil and gas.

The Company has a 50% interest in the exploration area and a 35% interest in the development area of the Rajasthan block RJ-ON-90/1 ("Rajasthan") in India. Average gross production from the Rajasthan block for the year was 155,903 boepd and working interest production was 54,566 boepd.

The Rajasthan block is an onshore block. It is the principal production asset where the Company along with its intermediate holding Company owns a 70% participating interest pursuant to the production sharing contract signed on 15 May 1995 that runs until May 2020. The Government of India, acting through the Directorate General of Hydrocarbons, Ministry of Petroleum and Natural Gas has granted its approval for a ten-year extension of the PSC for the Rajasthan Block, RJ-ON-90/1, subject to certain conditions, with effect from 15th May, 2020. The applicability of the Pre-NELP Extension Policy to the RJ Block PSC is currently sub judice. Joint operation partner, ONGC, has a 30% participating interest. The Rajasthan block is spread over 3,111 sq. kms west of Barmer district. The block consists of three contiguous development areas or DA: (i) DA 1, primarily comprising the Mangala, Aishwariya, Raageshwari and Saraswati or MARS fields; (ii) DA 2 primarily consisting of the Bhagyam, NI and NE and Shakti fields; and (iii) DA 3, comprising the Kaameshwari West fields.

The Mangala field was discovered in January 2004. This was followed by many other discoveries including the Aishwariya and Bhagyam fields. In the Rajasthan block, 38 discoveries have been established, since inception. The Mangala, Bhagyam and Aishwariya fields (collectively, the "MBA Fields") are the largest in the Rajasthan Block and the Mangala field was the first to be developed, having commenced production of commercial crude oil in August 2009. In addition, the Company has completed the MPT, a centralised hub facility to handle crude oil production from the MBA Fields and other fields, such as Raageshwari, Saraswati and other satellite fields. Since June 2010, sales of crude oil from the Rajasthan Block are made through a pipeline (the "Pipeline") of approximately 590 km running from the MPT to Salaya which further extends 73 km to Bhogat. In November 2015, the Salaya-Bhogat pipeline and terminal at Bhogat were commissioned and the first cargo of 500,000 barrels of Rajasthan crude oil was successfully loaded in December 2015 through the Bhogat terminal for Mangalore Refinery and Petrochemicals Limited ("MRPL"). The terminal provides access to a larger market for Rajasthan crude. The Bhogat terminal is a 160 hectare site located eight km from the Arabian Sea coast at Bhogat in Jamnagar District, Gujarat

We have successfully executed the Enhanced Oil Recovery ("EOR") project in Mangala and are working towards replicating the same for Bhagyam and Aishwariya fields and through Alkaline Surfactant Polymer (ASP) technologies. We are also investing in developing Rajasthan potential beyond the MBA fields and presently focusing on - Barmer Hill, Satellite Fields and RDG Gas. Each of them is at various stages of development and production.

The Company derived gross revenue from oil and gas production of $876.4m (year ended March 2018: $691.2m) from permit interests in India. During the current year, the Company made a profit of $144.7 m (year ended March 2018: profit of $87.5m). Dividend amounting to $168.0 m has been paid during the year (year ended March 2018: $490.4m).

	Year ended March 2019 ($'000)	**Year ended March 2018 ($'000)**
Revenue	876,425	691,247
Operating Profit	311,818	152,055
Profit for the year	144,733	87,528
Margin (%)	16.51%	12.66%

The increase in margin is primarily driven by higher realisation on Crude Oil sale. Revenue is reported post profit sharing with the Government of India and the royalty expense in the Rajasthan block.

Operations & Projects

During the period, the Block achieved a total production of 56.9 mmboe. Cumulative oil production till 31 March 2019 is 513.9 mmboe.

Operations & Projects (continued)

The gross average production for the period ended March 2019 was at 155,903 boepd, 1% lower year on year (yoy). Production was lower primarily due to natural decline from the field, partially offset by the gains realised from new wells brought online as part of Mangala Infill, Bhagyam & Aishwariya EOR campaign, production optimisation activities and augmentation of Liquid handling capacity at Mangala Processing Terminal (MPT).

Development Area (DA) 1, primarily comprising the Mangala, Aishwariya, Saraswati and Raageshwari oil & gas fields, produced at a gross average of 137,076 boepd during the year.

DA 2 comprising of Bhagyam, NI and NE field produced gross average 18,342 boepd during the year.

DA 3 comprising KW2 produced gross average 485 boepd during the year.

Gas production from Raageshwari Deep Gas (RDG) averaged to 51.3 million standard cubic feet per day (mmscfd) in FY2019, with gas sales, post captive consumption, at 35.6 mmscfd.

With focus on developing the potential of resource base at Rajasthan, continuous efforts are being made to advance key projects to the production stage. In-line with the objective of enhancing recovery to deliver incremental volumes from the core fields, investments have been commenced in rich set of project portfolio comprising of enhanced oil recovery projects, Infill campaigns, Tight Oil projects and Tight Gas projects. Execution of these projects is driven in partnership with the global oil field service companies with an in-built risk and reward mechanism to drive incremental value from schedule and recoveries. Till March 2019, 99 wells have been drilled under these projects, of these 33 wells are online. Going forward, the Alkaline surfactant polymer project at Mangala shall enable incremental recovery from the prolific Mangala field. The project shall entail drilling of wells and developing infrastructure facilities at Mangala processing terminal. Infrastructural up-gradation at MPT to increase liquid handling capacity to support incremental volumes is progressing in phased manner

The Raageshwari deep gas (RDG) project is being executed through an integrated development approach to ramp up overall Rajasthan gas production to ~150mmscfd, and condensate production of 5kboepd. The project entails development of surface facilities along with drilling and completion of 42 wells. Early production facility is under commissioning.

Exploration activities continue to focus on enhancing the current portfolio to unravel full potential of the existing basins and establish new exploration prospects. An integrated contract for a drilling campaign of 7-18 exploration and appraisal wells to build on the resource portfolio has already been awarded.

Sales

Crude oil sales arrangements are in place with Public Sector Refineries (PSU) and private refiners. The crude is currently being supplied to six customers.

The Rajasthan crude is well established in the market, generating adequate demand and thereby creating value for its stakeholders. In accordance with the RJ-ON-90/1 PSC, the crude is benchmarked to Bonny Light, West African low sulphur crude that is frequently traded in the region, with appropriate adjustments for crude quality.

Resource & Reserve Base

As at March 2019, the gross hydrocarbons in-place in Rajasthan is at 5.7 billion boe. The gross proved plus probable reserves and resources stood at 1,083 mmboe, which includes gross reserves (2P) of 515 mmboe and gross resources (2C) of 568 mmboe.

Cairn Energy Hydrocarbons Limited

Strategic Report (continued)

Risk Factors

The Company is subject to a variety of risks including those which derive from the nature of the oil and gas exploration and production business and relate to the countries in which it conducts its activities. Outlined below is a description of the principal risk factors that may affect performance. Such risk factors are not intended to be presented in any order of priority. Any of the risks, as well as the other risks and uncertainties referred to in this report, could have a material adverse effect on business performance. In addition, the risks set out below may not be exhaustive and additional risks and uncertainties, not presently known to the Company, or which the Company currently deems immaterial, may arise or become material in the future.

Unfavourable changes in production sharing contract terms or failure to extend the production sharing contract for the Rajasthan block could have a material adverse impact on our financial performance
Our current reserves and production are significantly dependent on the Rajasthan block in India. The current production sharing contract for the block is valid till May, 2020. The Ministry of Petroleum and Natural Gas vide notification No.O-19025/07/2014-ONG-D-V dated April 7, 2017, has issued a policy for the grant of extension to the production sharing contracts signed by the GoI awarding Pre-New Exploration Licensing Policy (Pre-NELP) Exploration Blocks ("Pre-NELP Extension Policy"). The Pre-NELP Extension Policy defines the framework for granting of extension for Pre-NELP blocks and covers Rajasthan and Cambay fields. As per the above policy, the Government share of profit petroleum during the extended period of contract would be at higher slabs for these fields. The Government of India (GoI) has granted its approval for a ten year extension of the PSC production sharing contract for the Rajasthan Block subject to certain conditions. The extension has been granted by the GoI, pursuant to its policy for extension of pre-NELP exploration blocks.

The applicability of the Pre-NELP extension policy (entailing 10% higher profit petroleum) to Rajasthan Block production Sharing Contract is challenged by Cairn vide an affidavit filed on July 26, 2017. This matter is currently sub judice. If the production sharing contract is not extended on same terms (e.g. GoI seeking a higher profit share), this could result in a substantial loss of value and could have a material adverse effect on our results of operations and financial condition.

Crude oil and natural gas reserves are estimates and actual recoveries may vary significantly
There are numerous uncertainties inherent in estimating crude oil and natural gas reserves. Reservoir engineering follows a subjective process of estimating underground accumulations of crude oil and natural gas. It is well understood that these cannot be measured in an exact manner. Through enhanced understanding of the reservoirs, achieved by undertaking additional work, these risks are gradually mitigated. Reserves estimations involve a high degree of judgement and it is a function of the quality of the available data and the engineering and geological interpretation. Results of drilling, testing, and production may substantially change the reserve estimates for a given reservoir over a period of time.

For these reasons, actual recoveries may vary substantially. Such variation in results may materially impact Company's actual production, revenue and expenditures.

International prices for oil & gas are volatile, and have a significant effect on us
The majority of our revenue is derived from sales of crude oil and natural gas in India. The price that we receive for these hydrocarbons is linked to their international prices. Historically, international prices for crude oil and natural gas have fluctuated as a result of many macro-economic, geo-political and regional factors. Substantial or extended declines in international crude oil and gas prices could have an adverse effect on the economics of existing/ proposed projects, capex outlay, results of operations and financial condition.

Execution challenges in respect of Work Programme
To capitalize on the potential of our resources, Company has regular plans to implement sustenance and growth projects. Some of these projects have long execution timelines, have interdependencies, and are brown-field involving tie-ins with existing facilities. Company has entered into integrated development contracts for various projects, however, successful implementation of the work programme depends on integrated development contractor, equipment and services providers,construction contractors etc.. Delivery of services and equipment as per schedule, of the right quality and cost, managing security of men and materials at remote sites, and ensuring all compliances are met, could pose a potential challenge.

Under our PSCs and the regulatory framework that we are governed by, we are required to obtain necessary approvals from our Joint Venture ("JV") partners, Management Committee (comprising of nominees of GoI, JV partners and our management), and other relevant regulatory authorities.

Any delays due to above dependencies may delay our project execution and have an adverse impact on project completion and consequently on operational and financial performance.

Risk Factors (continued)

Enhanced Oil Recovery (EOR) project may not achieve all its objectives
Following a successful EOR polymer flood project implementation at Mangala, a Field Development Plan for full field application of polymer flood in the Aishwariya and Bhagyam field is currently under advanced stages of implementation. In terms of scale, the project is one of the largest of its kind across the globe. Risks associated with the project include lower than expected recovery, inadequate processing of produced fluids thereby impacting performance of surface facilities and managing the polymer supply chain. In addition, the use of such a recovery technique may significantly increase the operational costs. All these factors could have an adverse impact on the Company's production, operations and profitability. Similarly, the company has also been implementing another Enhance Oil Recovery technique using ASP (Alkaline Surfactant Polymer) however the successful implementation of the project is a key factor and any technical challenge, increase in cost etc. may have adverse impact on Company's production, operations and profitability.

Health and safety related performance of our staff including contractors / sub-contractors
Compliance with applicable health and safety requirements and regulations are an inherent part of our business which imposes controls on aspects such as, but not limited to, the storage, handling and transportation of petroleum products, employee exposure to hazardous substance etc. The Company also depends on multiple contractors for the delivery of projects, construction, on-going operations, maintenance activities and road transportation of individuals and materials. Inadequate health and safety performance either on our part or non- performance of our contractors is considered a key risk to personnel safety and company's reputation.

Project Assessment and Delivery
Prior to sanction of any development project it is necessary to determine with suitable accuracy the resource base, the optimal production profile of the field, the costs of development, the time it will take to complete the development as well as commencing or concluding commercial arrangements with buyers for the sale of the oil or gas produced. Risks during the pre-sanction period are typically technical, engineering, commercial or regulatory in nature. Specific risks include the possible over-estimation of crude oil and natural gas initially in place and recoverable, inadequate technical and geophysical assessment, inaccurate cost estimations, not securing appropriate long-term commercial agreements or, where required, applicable governmental or regulatory consents, permits, licences or approvals. This can cause delays to the commercialisation of reserves and this may have a material effect on medium to long-term cash flow and income.

Post sanction, project delivery is particularly subject to technical, commercial, contractual, and economic risks. Projects can be unsuccessful for many reasons, including availability, competence and capability of human resources and contractors, mechanical and technical difficulties and infrastructure constraints, resulting in cost increases, delays in completion and deferral of income from production from the field under development. In addition, some development projects may require the use of new and advanced technologies or produce hydrocarbons from challenging reservoirs, which can exacerbate such problems.

Operational risks relating to plant uptime
The Company's revenues are dependent on the continued production from its operating facilities in India. Operational risks include maintaining asset integrity, which can be affected by a number of factors including not following prescribed operating and maintenance procedures resulting in reduced plant availability, unplanned shutdowns and/or equipment failure. The location of some of the Company's operations may get exposed to natural hazards such as cyclones, flooding and earthquakes, these factors may have an adverse effect on planned output levels, cost control, or a potentially material impact on the Company's reputation and the results of the Company's operations.

Non-suitability of our crude oil for Indian refineries could restrict our ability to monetize our reserves
Our PSC does not permit to export crude oil, which could restrict our ability to monetize reserves. Under the PSC the Company is obliged to sell 100% of its crude oil production to the GOI, which nominates the buyer(s). GOI has only nominated part of the Rajasthan crude production volume to PSU refineries and allowed for sale of balance volume to domestic private refineries. The company has entered into annual contract with Private Sector Refineries for balance volume of crude oil. However, there is still a risk of reduced/ lower off take by Private Sector Refineries due to operational issues in refineries which could impact Company's ability to sell all of the oil that it can produce. The Bhogat terminal is now operational providing us with additional evacuation options for RJ crude oil across coastal refineries.

Regulatory uncertainties may impact the Company's business
The Company's business might be affected by changes in legal and regulatory conditions by the central, state, local laws and regulations such as production restrictions, changes in taxes, royalties and other amounts payable to the various governments or their agencies. Further, for executing its projects and running operations, various approvals are required from Joint venture partner and Government. Delay in securing such approvals can adversely impact the operations. Similarly, any demand from

Cairn Energy Hydrocarbons Limited

Strategic Report (continued)

Risk Factors (continued)

Government of India requiring additional profit petroleum, if crystalizes, will have adverse impact on company's financial performance.

Exchange Rates
The Company's Statement of Cash Flows, Income Statement and Statement of Financial Position are reported in US Dollars and may be significantly affected by fluctuations in exchange rates.

Inadequate insurance coverage
Consistent with good industry practice , an insurance programme is in place to mitigate significant losses. There is a risk, however, that the Company's insurance policies may not be sufficient in covering all losses which it or any third parties may suffer. If the Company suffers an event for which it is not adequately insured, there is a risk that this could have a material adverse effect on its business, results of operations and financial condition. The insurance programme is also subject to certain limits, deductibles and other terms and conditions.

Attracting and retaining talent at technical, managerial and leadership level is a challenge.
We depend on specialized skill sets and key talent such as geologists, geophysicists, reservoir engineers, petroleum engineers and other upstream energy specialists. Attracting and retaining scarce top quality talent in the upstream oil & gas sector is a key challenge. We are dependent to a large degree, on the continued service and performance of our senior management team and other key team members in our business units and functions. The loss or diminution of such talent pool could have an adverse effect on our delivery of business objectives.

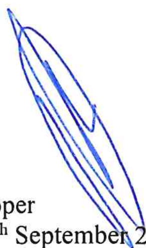
Corporate Responsibility (CR)
The Company recognises that applying its CR Policies and 'Guiding Principles' in all activities is essential in maintaining its 'licence to operate' and business reputation. CR risks occur when any part of the business fails to implement these policies and 'Guiding Principles'. CR risks that could affect the Company's ability to deliver projects on time and within budget include inadequate stakeholder engagement, failure to put in place appropriate controls to mitigate environmental and social impacts, not having adequate processes in place to protect human rights in activities in our 'sphere of influence' and the ineffective implementation of health and safety policies, which could also lead to health problems and injuries at the Company's worksites.

The Company's producing fields and construction projects carry significant health, safety and environmental risks. The Company seeks to minimise these risks though deployment of incident management systems. These provide the basis for managers and supervisors to conduct investigations and identify risk exposures and implement appropriate steps to minimise the risks to people, facilities and the environment. Road transportation has been identified as a key safety risk in our activities and appropriate measures are in place aimed at minimising the potential for accidents or environmental impacts.

War, Terrorist Attack and Natural Disasters
The Company's business may be adversely affected by a war, terrorist attack, natural disaster or other catastrophe.

Risks and uncertainties of Vedanta Limited, which includes this Company, are discussed in detail within the annual report of the parent undertaking, Vedanta Limited.

By Order of the Board



Paul Cooper
Date: 26th September 2019

Cairn Energy Hydrocarbons Limited

Directors' Report

The directors present their report and financial statements for year ended 31 March 2019.

Directors

The directors who held office during the year and subsequently are as follows:

Sharad Kothari (with effect from 22nd April 2019)
David Rudge
Paul Cooper
Suniti Bhat (resigned as on 8th October 2018)
Pankaj Kalra (resigned as on 22nd April 2019)

Financial Instruments

For details of the Company's financial risk management: objectives and policies see note 23 of the Notes to the Accounts.

Directors' benefits

In the current period no director has received or become entitled to receive any benefit, other than benefits as emoluments or a fixed salary as a full-time employee of the company or a related body corporate, by reason of a contract made by the company or a related body corporate with the director or with a firm of which he or she is a member, or with an entity in which he or she has a substantial financial interest.

Going Concern

The directors have considered the factors relevant to support a statement on going concern. They have a reasonable expectation that the Company has adequate financial resources to continue in operational existence for the foreseeable future and have therefore continued to use the going concern basis in preparing the financial statements.

Charitable and Political Donations

The Company did not make any political or charitable contributions in UK during year ended 31st March 2019 and the year ended 31st March 2018.

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.

Disclosure of Information to Auditors

The directors of the Company who held office at 31 March 2019 confirm, as far as they are aware, 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.

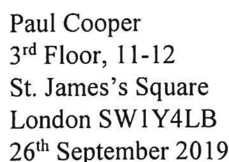
Event after balance sheet date

No significant event has occurred after balance sheet date.

Auditors

In accordance with section 487(2) of the Companies Act 2006, the auditors, Ernst & Young LLP are deemed re-appointed.

By Order of the Board



Paul Cooper
3rd Floor, 11-12
St. James's Square
London SW1Y4LB
26th September 2019

Cairn Energy Hydrocarbons Limited

Directors' Responsibility Statement

The directors are responsible for preparing the Strategic Report, Directors' Report and the Company's financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards as adopted by the European Union.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom law and those International Financial Reporting Standards as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable IFRSs issued by the IASB and adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on a going concern basis, unless they consider that to be inappropriate.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAIRN ENERGY HYDROCARBONS LIMITED

Opinion

We have audited the financial statements of Cairn Energy Hydrocarbons Limited for the year ended 31 March 2019 which comprise the income statement, the statement of comprehensive income, statement of financial position, statement of cash flows, the statement of changes in equity and the related notes 1 to 27, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

Other information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent

permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Richard Addison (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
4 October 2019

1. The maintenance and integrity of the Vedanta Limited web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Cairn Energy Hydrocarbons Limited

Income Statement

For year ended 31 March 2019

	Notes	**Year ended March 2019 $'000**	Year ended March 2018 $'000
Revenue	2	**876,425**	691,247
Cost of sales			
Production costs	3(a)	**(370,051)**	(301,047)
Depletion	8	**(194,360)**	(244,211)
Gross Profit		**312,014**	145,989
Impairment of investment	9	**(100)**	(150)
Administrative (expenses)/reversals	3(d)	**(96)**	6,216
Operating Profit	3	**311,818**	152,055
Finance income	5	**3,880**	873
Finance costs	6(a)	**(3,759)**	(3,426)
Other gains and losses	6(b)	**(20,412)**	(330)
Profit before taxation		**291,527**	149,172
Taxation	7	**(146,794)**	(61,644)
Profit for the year		**144,733**	87,528

The accompanying notes form an integral part of these financial statements

Cairn Energy Hydrocarbons Limited

Statement of Comprehensive Income

For year ended 31 March 2019

	Notes	**Year ended March 2019 $'000**	Year ended March 2018 $'000
Profit for the year		**144,733**	87,528
Total comprehensive income for the year		**144,733**	87,528

The accompanying notes form an integral part of these financial statements

Cairn Energy Hydrocarbons Limited

Statement of Financial Position

As at 31 March 2019

	Notes	31 March 2019 $'000	31 March 2018 $'000
Non-current assets			
Intangible exploration/appraisal assets	8	**169,486**	341,570
Property, plant and equipment – development/producing assets	8	**455,792**	272,724
Investments in subsidiaries	9	**33**	33
Deferred tax assets (net)	7	**335,081**	450,060
Income tax assets		**2,057**	2,298
Other receivables	10	**46,681**	28,252
		1,009,130	1,094,937
Current assets			
Trade and other receivables	11	**199,925**	143,837
Short - term investments	12	**107,287**	15,668
Cash and cash equivalents	13	**135,241**	47,635
Inventories	14	**29,443**	27,347
		471,896	234,487
Total assets		**1,481,026**	1,329,424
Current liabilities			
Trade and other payables	15	**461,561**	314,183
Income tax liabilities		**27,619**	15,080
		489,180	329,263
Non-current liabilities			
Provisions	16	**104,493**	89,642
		104,493	89,642
Total liabilities		**593,673**	418,905
Net assets		**887,353**	910,519
Equity			
Called-up share capital	17	**651,014**	650,914
Share premium	18	**19,574**	19,574
Other equity	19	**181,624**	181,624
Retained earnings		**35,141**	58,407
Total equity attributable to the equity holders		**887,353**	910,519

Financial Statements of Cairn Energy Hydrocarbons Limited, registration number SC172470 were approved by the Board of Directors on 26th September 2019.

Signed on behalf of the Board

Paul Cooper
26th September 2019

The accompanying notes form an integral part of these financial statements

Cairn Energy Hydrocarbons Limited

Statement of Cash Flows

For year ended 31 March 2019

	Note	**Year ended March 2019 $'000**	Year ended March 2018 $'000
Cash flows from operating activities			
Profit before taxation		**291,527**	149,172
Adjustments for:			
Depletion	8	**194,360**	244,211
Unwinding of discount on decommissioning liability		**3,029**	2,865
Interest income	5	**(2,258)**	(840)
Profit on sale of Property, plant and equipment	6(b)	**(982)**	(9)
Dividend income	5	**(1,621)**	(33)
Interest expense and other finance charges	6(a)	**730**	561
Unrealized foreign exchange loss (net)		**22,953**	292
Other non-cash items	3(d)	**-**	(6,343)
Provision in diminution in value of investment	9	**100**	150
Operating cash flows before movements in working capital		**507,838**	390,026
(Increase) in trade and other receivables		**(70,815)**	(1,498)
Increase/(Decrease) in trade and other payables		**131,178**	(21,299)
(Increase) in inventories		**(2,096)**	(4,479)
Cash generated from operations		**566,105**	362,750
Income tax paid		**(47,139)**	(16,015)
Net cash from operating activities		**518,966**	346,735
Cash flows from investing activities			
Purchase of Property, Plant and Equipment – development /producing assets and intangible exploration/appraisal assets		**(172,555)**	(48,153)
Deposits made (original maturity of more than 3 months)		**(89,325)**	(7,000)
Proceeds from deposits matured		**89,361**	9,895
Proceeds from short term investments		**664,872**	171,854
Purchase of short term investments		**(756,335)**	(180,206)
Investment in subsidiary	9	**(100)**	(150)
Interest received		**2,067**	895
Dividend received		**1,622**	33
Payments made to site restoration fund		**(3,633)**	(3,986)
Net cash (used in) investing activities		**(264,026)**	(56,818)
Cash flows from financing activities			
Proceeds from the issue of ordinary shares		**100**	193,436
Dividend paid to parent on equity shares		**(168,000)**	(490,433)
Interest Paid		**(731)**	(561)
Net cash (used) in financing activities		**(168,631)**	(297,558)
Net increase in cash and cash equivalents		**86,309**	(7,641)
Effect of foreign exchange rate changes		**1,297**	1,764
Cash and cash equivalents at the beginning of the year		**47,635**	53,512
Cash and cash equivalents at the end of the year	13	**135,241**	47,635

The accompanying notes form an integral part of these financial statements

Cairn Energy Hydrocarbons Limited

Statement of Changes in Equity

For year ended 31 March 2019

	Equity Share Capital $'000	Share Premium $'000	Other Equity * $'000	Retained Earnings $'000	**Total $'000**
	(Note 17)	(Note18)	(Note 19)		
At 1 April 2017	457,478	19,574	181,624	461,312	**1,119,988**
Additions during the year	193,436	-	-	-	**193,436**
Profit for the year	-	-	-	87,528	**87,528**
Dividend distributed during the year	-	-	-	(490,432)	**(490,432)**
At 1 April 2018	650,914	19,574	181,624	58,408	**910,520**
Additions during the year	100	-	-	-	**100**
Profit for the year	-	-	-	144,733	**144,733**
Dividend distributed during the year	-	-	-	(168,000)	**(168,000)**
At 31 March 2019	**651,014**	**19,574**	**181,624**	**35,141**	**887,353**

* Other equity represents waiver of intergroup balances and these are non-distributable.

The accompanying notes form an integral part of these financial statements

1.1 Accounting Policies

a) Basis of preparation

The Company is a private company incorporated and domiciled in Scotland. The registered office is located at Summit House, 4-5 Mitchell Street, Edinburg, EH6 7BD, Scotland.

These financial statements have been prepared in accordance with the accounting policies, set out below and were consistently applied to all periods presented unless otherwise stated.

The financial statements have been prepared on a going concern basis using historical cost convention and on an accrual method of accounting, except for certain financial assets and liabilities which are measured at fair value as explained in the accounting policies below.

The financial statements have been prepared in accordance with those parts of the Companies Act 2006 applicable to companies reporting under International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and adopted by the European Union and as they apply to year ended 31 March 2019. IFRS as adopted by the European Union differs in certain respects from IFRS as issued by the IASB. However, the differences have no impact on the financial statements for the years presented.

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Principal activities and Business Review on page 2. The financial position of the Company, its cash flows, liquidity position are presented in the financial statements and supporting notes. In addition, note 23 and 24 to the financial statements includes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Company has taken exemption under paragraph 4(a) of IFRS 10 Consolidated Financial Statements from preparing consolidated financial statements.

The directors have considered the factors relevant to support a statement on going concern. They have a reasonable expectation that the Company has adequate financial resources to continue in operational existence for the foreseeable future and have therefore continued to use the going concern basis in preparing the financial statements.

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:

- expected to be realised or intended to be sold or consumed in the normal operating cycle and
- held primarily for the purpose of trading and
- expected to be realised within twelve months after the reporting period or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- it is expected to be settled in the normal operating cycle and
- it is held primarily for the purpose of trading and
- it is due to be settled within twelve months after the reporting period or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current only.

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

1.1 Accounting Policies (continued)

b) Application of new and revised standards

The Company has adopted with effect from 01 April 2018, the following new standards, amendments and pronouncements:

IFRS 15 – Revenue from contract with customers:
The Company has adopted IFRS 15 Revenue from contracts with Customers with effect from April 1, 2018 which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The standard replaces most of the current revenue recognition guidance. The core principle of the new standard is for companies to recognise revenue when the control of the goods and services is transferred to the customer as against the transfer of risk and rewards. As per the Company's current revenue recognition practices, transfer of control happens at the same point as transfer of risk and rewards thus not effecting the revenue recognition. The amount of revenue recognised reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Under this standard, services provided post transfer of control of goods are treated as separate performance obligation and requires proportionate revenue to be deferred along with associated costs and to be recognised over the period of service. As per the result of evaluation of contracts of the relevant revenue streams, it is concluded that the impact of this change is immaterial to the Company and hence no accounting changes have been done.

The Company has adopted the modified transitional approach as permitted by the standard under which the comparative financial information is not restated. The accounting changes required by the standard are not having material effect on the recognition or measurement of revenues and no transitional adjustment is recognised in retained earnings at 01 April 2018. Additional disclosures as required by IFRS 15 have been included in these financial statements.

Previous period Accounting Policy: Revenue Recognition
Revenues are measured at the fair value of the consideration received or receivable, net of discounts, volume rebates, outgoing sales taxes, excise duty and other indirect taxes. Revenues from sales are recognised when all significant risks and rewards of ownership of the commodity sold are transferred to the customer and the commodity has been delivered to the shipping agent. Revenues from sale of by-products are included in revenue.

Revenue from operating activities
Revenue represents the Company's share of oil, gas and condensate production, recognised on a direct entitlement basis.

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

Tolling income
Tolling income represents the Company's share of revenues from Pilotage and Oil Transfer Services from the respective joint ventures, which is recognized based on the rates agreed with the customers, as and when the services are rendered.

1.1 Accounting Policies (continued)

b) Application of new and revised standards (continued)

IFRS 9 – Financial Instruments
IFRS 9 has reduced the complexity of the current rules on financial instruments as mandated in IAS 39. It has fewer classification and measurement categories as compared to IAS 39. It eliminates the rule-based requirement of segregating embedded derivatives from financial assets and tainting rules pertaining to held to maturity investments. For financial assets which are debt instruments, IFRS 9 establishes a principle-based approach for classification based on cash flow characteristics of the asset and the business model in which an asset is held. For an investment in an equity instrument which is not held for trading, IFRS 9 permits an irrevocable election, on initial recognition, on an individual share-by- share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognised in other comprehensive income on such equity investment would ever be reclassified to profit or loss. It requires the entity, which chooses to designate a liability as at fair value through profit or loss, to present the portion of the fair value change attributable to the entity's own credit risk in the other comprehensive income. IFRS 9 replaces the 'incurred loss model' in IAS 39 with an 'expected credit loss' model. The measurement uses a dual measurement approach, under which the loss allowance is measured as either 12 month expected credit losses or lifetime expected credit losses. The standard also introduces new presentation and disclosure requirements.

For transition, the Company has elected to apply the limited exemptions in IFRS 9 relating to the classification, measurement and impairment requirements for financial assets and accordingly has not restated comparative periods.

The Company has adopted IFRS 9 from 01 April 2018. The areas impacted on adopting IFRS 9 on the Company are detailed below:

Classification and measurement
The measurement and accounting treatment of the Company's financial assets is materially unchanged.

Impairment
Based on the Company's assessment, under expected credit loss model, the impairment of financial assets held at amortised cost does not have a material impact on the Company's results, given the low exposure to counterparty default risk as a result of the credit risk management processes that are in place.

Hedge accounting
The Company has adopted the IFRS 9 hedge accounting requirements. The adoption of the new standard has no effect on the amounts recognised in relation to the existing hedging arrangements.

Previous period Accounting Policy: Financial Instruments
Financial instruments – initial recognition and subsequent measurement

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

i) Financial assets

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

1.1 Accounting Policies (continued)

b) Application of new and revised standards (continued)

IFRS 9 – Financial Instruments (continued)

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

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

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

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

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

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

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

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

1.1 Accounting Policies (continued)

b) Application of new and revised standards (continued)

IFRS 9 – Financial Instruments (continued)

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

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

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

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

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

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

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

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

1.1 Accounting Policies (continued)

b) Application of new and revised standards (continued)

IFRS 9 – Financial Instruments (continued)

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

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

ii) Financial liabilities

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

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

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

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

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

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

1.1 Accounting Policies (continued)

b) Application of new and revised standards (continued)

IFRS 9 – Financial Instruments (continued)

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

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

iii) Offsetting of financial instruments

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

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 2018:

- Amendment to IAS 23: Borrowing Cost: The amendment clarifies that an entity considers any borrowings made specifically for the purpose of obtaining a qualifying asset as part of the general borrowings, when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. The amendment is applicable to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. The amendment is effective from 01 January 2019, with earlier application permitted. The Company has not incurred any borrowing costs during the financial year 2018-19 and hence there is no impact of the said amendment.
- Adoption of IFRIC 22 : Foreign Currency Transactions and Advance Consideration

New IFRSs that have been issued but not yet come into effect
In addition to the above, IASB has issued a number of new or amended and revised accounting standards and interpretations (IFRSs) that have not yet come into effect. The Company has thoroughly assessed the impact of these IFRSs which are not yet effective and determined that we do not anticipate any significant impact on the financial statements from the adoption of these standards.

1.1 Accounting Policies (continued)

b) Application of new and revised standards (continued)

- IFRIC 23 - Uncertainty over Income Tax Treatments effective for annual periods beginning on or after 01 January 2019, subject to EU endorsement.
- Amendments to IAS 28 Long term interests in Associates and Joint Ventures effective for annual periods beginning on or after 01 January 2019, subject to EU endorsement.
- Annual improvements to IFRS standards 2015-2017 cycle effective for annual periods beginning on or after 01 January 2019, subject to EU endorsement.
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement effective for annual periods beginning on or after 01 January 2019, subject to EU endorsement.
- Amendments to References to the Conceptual Framework in IFRS Standards effective for annual periods beginning on or after 01 January 2020, subject to EU endorsement.
- Amendment to IFRS 3 Business Combinations effective for annual periods beginning on or after 01 January 2020, subject to EU endorsement.
- Amendments to IAS 1 and IAS 8: Definition of Material effective for annual periods beginning on or after 01 January 2020, subject to EU endorsement.
- IFRS 17 Insurance contracts effective for annual periods beginning on or after 01 January 2021, subject to EU endorsement

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 Statements.

c) Presentation currency

The functional and presentation currency of the Company is US Dollars (“$”). The Company’s policy on foreign currencies is detailed in note 1(i). The financial statement and disclosures are presented in thousand dollars except where specified.

d) Joint arrangements

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 Income Statement headings. The Company’s principal licence interests are jointly operated.

The Company has an interest in the following unincorporated Joint Operations:

	Working interest
Block RJ-ON-90/1 exploration area	50.0%
Block RJ-ON-90/1 development areas	35.0%

1.1 Accounting Policies (continued)

e) Revenue Recognition

Sale of goods/ rendering of services (Revenue from contracts with customers)
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.

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. 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.

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

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

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

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

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

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

1.1 Accounting Policies (continued)

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

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

All costs incurred after the technical feasibility and commercial viability of producing hydrocarbons has been demonstrated are capitalised within development/producing assets on a field-by-field basis. Subsequent expenditure is capitalised only where it either enhances the economic benefits of the development/producing asset or replaces part of the existing development/producing asset. Any remaining costs associated with the part replaced are expensed. The cost of such quantity of crude oil inventory which is expected to be lying in the pipeline during the entire life of the pipeline (initial fill) is capitalised within the development assets.

Net proceeds from any disposal of an exploration asset are initially credited against the previously capitalised costs.

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

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

The Company depletes expenditure on property, plant & equipment - development/producing assets on a unit of production basis, 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.

Assets under construction
Assets under construction are capitalised in the assets under construction account. At the point when an asset is capable of operating in the manner intended by management, the cost of construction is transferred to the appropriate category of property, plant and equipment. Costs associated with the commissioning of an asset and any obligatory decommissioning costs are capitalised until the period of commissioning has been completed and the asset is ready for its intended use.

1.1 Accounting Policies (continued)

g) Financial instruments – initial recognition and subsequent measurement

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

(a) Financial Assets –Initial Recognition

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.

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

Debt instruments at amortised cost
A 'debt instrument' is measured at amortised cost if both the following conditions are met:

- The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest income in the income statement. The losses arising from impairment are recognised in the income statement.

Debt instruments at fair value through other comprehensive income (FVOCI)
A 'debt instrument' is classified as at the FVOCI if both of the following criteria are met:

- The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
- The asset's contractual cash flows represent SPPI.

Debt instruments included within the FVOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognised in other comprehensive income (OCI). However, interest income, impairment losses and reversals and foreign exchange gain or loss are recognised in the income statement. On derecognition of the asset, cumulative gain or loss previously recognised in other comprehensive income is reclassified from the equity to the income statement. Interest earned whilst holding fair value through other comprehensive income debt instrument is reported as interest income using the EIR method.

Debt instruments at fair value through profit or loss (FVTPL)
FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortised cost or as FVOCI, is classified as at FVTPL.
In addition, the Company may elect to designate a debt instrument, which otherwise meets amortised cost or FVOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). The Company has not designated any debt instrument as at FVTPL. Debt instruments included within the FVTPL category are measured at fair value with all changes being recognised in the income statement.

Equity instruments
All equity investments in scope of IFRS 9 are measured at fair value. Equity instruments which are held for trading and contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies are classified as at FVTPL. For all other equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the Company decides to classify an equity instrument as at FVOCI, then all fair value changes on the instrument, excluding dividends, are recognised in the OCI. There is no recycling of the amounts from OCI to profit and loss, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity. For equity instruments which are classified as FVTPL, all subsequent fair value changes are recognised in the income statement.

1.1 Accounting Policies (continued)

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

(b) Financial Asset - 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 of financial assets

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:
i) Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, debt securities and deposits
ii) Financial assets that are debt instruments and are measured as at FVOCI

iii) Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of IFRS 15.

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 various financial instruments is described below:

i) Financial assets measured at amortised cost: 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.
ii) Debt instruments measured at FVOCI: Since financial assets are already reflected at fair value, impairment allowance is not further reduced from its value. Rather, ECL amount is presented as 'accumulated impairment amount' in the OCI.
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.

(d) Financial liabilities – Initial recognition & Subsequent measurement

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

1.1 Accounting Policies (continued)

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

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

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

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. For liabilities designated as FVTPL, fair value gains/losses attributable to changes in own credit risk are recognised in OCI. These gains/ losses are not subsequently transferred to profit or loss. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the income statement. The Company has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost (Loans and Borrowings and 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 the 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.

(e) Financial liabilities – 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.

(f) Embedded Derivatives

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract – with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.
If the hybrid contract contains a host that is a financial asset within the scope of IFRS 9, the Company does not separate embedded derivatives. Rather, it applies the classification requirements contained in IFRS 9 to the entire hybrid contract. Derivatives embedded in all other host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the Income Statement, unless designated as effective hedging instruments.

(g) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

1.1 Accounting Policies (continued)

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

(h) Offsetting of financial instruments

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

(i) Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

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

Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.
Any gains or losses arising from changes in the fair value of derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to the income statement when the hedge item affects profit or loss or treated as basis adjustment if a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment
- Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting. The documentation includes the Company's risk management objective and strategy for undertaking hedge, the hedging/economic relationship, the hedged item or transaction, the nature of the risk being hedged, hedge ratio and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

(a) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the income statement immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.
When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the income statement. Hedge accounting is discontinued when the Company revokes the hedge relationship, the hedging instrument or hedged item expires or is sold, terminated, or exercised or no longer meets the criteria for hedge accounting.

(b) Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the income statement.

1.1 Accounting Policies (continued)

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

Amounts recognised in OCI are transferred to the income statement when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised in OCI are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

h) Leases

Determining whether an arrangement contains lease
At inception of an arrangement, the Company determines whether the arrangement is or contains a lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

At inception or on reassessment of an arrangement that contains lease, the Company separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Company's incremental borrowing rate.

Company as a lessee
A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the income statement, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's policy on the general borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Company as a lessor
Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income from operating lease is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases are classified as finance leases when substantially all of the risks and rewards of ownership transfer from the Company to the lessee. Amounts due from lessees under finance leases are recorded as receivables at the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

1.1 Accounting Policies (continued)

i) Inventories

Inventory of oil is valued at the lower of cost and net realisable value based on the estimated selling price. Cost is determined on a weighted average basis.

Inventories of stores and spares related to production activities are valued at cost or net realisable value whichever is lower on a first-in, first-out ("FIFO") basis.

Net realisable value is determined based on estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

j) Foreign currencies

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, USD, at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in other currencies are translated into the functional currency at the rate of exchange prevailing at the Balance Sheet date. All Exchange differences arising are included in the Income Statement except for those incurred on borrowings specifically allocable to development projects, which are capitalised as part of the cost of the asset.

Non – monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively.)

Rates of exchange to $1 were as follows:

	As at 31 March 2019	**Average year ended March 2019**	As at 31 March 2018	Average Year ended March 2018
Indian Rupee	**69.171**	**69.889**	65.044	64.447

1.1 Accounting Policies (continued)

k) Investments

The Company's investments in subsidiaries are carried at cost less provisions resulting from impairment. The recoverable value of investments is the higher of its fair value less costs to sell and value in use..

Discounted future net cash flows for IAS 36 purposes are calculated using a consensus short and long-term oil price forecast and the appropriate gas price as dictated by the relevant gas sales contract, escalation for costs of and a post-tax discount rate. Forecast production profiles are determined on an asset by asset basis, using appropriate petroleum engineering techniques.

l) 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. For purpose of impairment testing Company has identified CGU at PSC level as it is the smallest group of assets that generates cash inflows and are largely independent of the cash inflows from other assets or group of assets.

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

The Company assesses at each reporting date, whether there is an indication that an asset may be impaired. 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, such as worse economic performance than expected, changes in expected future prices, costs and other market factors are also monitored to assess for indications of impairment or reversal of previously recognised impairment losses.

Fair value less costs of disposal is the price that would be received to sell the asset in an orderly transaction between market participants 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 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 the 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 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. If the recoverable amount of an asset or CGU is estimated to be less than it's carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognised in the consolidated income statement.

Any reversal of the previously recognised impairment loss is limited to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had previously been recognised.

1.1 Accounting Policies (continued)

l) Taxation

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

Current tax

Current income tax assets and liabilities are measured at the amounts expected to be recovered from or paid to the tax authorities using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is provided, using the balance sheet method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Exceptions to this principle are:

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements 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;

- When the deferred income tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interested in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised
- When the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

The carrying amount of deferred tax assets (including MAT credit available) are reviewed at each balance sheet date and is adjusted to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised unrecognised deferred tax assets are re- assessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Deferred tax relating to items recognised outside profit or loss is recognised either in OCI or directly in equity.
Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxable entity and the same taxation authority and the Company intends either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

1.1 Accounting Policies (continued)

m) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

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

n) Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs, allocated between share capital and share premium.

o) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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

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

p) 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 income statement 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 prospectively over the lives of the assets to which they relate. The unwinding of the discount is shown as a finance cost in the income statement.

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 income statement as extraction progresses. Where the costs of site restoration are not anticipated to be significant, they are expensed as incurred.

q) 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 income statement as a finance cost. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimates.

1.1 Accounting Policies (continued)

r) Buyers' credit / suppliers' credit

The Company enters into arrangements whereby financial institutions make direct payments to suppliers for raw materials and project materials. The financial institutions are subsequently repaid by the company at a later date providing working capital timing benefits. These are normally settled up to twelve months (for raw materials) and up to 36 months (for project materials). Where these arrangements are for raw materials with a maturity of up to twelve months, the economic substance of the transaction is determined to be operating in nature and these are recognised as Operational buyers' credit/suppliers' credit (under Trade and other payables). Where these arrangements are for project materials with a maturity up to thirty-six months, the economic substance of the transaction is determined to be financing in nature, and these are presented within borrowings in the statement of financial position. Interest expense on these are recognised in the finance cost.

s) Exceptional items

Exceptional items are those not considered to be part of the normal operation of the business. Such items are identified as exceptional and a full explanation is given in the Notes to the Accounts.

t) Critical accounting judgement and estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income, expenses and the accompanying disclosures and disclosures of contingent assets and liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

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

i. Oil & Gas reserves
Significant technical and commercial judgements are required to determine the Company's estimated oil and natural gas reserves. Oil & Gas reserves are estimated on a proved and probable entitlement interest basis. Proven and probable reserves are estimated using standard recognised evaluation techniques. The estimate is reviewed annually. Future development costs are estimated taking into account the level of development required to produce the reserves by reference to operators, where applicable, and internal engineers. Net entitlement reserves estimates are subsequently calculated using the Company's current oil price and cost recovery assumptions, in line with the relevant agreements. Changes in reserves as a result of factors such as production cost, recovery rates, grade of reserves or oil and gas prices could impact the depletion rates, carrying value of assets (refer note 8) and environmental and restoration provisions.

ii. PSC Extension
On 26 October 2018, the Government of India (GoI), acting through the Directorate General of Hydrocarbons (DGH) has granted its approval for a ten-year extension of the Production Sharing Contract (PSC) for the Rajasthan Block (RJ), with effect from 15 May 2020 subject to certain conditions. The GoI has granted the extension under the Pre-NELP Extension Policy, the applicability whereof to PSC for RJ is sub-judice and pending before the Hon'ble Delhi High Court. To address two of the conditions stated by DGH, the Company along with its parent company Vedanta Limited has taken the following steps:

- Submission of Audited Accounts and End of year statement: The Company along with its parent company Vedanta Limited and ONGC, one of the joint venture partners have divergent views on the cost oil entitlement and therefore the End of Year statement for the year ended March 31, 2018 and Investment Multiple as at 31 March 18 could not be finalized. To resolve this, Vedanta Limited and the Company has initiated arbitration proceedings against the joint venture partner. Consequentially, profit petroleum pertaining to the said Block for the year ended March 31, 2019 and applicable Investment Multiple calculated based on management's cost oil computation (resulting into Government's share of profit petroleum @ 40% for DA-1 & DA-2 and @20% for DA-3 for FY 2018-19), remains provisional. The computation is after considering relevant independent legal advice. Subsequent to year end, the End of Year Statement for FY 2017-18 and for FY 2018-19 as per operator's calculation have been submitted to DGH and ONGC.

1.1 Accounting Policies (continued)

t) Critical accounting judgement and estimation uncertainty (continued)

Significant estimates (continued)

- Profit Petroleum: DGH has raised a demand for the period upto 31 March 2017 for Government's additional share of Profit Oil based on its computation of disallowance of cost incurred over the initially approved Field Development Plan (FDP) of pipeline project and retrospective allocation of certain common costs between Development Areas (DAs) of Rajasthan Block. The Company believes that it has sufficient as well as reasonable basis (pursuant to PSC provisions & approvals) for having claimed such costs and for allocating common costs between different DAs and has responded to the Government accordingly. Company's view is also supported by an independent legal opinion.

  Pursuant to the aforesaid approval of 26 October 2018, the Company has recomputed its reserves till 2030 and has reclassified exploration costs of US$ 184 million to property plant and equipment. This has led to a reduction in depletion charge of US$ 76 million for the period from 26 October 2018 till 31 March 2019.

iii. Restoration, rehabilitation and environmental costs

Provision is made for costs associated with restoration and rehabilitation of oil sites as soon as the obligation to incur such costs arises. Such restoration and closure costs are typical of oil and gas industries and they are normally incurred at the end of the life of the oil fields. The provision for decommissioning oil and gas assets is based on the current estimate of the costs for removing and decommissioning producing facilities, the forecast timing and currency of settlement of decommissioning liabilities and the appropriate discount rate.

A corresponding provision is created on the liability side. The capitalised asset is charged to the income statement through the depreciation over the life of operation of the asset and the provision is increased each period via unwinding the discount on the provision. Management estimates are based on local legislation and/or other agreements. The actual costs and cash outflows may differ from estimates because of changes in laws and regulations, changes in prices, analysis of site conditions and changes in restoration technology. Details of such provision are set out in note 16

iv. Recoverability of deferred tax assets

The Company has carry forward MAT credit that is available for offset against future taxable profit. Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the unused tax credits can be utilized. This involves an assessment of when those assets are likely to reverse, and a judgement as to whether or not there will be sufficient taxable profits available to offset the assets. This requires assumptions regarding future profitability, which is inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognised in respect of deferred tax assets and consequential impact in the income statement. The details of MAT assets are set out in note 7.

1.2 Accounting Policies (continued)

t) Critical accounting judgement and estimation uncertainty (continued)

Significant judgements

i. Contingencies and commitments

In the normal course of business, contingent liabilities may arise from litigation, taxation and other claims against the Company, A tax provision is 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.

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 the financial position or profitability. These are set out in note 21.

2 Revenue from contract with customers

	Year ended March 2019 $'000	Year ended March 2018 $'000
Sale of products		
Revenue from sale of oil and gas	**875,627**	690,337
Sale of services	**798**	910
Revenue from contract with customers	**876,425**	691,247

Disaggregation of revenue

	Year ended March 2019 $'000	Year ended March 2018 $'000
Sale of products		
Oil	**843,206**	671,963
Gas	**32,421**	18,374
Sale of products	**875,627**	690,337
Sale of services	**798**	910
Total revenue	**876,425**	691,247

Revenue from sale of products are recorded at a point in time and those from sale of services and are recognised over a period of time.

Cairn Energy Hydrocarbons Limited

Notes to the Accounts (continued)
For year ended 31 March 2019

3 Operating Profit

a) Operating Profit is stated after charging / (crediting):

	Year ended March 2019 $'000	Year ended March 2018 $'000
Cess on crude oil	**211,751**	166,101
Decrease/(Increase) in inventory of crude oil	**2,031**	(2,288)
Other production costs	**156,269**	137,234
Production costs	**370,051**	301,047
Depletion	**194,360**	244,211

b) Continuing operations
All profits in the current and preceding year were derived from continuing operations.

c) Auditors' Remuneration
Fees amounting to $13,080 (the year ended 31 March 2018: $10,159) is payable to the Company's auditors for the audit of the Company's annual accounts.
The Company has a system in place for the award of non-audit work to the auditors which, in certain circumstances, requires Audit Committee approval.

d) Administration expenses
Administrative expenses include reversal of nil (March 2018:$6.3m) relating to provision for oil cess with respect to previous years reversed during the current year.

4 Directors' Emoluments

A total remuneration of $25,057 year ended 31 March 2019 (the year ended 31 March 2018: $12,599).

5 Finance Income

	Year ended March 2019 $'000	Year ended March 2018 $'000
Bank deposit interest	**1,484**	174
Income from SRF deposit	**774**	552
Dividend income	**1,622**	33
Other income	**-**	114
	3,880	873

6(a) Finance Costs

	Year ended March 2019 $'000	Year ended March 2018 $'000
Interest expense	**17**	113
Other finance charges	**714**	448
Sub Total	**731**	561
Other finance charges - unwinding of discount (refer note 16)	**3,028**	2,865
Total	**3,759**	3,426

6(b) Other gains and losses

	Year ended March 2019 $'000	Year ended March 2018 $'000
Profit on sale of Property, plant and equipment	**(982)**	(9)
Exchange loss (net)*	**21,394**	339
Total	**20,412**	330

*includes Foreign exchange loss on Minimum Alternate Tax (MAT) credit of $ 27,966 (31st March 2018: $ 1,086)

7 Taxation on Profit

a) Analysis of tax charge during the year

	Year ended March 2019 $'000	Year ended March 2018 $'000
Current tax on profit for the year	59,169	33,207
Current tax charge in respect of earlier years	612	2,821
Total current tax (a)	**59,781**	36,028
Origination and reversal of temporary differences	85,595	28,189
Charge in respect of deferred tax for earlier years	1,418	(2,573)
Total deferred tax (b)	**87,013**	25,616
Total tax charge ((a)+(b))	**146,794**	61,644

b) Factors affecting tax charge for year

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

	Year ended March 2019 $'000	Year ended March 2018 $'000
Profit before taxation	**291,527**	149,172
Corporation tax at the standard UK rate of 19%	**55,389**	28,343
Effects of:		
Permanent differences*	**17,755**	(2,580)
Effect of higher tax rate**	**71,620**	35,633
Tax charge relating to earlier years	**2,030**	248
Total tax charge	**146,794**	61,644
Effective tax rate	**50.4%**	41.3%

7 Taxation on Profit (continued)

* this majorly pertains to foreign exchange movement impact of conversion of INR tax assets to USD.
**Profits from Indian branch of the Company is subject to Indian statutory tax rate of 43.7% (March 2018: 43.3%).

The UK Government has announced that the main rate of UK Corporation tax for the year 2019 is 19%. Further, reduction in the main rate to 17% from 1 April 2020 has been fully enacted into UK law.

The Company has elected for branch exemption and the same has been accepted by HM Revenue and Customs and the year ended 31 March 2016 is the first period for which the foreign branch exemption applies to the Company. This exemption has the effect of exempting from UK Corporation tax all profits and losses attributable to the operations of the Indian branch of the Company.

The Company has accrued significant amounts of deferred tax. The majority of the deferred tax represents accelerated tax relief for the depreciation of property, plant and equipment and net of unused tax credits in the form of Minimum alternate tax (MAT) credits carried forward under Indian tax laws. Significant components of Deferred tax assets and (liabilities) recognised in the statement of financial position are as follows:

For year ended March 2019

Significant components of Deferred Tax assets & (liabilities)	Opening balance as at April 1, 2018	(Charged)/credited to statement of profit or loss	Exchange difference on translation of foreign operation	Closing balance as at Mar 31, 2019
	$'000	$'000	$'000	$'000
Property, Plant and Equipment, Exploration and evaluation and intangible exploration/appraisal assets	**(3,978)**	30,476	-	**26,498**
MAT credit entitlement	**450,319**	(118,353)	(27,966)	**304,000**
Other Temporary Differences	**3,719**	864	-	**4,583**
Total	**450,060**	**(87,013)**	**(27,966)**	**335,081**

For the year ended March 2018

Significant components of Deferred Tax assets & (liabilities)	Opening balance as at April 1, 2017	(Charged)/credited to statement of profit or loss	Exchange difference on translation of foreign operation	Closing balance as at Mar 31, 2018
	$'000	$'000	$'000	$'000
Property, Plant and Equipment, Exploration and evaluation and intangible exploration/appraisal assets	(70,403)	66,425	-	**(3,978)**
MAT credit entitlement	543,710	(92,271)	(1,120)	**450,319**
Other Temporary Differences	3,489	230	-	**3,719**
Total	**476,796**	**(25,616)**	**(1,120)**	**450,060**

7 Taxation on Profit (continued)

Recognition of deferred tax assets on MAT credits entitlement is based on the Company's present estimates and business plans as per which the same is expected to be utilized within the stipulated fifteen year period from the date of origination.

8 Property, plant and equipment, Intangible exploration/appraisal assets

Particulars	Intangible exploration/ appraisal assets $'000	Oil and gas properties $'000	Total $'000
Gross Block			
As at 1 April 2017	**357,710**	**2,262,424**	**2,620,134**
Additions	4,169	62,920	67,089
Deletions/Adjustments	(4,911)	(605)	(5,516)
Transfers	(15,398)	15,398	-
As at 31 March 2018	**341,570**	**2,340,137**	**2,681,707**
Additions	9,337	196,129	205,466
Deletions	-	(1,075)	(1075)
Transfers [Note 1.1(t)(ii)]	(181,393)	181,393	-
Unsuccessful Exploration cost	(28)	-	(28)
As at 31 March 2019	**169,486**	**2,716,584**	**2,886,070**
Accumulated depreciation and depletion			
As at 1 April 2017	**-**	**1,823,805**	**1,823,805**
Deletions	-	(603)	(603)
Charge for the year	-	244,211	244,211
As at 31 March 2018	**-**	**2,067,413**	**2,067,413**
Deletions	-	(981)	(981)
Charge for the year	-	194,360	194,360
As at 31 March 2019	**-**	**2,260,792**	**2,260,792**
Net book value			
As at 31 March 2018	**341,570**	**272,724**	**614,294**
As at 31 March 2019	**169,486**	**455,792**	**625,278**

1. *Oil and Gas Properties includes development assets under construction of carrying value US$ 302 million (31 March 2018: US$ 167 million).*
2. *Oil & Gas properties and exploration and evaluation assets net block represents share of jointly owned assets with the joint venture partners including the parent company Vedanta Limited.*

9 Investments in Subsidiaries

	$'000
Cost and net book value:	
At 1 April 2017	33
Additions	150
Impairment of investment	(150)
At 1 April 2018	**33**
Additions	100
Impairment of investment	(100)
At 31 March 2019	**33**

The investment has been made in the following subsidiaries-

Name of subsidiary	Mar'19	Mar'18
CIG Mauritius Holding Private Limited	100	100
Cairn South Africa (Pty) Limited	-	50

The investments have been impaired during the year on account of suspension of business activities in these subsidiaries.

Details of the primary investments in which the Company held 20% or more of the nominal value of any class of share capital are as follows:

Company	Country of incorporation	Proportion of voting rights an ordinary shares	Nature of Business
Direct Holdings			
Cairn South Africa (Pty) Limited	South Africa	100%	Exploration & production
Cairn Mauritius Holding Limited	Mauritius	100%	Holding company
Indirect Holding			
Cairn Mauritius Pvt Limited	Mauritius	100%	Holding company
Cairn Lanka Pvt Limited	Sri Lanka	100%	Exploration & production

10 Other Non - Current Assets

	31 March 2019 $'000	31 March 2018 $'000
Site restoration deposits with banks	**15,109**	11,477
Advance Profit Petroleum [a]	**21,512**	-
Financial (A)	**36,621**	11,477
Balance with government authorities [bc]	**10,060**	16,775
Non-Financial (B)	**10,060**	16,775
Total (A) + (B)	**46,681**	28,252

10 Other Non - Current Assets (continued)

a) Pursuant to Management Committee recommendation and minutes of Empowered Committee of Secretaries (ECS) filed by Government of India, Vedanta Limited (Parent Company) had considered cost recovery of $251m in FY 2017-18, being the cost incurred over the initially approved Field Development Plan of Pipeline Project. Vedanta Limited's claim for the resultant profit petroleum of $43m (out of which Company's share is $21.5m), which had been previously paid, has been disputed by the Government of India. Company based on independent legal opinion believes that it has a good case on merits to recover the amount and has therefore treated it as a non-current recoverable amount.
b) Includes $4.1m (31 March 2018: $4.3m), being Group share of gross amount of $12.3m paid under protest on account of Education cess and Secondary Higher Education Cess for 2013-14 (refer note 21).
c) Includes $1.3m (31 March 2018: $7.5m), being Group share of gross amount of $3.8m, of excess oil cess paid under Oil Industry Development Act (OIDA) (refer note 21).

11 Trade and Other Receivables

	31 March 2019 $'000	31 March 2018 $'000
Unsecured, Considered good		
Trade receivables	**67,698**	48,060
Joint Operations receivable	**126,638**	93,748
Unsecured, Considered doubtful		
Joint Operations receivable	**19,550**	19,550
Less: Provision for doubtful debts	**(19,550)**	(19,550)
Financial (A)	**194,336**	141,808
Unsecured, Considered good		
Joint Operations receivable	**5,589**	2,029
Non – Financial (B)	**5,589**	2,029
Total (A) + (B)	**199,925**	143,837

a) The credit period given to customers ranges from zero to 30 days. All receivables are within the said credit period.
b) The carrying value of trade receivables may be affected by the changes in the credit risk of the counterparties as well as the currency risk as explained in Note 23.

As at 31 March 2019 and 31 March 2018, the ageing analysis of trade and other receivables (Financial), is set out below:

	31 March 2019 $'000	31 March 2018 $'000
Neither past due nor impaired	**73,273**	52,699
Past due but not impaired		
Less than 1 month	-	-
Between 1-3 months	-	-
Between 3-12 months	**111,563**	83,059
Greater than 12 months	**9,500**	6,050
Total	**194,336**	141,808

11 Trade and Other Receivable (continued)

The movement in allowance for doubtful debts individually or collectively impaired is as set out below.

	31 March 2019 $'000	31 March 2018 $'000
Joint operation trade receivables		
Opening balance	**19,550**	19,225
Movement during the period	**-**	325
Closing balance	**19,550**	19,550

Included in the allowance for doubtful debts are individually impaired Joint operation trade receivables with a balance of $19.6m (31 March 2018:$19.6m). These predominantly relate to outstanding Rajasthan cash calls from joint venture partner, Oil and Natural Gas Corporation (ONGC) which are currently being pursued by the management.

12 Short – Term Investments

	31 March 2019 $'000	31 March 2018 $'000
Bank Deposits	**7,156**	7,000
Mutual funds	**100,131**	8,668
	107,287	15,668

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

13 Cash and Cash Equivalents

	31 March 2019 $'000	31 March 2018 $'000
Cash at bank	**4**	4
Short-term deposits	**135,237**	47,631
	135,241	47,635

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods from overnight deposits to three months depending on the cash requirements of the Company.

14 Inventories

	31 March 2019 $'000	31 March 2018 $'000
Oil inventories	**6,739**	8,769
Stores and spares	**22,704**	18,578
	29,443	27,347

15 Trade and Other Payables

	31 March 2019 $'000	31 March 2018 $'000
Joint operation liabilities	**171,927**	137,115
Amounts owed to group companies	**74**	74
Profit petroleum payable	**58,021**	53,190
Dues to Joint Venture Partner*	**208,032**	99,690
Operational buyers' credit/suppliers' credit	**13,706**	12,573
Other liabilities	**107**	257
Financial (A)	**451,867**	302,899
Statutory liabilities	**9,678**	11,267
Other liabilities	**16**	17
Non-Financial (B)	**9,694**	11,284
Total (A) + (B)	**461,561**	314,183

Non-interest bearing payables are normally settled in a 30 to 60 days term.

*Represents amount payable to ONGC, majorly on account of Company's Share of Royalty.

Operational buyers' credit/suppliers' credit are interest-bearing liabilities and are normally settled within a period of twelve months. These represent arrangements whereby operational suppliers of raw materials are paid by financial institutions, with the Company recognising the liability for settlement with the institutions at a later date.

16 Provisions

Provision for decommissioning – Non current

	$'000
At 1 April 2017	81,641
Change in decommissioning estimate	5,136
Unwinding for the year	2,865
At 31 March 2018	**89,642**
Change in decommissioning estimate	**11,823**
Unwinding for the year	**3,028**
At 31 March 2019	**104,493**

Decommissioning costs are expected to be incurred during 2041 being the field life of Rajasthan oil and gas field. The provision has been estimated using existing technology at current prices which are escalated using an inflation rate of 2.5% p.a. (2018: 2.5% .p.a.) and discounted using a real discount rate of 3.1% p.a. (2018: 3.3% p.a.).

17 Share Capital

Authorised ordinary shares

Special Resolution was passed on 22 October 2009, whereby limit on the Authorised Share Capital of the Company was removed.

	31 March 2019 £1 Ordinary Number	**31 March 2019 Amount $'000**	31 March 2018 £1 Ordinary Number	31 March 2018 Amount $'000
Allotted, issued and fully paid ordinary shares	**419,481,710**	**651,014**	**419,405,410**	**650,914**
	419,481,710	**651,014**	**419,405,410**	**650,914**

During year ended 31 March 2019, the company issued 76,300 equity shares of $100,000 to its parent company, Cairn India Holdings Limited.

18 Share Premium

	31 March 2019 $'000	31 March 2018 $'000
Share premium	**19,574**	19,574

19 Equity

	31 March 2019 $'000	31 March 2018 $'000
Other Equity	**181,624**	181,624

Represents waiver of intergroup balances and these are non-distributable.

20 Capital Commitments

	31 March 2019 $'000	31 March 2018 $'000
Oil and gas commitments:		
Property, plant and equipment – development activities	**351,875**	298,274
– exploration activities	**42,757**	4,023
Contracted for	**394,632**	302,297

The above capital commitments represent the Company's share of obligations in relation to its interests in joint operations. As the joint operation in which the Company participates involves joint control of assets, these commitments also represent the Company's share of the capital commitments of the joint operation itself.

21 Contingent Liabilities

Indian Service tax

Vedanta Ltd (erstwhile Cairn India limited) being the Operator of RJ-ON-90/1 block in which Company has participating interest, had received Twelve show cause notices (SCN's) related to period April 1, 2006 to March 31, 2015, citing non-payment of service tax on various services. All SCN's have been adjudicated by the department and group has filed an appeal with respect to all the SCN's.

Out of the total service tax demanded by the Service tax authorities, $4.9m (31 March 2018: $5.3m) belongs to RJ-ON-90/1 block, and out of which Company's share will be $2.0m (31 March 2018: $2.1m). Further, Company has already made the provision on service tax demand in its books of account to the tune of $1.08m (31 March 2018: $1.2m). Net contingent liability is $ 0.92m. Cairn has also received one SCN related to period April 15, 2015 to June 30, 2017, citing non-payment of service tax on various services amounting to $0.5m. SCN have been adjudicated by the department and department has confirmed demand of $0.28m. The Operator is contesting the demands and believes that its position is likely to be upheld. Appeal have been filed before CESTAT against above order.

Entry Tax

Pursuant to the provisions of the Rajasthan Entry Tax Act, 1999, an entry tax demand has been raised for $3.7m (31 March 2018: $4.8m) plus potential interest of $0.80 for the period 2002 to 2018. The Supreme Court has upheld the constitutionally validity of Entry tax disregarding compensatory theory, however, grounds of 'discrimination' and coverage of entire state under 'Local Area' has been remanded back to High Courts for adjudication. We have filed the writ before Rajasthan High court in Entry tax matter on the grounds of 'discrimination' and coverage of entire state under 'local area' and appeal is under due course. Department has filed a counter affidavit in September 2017. The Company based on the legal advice believes that its position is likely to be upheld and has disclosed the same as contingent liability.

Oil cess

Rajasthan High Court vide its orders dated 19th Oct' 2016 and 13th Jan' 2017 in the case of Vedanta Ltd erstwhile Cairn India Limited (Operator of RJ ON- 90/1 block), held that Education cess ('E cess') and Secondary Higher Education Cess ('SHE cess') is payable on Oil Cess. The total amount shown as refundable for the period April'13 to Nov'13 is $4.6m (31 March 2018: $4.3m)

Consequent to High Court Orders, two Show Cause Notices ('SCN') issued for the period Dec'13 to Feb'15 have been adjudicated confirming the demand $22.08 (31 March 2018: $23.6m). plus applicable interest and penalty, Company's share in the same is $7.73m (31 March 2018: $8.2m).

Consequently, Vedanta Ltd erstwhileCairn India Limited has challenged the cited High Court orders and two SCN's for the period Dec'13 to Feb'15 before the Hon'ble Supreme Court in Jan'2017. Stay has been granted by Supreme Court vide order dated 06-02-2017. Additionally, Statutory Appeals have also been filed before CESTAT Delhi against the demand order pertaining to period Dec'13 to Feb'15. The matter has adjourned for hearing on 29th Nov'2019. Also, the Bench mentioned that pre-deposit is the mandatory requirement under the law for maintainability of the Appeal before CESTAT.

The Company believes that its position is likely to be upheld – E Cess and SHE Cess are not payable on Oil Cess. Accordingly, it has been shown as contingent liability. Management view is also supported by independent legal advice.

21 Contingent Liabilities (continued)

Tax holiday on gas production

Section 80-IB (9) of the Income Tax Act, 1961 allows the deduction of 100% of profits from the commercial production or refining of mineral oil. The term 'mineral oil' is not defined but has always been understood to refer to both oil and gas, either separately or collectively.

The 2008 Indian Finance Bill appeared to remove this deduction by stating [without amending section 80-IB (9)] that "for the purpose of section 80-IB (9), the term 'mineral oil' does not include petroleum and natural gas, unlike in other sections of the Act". Subsequent announcements by the Finance Minister and the Ministry of Petroleum and Natural Gas have confirmed that tax holiday would be available on production of crude oil but have continued to exclude gas.

The Company filed a writ petition to the Gujarat High Court in March 2019 2008 challenging the restriction of section 80-IB to the production of oil. Gujarat High Court did not admit the writ petition on the ground that the matter needs to be first decided by lower tax authorities. A Special Leave Petition has been filed before Supreme Court against the decision of Gujarat High court.

In the event this challenge is unsuccessful, the potential liability for tax and related interest on tax holiday claimed on gas is approximately $5.8m (31 March 2018:$6.22m)

South Africa Carry

As part of the farm-in agreement for Block 1, the Company's subsidiary Cairn South Africa Proprietary Ltd. (CSAPL) was required to carry its joint venture partner, Petro SA, up to a gross expenditure of US$ 100 million for a work programme including 3D and 2D seismic studies and at least one exploration well. The CSAPL has spent US$ 38 million towards exploration expenditure and a minimum carry of US$ 62 million (including drilling one well) was outstanding at the end of the initial exploration period. The CSAPL 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 CSAPL's 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 CSAPL had provided for the requisite damages as applicable under the South African Regulations.

During financial year 2018-19, CSAPL has 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 CSAPL along with Petro SA has filed the closure application on 19 September 2018. Pending disposal of application, the obligation for the aforesaid carry cost of US$ 62 million (31 March 2018: US$ 62 million) has been assessed as possible and disclosed as a contingency.

Cairn South Africa Proprietary Ltd. is a direct subsidiary of Cairn Energy Hydrocarbons Ltd and hence the Company has disclosed the above as contingent liability as the Company has undertaken to provide requisite financial support to CSAPL.

Contractor Claims

Company is subject to various contractor claims and exposures which arise in the ordinary course of conducting its business. These are generally claims arising either after the settlement of dues or claims being made without performance under the contract on the contractor's part. In addition there are certain cases pertaining to Land/ ROU disputes. The approximate value of claims against the Company excluding claims shown above is $24.0m (31 March 2018: $21.2m

22 Related Party Transactions

The following table provides the total amount of transactions which have been entered into with Group companies during year and the balances outstanding at the Balance Sheet date:

	Year ended March 2019 $'000	Year ended March 2018 $'000
Transactions during the period		
Dividend paid (1)	**168,000**	490,433
Issue of Equity shares (2)	**100**	193,436

Name of Subsidiary	**Relationship**
Cairn India Holdings Limited	Immediate Parent Company
Vedanta Limited	Indian Parent of Cairn India Holdings Limited
Vedanta Resources Limited	Holding company
Volcan Investments Limited	Ultimate controlling entity

Outstanding balances		
Balances amounts owed to Cairn India Holding Limited	**74**	74
Balances amounts owed by Vedanta Limited	**205**	218

(1) The Company paid dividend of $168.0m (year ended 31 March 2018: $490.4m) to its holding company, Cairn India Holdings Limited. The dividend paid per share is $0.40 (year ended 31 March 2018:$1.38).

(2) During the year ended 31st March 2019, the Company issued 76,300 equity shares of $0.1m to its parent company, Cairn India Holdings Limited (31st March 2018: 148,510,248 equity shares of $193.4m).

(3) Being in Non-executive position Suniti Bhat and Pankaj Kalra were not entitled to any remuneration from the Company. Mr. Sharad Kothari being in Non-executive position is not entitled to any remuneration from the Company. Professional fee paid to the consultants for their directorship services to the Company amounted to $25,057 year ended 31 March 2019 (the year ended 31 March 2018: $12,599).

The amounts outstanding are unsecured, repayable on demand and will be settled in cash. Interest, where charged, is at market rates. No guarantees have been given.

23 Financial Risk Management: Objectives and Policies

Cairn India Holdings Limited, Company's immediate Parent, manages the financial risk of the Company along with of other subsidiaries within its control.

The Company's primary financial instruments comprise cash and short and medium-term deposits, loans and other receivables 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. During the year, the Company did not enter into forward foreign exchange options to hedge the exposure of future Indian Rupee requirements.

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

23 Financial Risk Management: Objectives and Policies (continued)

Liquidity risk
Cairn India Holdings Group has uncommitted secured working capital facility to fund its short term capital requirements. Uncommitted facility as of 31 March 2019 was $25.0m (31 March 2018: $25.0m). As at 31 March 2019, there were no outstanding amounts under these facilities. In addition, as at 31 March 2019, the Cairn India Holdings Group had $25.0m of trade finance facilities (31 March 2018: $25.0m) in place to cover the issue of bank guarantees / letter of credit. Fixed rates of bank commission and charges apply to these. As at 31 March 2019, there were no outstanding amounts under the facility. (31 March 2018: $nil).

The Cairn India Holdings Group currently has surplus cash which it has placed in a combination of money market liquidity funds, fixed term deposits, mutual funds and marketable bonds with a number of International and Indian banks, financial institutions and corporates, ensuring sufficient liquidity to enable the Cairn India Holdings Group to meet its short/medium-term expenditure requirements

The Cairn India Holdings Group is conscious of the current environment and constantly monitors counterparty risk. Policies are in place to limit counterparty exposure. The Cairn India Holdings Group monitors counterparties using published ratings and other measures where appropriate.

The maturity profile of the Company's financial liabilities based on the remaining period from the balance sheet date to the contractual maturity date is given in the table below:

(in $'000)

At 31st March 2019	**< 1 year**	**1-3 years**	**3-5 years**	**>5 years**	**Total**
Trade and other Payables	**451,867**	-	-	-	**451,867**
	451,867	**-**	**-**	**-**	**451,867**
At 31st March 2018	**< 1 year**	**1-3 years**	**3-5 years**	**>5 years**	**Total**
Trade and other Payables	302,899	-	-	-	302,899
	302,899	**-**	**-**	**-**	**302,899**

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

Short/medium-term borrowing arrangements are available at floating rates. The treasury functions may from time to time opt to manage a proportion of the interest costs by using derivative financial instruments like interest rate swaps. At this time, however, there are no such instruments (31 March 2018: $nil).

23 Financial Risk Management: Objectives and Policies (continued)

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

(in $'000)

	31 March 2019			**31 March 2018**		
	Floating rate	**Fixed rate**	**Non-interest bearing**	**Floating rate**	**Fixed rate**	**Non-interest bearing**
Financial Assets	**100,131**	**157,502**	**215,853**	20,145	54,631	141,812

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

(in $'000)

	31 March 2019			**31 March 2018**		
	Floating rate	**Fixed rate**	**Non-interest bearing**	**Floating rate**	**Fixed rate**	**Non-interest bearing**
Financial liabilities	-	-	**451,867**	-	-	**302,899**

Considering the net asset position as at 31 March 2019 and the investment in liquid investments, foreign currency bonds and foreign mutual funds, any increase in interest rates would result in a net profit and any decrease in interest rates would result in a net loss. The sensitivity analysis below has been determined based on the exposure to interest rates at the balance sheet date.

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

(in $'000)

	31 March 2019	31 March 2018
Change in interest rates	**Effect on profit for the year**	Effect on profit for the year
0.5%	**501**	101
1.0%	**1,001**	201
2.0%	**2,003**	403

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.

23 Financial Risk Management: Objectives and Policies (continued)

Foreign currency risk (continued)

In order to minimise Company's exposure to foreign currency fluctuations, currency assets are matched with currency liabilities by borrowing or entering into foreign exchange contracts in the applicable currency if deemed appropriate. The 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 Company. 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 carrying amount of the Company's financial assets and liabilities in different currencies are as follows:

(in $'000)

	31 March 2019 Financial Assets	**31 March 2019 Financial Liabilities**	31 March 2018 Financial Assets	31 March 2018 Financial Liabilities
USD	242,769	388,217	86,753	292,920
GBP	12,039	1,535	13,124	1,814
INR	216,560	59,100	114,175	3,639
Others	2,118	3,015	2,536	4,526
Total	**473,486**	**451,867**	216,588	302,899

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

(in $'000)

	31 March 2019	
	Closing exchange rate	**Effect of 10% strengthening of US dollar on net earning**
INR	**69.171**	**15,746**
GBP	**0.76**	**1,050**

	31 March 2018	
	Closing exchange rate	Effect of 10% strengthening of US dollar on net earning
INR	65.044	11,054
GBP	0.70	1,131

The sensitivities are based on financial assets and liabilities held at 31 March 2019 where balances are not denominated in the company's functional currency. The sensitivities do not take into account the company's sales and costs and the results of sensitivities could change due to other factors such as change in the value of financial assets and liabilities as a result of non-foreign exchange influenced factors. A 10% depreciation of the US$ would have an equal and opposite effect on the company's financial instruments.

23 Financial Risk Management: Objectives and Policies (continued)

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 respective Boards continually re-assess the Group's policy and update as required. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty failure.

At the year end the Company does not have any significant concentrations of bad debt risk other than that disclosed in note 11.

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 year ended 31 March 2019.

The Company has $ nil borrowings as at 31 March 2019.

24 Financial Instruments

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

Financial assets

As at March 2019	**Fair value through profit or loss**	**Amortised cost**	**Total carrying value**	**Total fair value**
	$'000	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	-	135,241	135,241	135,241
Trade and other receivables	-	194,336	194,336	194,336
Other assets	-	36,622	36,622	36,622
Short – Term investments	100,131	7,156	107,287	107,287
	100,131	**373,355**	**473,486**	**473,486**

24 Financial Instruments (continued)

Financial liabilities

As at March 2019	Fair value through profit or loss $'000	Amortised cost $'000	Total carrying value $'000	Total fair value $'000
Joint Operation trade payables	-	171,926	171,926	171,926
Dues to Joint Venture Partner	-	208,032	208,032	208,032
Operational buyers' credit/suppliers' credit	-	13,706	13,706	13,706
Amounts owed to group companies	-	74	74	74
Profit petroleum payable	-	58,021	58,021	58,021
Other payables	-	108	108	108
	-	**451,867**	**451,867**	**451,867**

All of the above financial assets are current and unimpaired with the exception of Joint Operation trade receivables. An analysis of the ageing of Joint Operation trade receivables is provided in note 11.

Financial assets	Carrying amount	Fair value
	31 March 2018 $'000	**31 March 2018 $'000**
Cash and cash equivalents	47,635	47,635
Trade and other receivables	141,808	141,808
Other assets	11,477	11,477
Short - Term investments	15,668	15,668
	216,588	**216,588**

Financial liabilities	Carrying amount	Fair value
	31 March 2018 $'000	**31 March 2018 $'000**
Joint Operation trade payables	137,115	137,115
Dues to Joint Venture Partner	99,690	99,690
Bills of exchange	12,573	12,573
Amounts owed to group companies	74	74
Profit petroleum payable	53,190	53,190
Other payables	257	257
	302,899	**302,899**

Investments in equity of subsidiaries, associates and joint ventures which are carried at cost are not covered under IFRS 7 and hence not been included above

24 Financial Instruments (continued)

Fair value hierarchy

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

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

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

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

Fair Value Hierarchy

Particulars	As at 31 March 2019		
	Level 1	**Level 2**	**Level 3**
Financial assets			
At fair value through profit or loss			
Short term investments – Investments in Mutual funds	**100,131**	**-**	**-**
Total	**100,131**	**-**	**-**

Particulars	As at 31 March 2018		
	Level 1	**Level 2**	**Level 3**
Financial assets			
At fair value through profit or loss			
Short term investments - Investments in Mutual funds – Held for trading	**8,668**	**-**	**-**
Total	**8,668**	**-**	**-**

The fair value of the financial assets and liabilities are at the amount that would be received to sell an asset and paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used to estimate the fair values:

- Investments traded in active markets are determined by reference to quotes from the financial institutions; for example: Net asset value (NAV) for investments in mutual funds declared by mutual fund house. For other listed securities traded in markets which are not active, the quoted price is used wherever the pricing mechanism is same as for other marketable securities traded in active markets. Other current investments are valued by referring to market inputs including quotes, trades, poll, primary issuances for securities and /or underlying securities issued by the same or similar issuer for similar maturities and movement in benchmark security, etc.
- Financial assets forming part of Trade and other receivables, cash and cash equivalents (including restricted cash and cash equivalents), bank deposits, and financial liabilities forming part of trade and other payables and short-term borrowings: Approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Other non-current financial assets and financial liabilities: Fair value is calculated using a discounted cash flow model with market assumptions, unless the carrying value is considered to approximate to fair value.
- Long-term fixed-rate and variable rate borrowings: Listed bonds are fair valued based on the prevailing market price. For all other long-term fixed-rate and variable-rate borrowings, either the carrying amount approximates the fair value, or fair value has been estimated by discounting the expected future cash flows using a discount rate equivalent to the risk-free rate of return adjusted for the appropriate credit spread.
- Quoted financial asset investments: Fair value is derived from quoted market prices in active markets.

24 Financial Instruments (continued)

Fair value hierarchy (continued)

For all other financial instruments, the carrying amount is either the fair value, or approximates the fair value.

The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationship and the value of other financial instruments recognised at fair value.

The estimated fair value amounts as at 31 March 2019 have been measured as at that date. As such, the fair values of these financial instruments subsequent to reporting date may be different than the amounts reported at each year-end.

25 Segment reporting

The company has only one business segment primarily in the exploration for, development and production of oil and gas and operates in one geographical segment. Accordingly, disclosures relating to operating segments under IFRS 8 on "Operating Segments" are not applicable to company for current year. Revenue from four major customers aggregated to $1,012.2m (March 2018: $ 840.5m), individually exceeded 10% of the total revenue of Company.

26 Ultimate Parent Company

The Company is a wholly-owned subsidiary of Vedanta Limited which in turn is a subsidiary of Vedanta Resources Limited (erstwhile Vedanta Resources Plc.). Volcan Investments Limited ("Volcan") is the ultimate controlling entity and controls Vedanta Resources 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. The registered office of Vedanta Resources Limited, is 5th Floor, 6 St. Andrew Street, London, EC4A 3AE. Copies of Vedanta Resources Limited's financial statements are available on its website.

27 Subsequent events

Subsequent to year end, the Company paid a dividend of $254.6m to its holding company, Cairn India Holdings Limited. The dividend paid per share is $0.61.

Subsequent to year end on 26th September 2019, the Board has approved the capital reduction as below:

1. cancel its Share Premium Account, by reducing the amount contained in such account from US$19,574,000 to US$0; and
2. reduce its share capital from £419,481,710 divided into 419,481,710 ordinary shares of £1 each to £113,428,993 divided into 113,428,993 ordinary shares of £1 each by cancelling and extinguishing 306,052,717 ordinary shares of £1 each.