Auditors' Report on Consolidated Financial Statements

TO
THE BOARD OF DIRECTORS OF CAIRN INDIA LIMITED

1. We have audited the attached consolidated balance sheet of Cairn India Limited (the Company) and its subsidiaries (collectively called 'the Cairn India Group') as at March 31, 2009 and also the consolidated profit and loss account and the consolidated cash flow statement for the fifteen months period ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements notified under the Companies (Accounting Standard) Rules, 2006.
4. In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
   (a) in the case of the consolidated balance sheet, of the state of affairs of the Cairn India Group as at March 31, 2009;
   (b) in the case of the consolidated profit and loss account, of the profit of the Cairn India Group for the fifteen months period ended on that date; and
   (c) in the case of the consolidated cash flow statement, of the cash flows of the Cairn India Group for the fifteen months period ended on that date.

For S. R. Batliboi & Associates
Chartered Accountants

per Raj Agrawal
Partner
Membership No.: 82028

Place : Gurgaon
Date : 27th May, 2009

Consolidated Balance Sheet

AS AT MARCH 31, 2009

(All amounts are in thousand Indian Rupees, unless otherwise stated)

	Schedules		As at March 31, 2009		As at December 31, 2007
SOURCES OF FUNDS					
Shareholders' funds					
Share capital	1		18,966,678		17,783,994
Stock options outstanding	2		388,978		947,084
Reserves and surplus	3		308,667,596		276,084,115
			328,023,252		294,815,193
Loan funds					
Secured loans (Finance lease liabilities)			222,402		169,361
Unsecured loans	4		43,341,500		2,955,000
			43,563,902		3,124,361
Deferred tax liabilities (net)	5		5,623,782		4,916,494
			377,210,936		**302,856,048**
APPLICATION OF FUNDS					
Fixed assets	6				
Gross cost		1,434,686		1,092,632	
Less: Accumulated depreciation / amortisation		801,843		606,126	
Net book value			632,843		486,506
Exploration, Development and Site-restoration costs	7				
Cost of producing facilities (net)		3,013,742		4,389,517	
Exploratory and development work in progress		62,027,323		24,670,264	
Net book value			65,041,065		29,059,781
Goodwill			253,192,675		253,192,675
Investments	8		1,712,806		7,128,909
Deferred tax assets (net)	5		83,935		–
Current assets, loans and advances					
Inventories	9	1,682,808		1,216,048	
Sundry debtors	10	1,516,418		1,348,578	
Cash and bank balances	11	65,270,674		13,317,907	
Other current assets	12	704,244		134,533	
Loans and advances	13	3,505,102		4,867,071	
		72,679,246		20,884,137	
Less: Current liabilities and provisions					
Current liabilities	14	11,794,353		4,691,797	
Provisions	15	4,337,281		3,661,347	
		16,131,634		8,353,144	
Net current assets			56,547,612		12,530,993
Profit & Loss account			–		457,184
			377,210,936		**302,856,048**
Notes to accounts	23				

The schedules referred to above are an integral part of the consolidated balance sheet.
As per our report of even date

For S. R. Batliboi & Associates
Chartered Accountants
per Raj Agrawal
Partner
Membership No. 82028

For and on behalf of the Board of Directors
Rahul Dhir Managing Director and Chief Executive Officer
Aman Mehta Director
Indrajit Banerjee Executive Director and Chief Financial Officer
Neerja Sharma Company Secretary

Place : Gurgaon
Date : 27th May, 2009

Consolidated Profit and Loss Account

FOR THE PERIOD ENDED MARCH 31, 2009

(All amounts are in thousand Indian Rupees, unless otherwise stated)

	Schedules	Fifteen months ended March 31, 2009		Twelve months ended December 31, 2007	
INCOME					
Income from operations	16		14,326,716		10,122,627
Other income	17		5,944,652		1,324,089
			20,271,368		11,446,716
EXPENDITURE					
Operating expenses	18		2,129,743		1,945,812
Depletion and site restoration costs	7		2,635,431		1,906,379
Unsuccessful exploration costs	7		1,683,851		2,512,282
Administrative expenses	19		3,311,407		3,884,855
(Increase)/decrease in inventories	20		222,342		(111,715)
Prior period exchange difference			283,045		–
Depreciation and amortisation	6		62,593		33,701
Finance costs	21		64,090		16,174
			10,392,502		10,187,488
Profit before taxation			**9,878,866**		**1,259,228**
Current tax (net of INR 225,490 thousand, previous year Nil of MAT credit availed during the period)		1,110,792		387,756	
Deferred tax		623,354		764,194	
Fringe Benefit Tax		110,214		352,719	
			1,844,360		1,504,669
Profit/(Loss) for the period / year			**8,034,506**		**(245,441)**
Surplus / (Deficit) brought forward from the previous year			(457,184)		(211,743)
Surplus / (Deficit) carried to Balance sheet			**7,577,322**		**(457,184)**
Earnings / (Loss) per share in INR	22				
Basic			4.31		(0.14)
Diluted (previous year considered anti-dilutive) (Nominal value of shares INR 10)			4.28		(0.14)
Notes to accounts	23				

The schedules referred to above are an integral part of the consolidated profit and loss account.
As per our report of even date

For S. R. Batliboi & Associates
Chartered Accountants
per Raj Agrawal
Partner
Membership No. 82028

For and on behalf of the Board of Directors
Rahul Dhir Managing Director and Chief Executive Officer
Aman Mehta Director
Indrajit Banerjee Executive Director and Chief Financial Officer
Neerja Sharma Company Secretary

Place : Gurgaon
Date : 27th May, 2009

Consolidated Statement of Cash Flows

FOR THE PERIOD ENDED MARCH 31, 2009

(All amounts are in thousand Indian Rupees, unless otherwise stated)

	Fifteen months ended March 31, 2009	Twelve months ended December 31, 2007
Cash flow from operating activities		
Profit / (Loss) before taxation for the period / year	9,878,866	1,259,228
Adjustments for		
– Employee compensation expense (equity settled stock options) - net of exceptional gains	107,292	780,365
– Depreciation, depletion and site restoration costs	2,949,665	2,077,055
– Loss on sale / discard of fixed assets (net)	1,835	10,055
– Unsuccessful exploration costs	1,683,851	2,512,281
– Share issue expenses	208,410	–
– Unrealised exchange loss / (gain) on restatement of assets and liabilities (net)	(1,710,406)	1,844,459
– Interest expense	819,258	8,256
– Profit on sale of non trade current investments (net)	(1,245,686)	(595,663)
– Interest income	(1,920,273)	(727,431)
– Dividend from investments	(221,876)	–
– Unrealised loss on option contracts	112,973	63,010
– Provisions written-back	(60,351)	–
Operating profit before working capital changes	**10,603,558**	**7,231,615**
Movements in working capital:		
(Increase)/decrease in inventories	(466,761)	35,062
(Increase)/decrease in debtors	(108,344)	406,420
(Increase)/decrease in loans and advances and other current assets	186,699	(1,998,426)
Increase/(decrease) in current liabilities and provisions	1,601,491	649,255
Cash generated from operations	**11,816,643**	**6,323,926**
Current tax/FBT paid (net of refunds)	(1,457,679)	(819,797)
Net cash from operating activities (A)	**10,358,964**	**5,504,129**
Cash flow from investing activities		
Payments made for acquisition of subsidiaries	–	(32,763,069)
Payments made for exploration and development activities	(31,150,183)	(11,566,913)
Payments made for purchase of fixed assets	(462,608)	(176,058)
Mutual funds purchased	(43,293,242)	(15,295,380)
Fixed deposits made	(43,410,755)	(14,076,538)
Proceeds from matured fixed deposits	11,686,817	–
Proceeds from sale of mutual funds	49,955,033	8,271,805
Proceeds from sale of fixed assets	202	4,270
Interest received	1,293,614	710,969
Dividend from investments received	224,849	587,403
Net cash used in investing activities (B)	**(55,156,273)**	**(64,303,511)**
Cash flow from financing activities		
Proceeds from issue of equity shares	25,523,445	2,093,607
Payments made for share issue expenses	(208,410)	(1,422,257)
Finance lease taken	175,645	(204,708)
Repayment of finance lease	(124,838)	–
Proceeds from long term borrowings	37,620,170	31,217
Repayment of long term borrowings	–	(1,517,999)
Interest paid	(724,779)	(24,503)
Net cash from/(used in) financing activities (C)	**62,261,233**	**(1,044,643)**
Net increase/(decrease) in cash and cash equivalents (A+B+C)	**17,463,924**	**(59,844,025)**
Cash and cash equivalents at the beginning of the period / year	1,503,807	61,347,832
Cash and cash equivalents at the end of the period / year	18,967,731	1,503,807
Unrealised exchange differences on closing cash and cash equivalents	2,764,904	–
Cash and cash equivalents as per financial statements	**21,732,635**	**1,503,807**
Components of cash and cash equivalents as at	**March 31, 2009**	**December 31, 2007**
Cash in hand	626	108
Balances with banks		
– on current accounts	228,024	609,096
– on deposit accounts	65,042,024	12,708,703
Less: Deposits having maturity of over 90 days	(43,538,039)	(11,814,100)
	21,732,635	**1,503,807**

Notes:

1) The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in Accounting Standard-3 on "Cash flow statements".
2) Amounts in bracket indicate a cash outflow or reduction.
3) Bank balance in deposit accounts includes INR 3,312,342 thousand, previous year INR 1,717,840 thousand, pledged with the banks.

As per our report of even date

For S. R. Batliboi & Associates
Chartered Accountants
per Raj Agrawal
Partner
Membership No. 82028

For and on behalf of the Board of Directors
Rahul Dhir Managing Director and Chief Executive Officer
Aman Mehta Director
Indrajit Banerjee Executive Director and Chief Financial Officer
Neerja Sharma Company Secretary

Place : Gurgaon
Date : 27th May, 2009

(All amounts are in thousand Indian Rupees, unless otherwise stated)

	AS at March 31, 2009	As at December 31, 2007
SCHEDULE - 1		
Share capital		
Authorised:		
2,250,000,000 (previous year 2,250,000,000) equity shares of INR 10 each	**22,500,000**	**22,500,000**
Issued, subscribed and paid up:		
1,896,667,816 (previous year 1,778,399,420) equity shares of INR 10 each	18,966,678	17,783,994
	18,966,678	**17,783,994**

Note:

1) Issued, subscribed and fully paid up share capital includes 1,226,843,791 equity shares (previous year - 1,226,843,791 equity shares) of INR 10 each held by Cairn UK Holdings Limited, the holding company together with its nominees.

2) Shares held by the holding company includes 861,764,893 equity shares (previous year - 861,764,893 equity shares) of INR 10 each, allotted as fully paid up pursuant to contracts for consideration other than cash.

3) For stock options outstanding refer note no. 7 in schedule 23.

	AS at March 31, 2009	As at December 31, 2007
SCHEDULE - 2		
Stock Options Outstanding		
Employee stock options outstanding	782,548	2,496,095
Less: Deferred employee compensation outstanding	(393,570)	(1,549,011)
Closing Balance	**388,978**	**947,084**

	AS at March 31, 2009	As at December 31, 2007
SCHEDULE - 3		
Reserves and Surplus		
Securities premium account		
Opening Balance	276,084,115	275,017,837
Add:- Additions during the period / year	25,006,159	1,962,756
Less:- Adjustment against preliminary expenses / share issue expenses	–	(896,478)
Closing Balance	301,090,274	276,084,115
Profit and Loss Account	7,577,322	–
	308,667,596	**276,084,115**

	AS at March 31, 2009	As at December 31, 2007
SCHEDULE - 4		
Unsecured Loans		
Long term loans		
– from International Finance Corporation	7,648,500	521,471
– from banks	35,693,000	2,433,529
	43,341,500	**2,955,000**

(All amounts are in thousand Indian Rupees, unless otherwise stated)

	As at March 31, 2009	As at December 31, 2007
SCHEDULE - 5		
Deferred tax asset / liabilities (net)		
Effect of differences in block of fixed assets as per tax books and financial books	6,178,716	5,208,962
Gross deferred tax liabilities	**6,178,716**	**5,208,962**
Effect of lease accounting	8,972	8,972
Expenditure debited to profit and loss but allowed for tax purposes in following years	629,897	283,496
Gross deferred tax assets	**638,869**	**292,468**
Net Deferred tax liabilities *	**5,539,847**	**4,916,494**

* After setting off net deferred tax assets aggregating to INR 83,935 thousand, previous year Nil in respect of certain group companies

SCHEDULE - 6

Fixed Assets

Description	Gross Block				Accumulated Depreciation / Amortisation				Net Block	
	As on 01.01.2008	Additions	Deletions/ Adjustments	As on 31.03.2009	As on 01.01.2008	For the period	Deletions/ Adjustments	As on 31.03.2009	As on 31.03.2009	As on 31.12.2007
A) Tangible Assets										
Freehold land	43,583	–	–	43,583	–	–	–	–	43,583	43,583
Buildings	5,247	–	–	5,247	1,109	1,224	–	2,333	2,914	4,138
Office equipments	364,752	182,623	(35,353)	512,022	233,766	145,535	(34,862)	344,439	167,583	130,986
Furniture and fittings	200,962	116,416	(17,508)	299,870	76,094	66,627	(15,961)	126,760	173,110	124,868
Vehicles	945	10,038	–	10,983	915	1,745	–	2,660	8,323	30
B) Intangible Assets										
Computer software	477,143	153,531	(67,693)	562,981	294,242	99,102	(67,693)	325,651	237,330	182,901
Grand Total	**1,092,632**	**462,608**	**(120,554)**	**1,434,686**	**606,126**	**314,233**	**(118,516)**	**801,843**	**632,843**	**486,506**
Previous period	**1,326,837**	**176,058**	**(410,263)**	**1,092,632**	**831,387**	**170,677**	**(395,938)**	**606,126**	**486,506**	**495,450**

Notes:

1. Furniture and fittings includes Leasehold improvements of INR 278,895 thousand (previous year INR 165,013 thousand), accumulated depreciation thereon INR 110,482 thousand (previous year INR 49,882 thousand).
2. Leasehold improvements and Office equipments of INR 278,271 thousand (previous year INR 164,389 thousand) and INR 210,192 thousand (previous year INR 135,539 thousand) respectively have been acquired under finance lease. The depreciation charge for the period on these assets is INR 60,569 thousand (previous year INR 25,096 thousand) and INR 61,040 thousand (previous year INR 24,181 thousand) respectively and the accumulated depreciation thereon is INR 110,355 thousand (previous year INR 49,786 thousand) and INR 139,781 thousand (previous year INR 78,741 thousand) respectively.
3. Depreciation charge for the period includes INR 251,640 thousand (previous year INR 136,976 thousand) allocated to joint ventures.
4. Fixed assets include INR 176,798 thousand (previous year INR 120,805 thousand) jointly owned with the joint venture partners. Accumulated depreciation on these assets is INR 82,643 thousand (previous year INR 60,932 thousand) and net book value is INR 94,155 thousand (previous year INR 59,873 thousand).

(All amounts are in thousand Indian Rupees, unless otherwise stated)

	As at March 31, 2009	As at December 31, 2007
SCHEDULE - 7		
Exploration, Development and Site restoration costs		
Opening balance of producing properties	4,389,517	2,976,132
Additions / Deletions / Transfer for the period / year	1,259,656	3,319,764
	5,649,173	**6,295,896**
Less: Depletion and site restoration costs	2,635,431	1,906,379
Net producing properties	**3,013,742**	**4,389,517**
Opening balance of exploratory & development work in progress	24,670,264	17,122,353
Additions / Deletions / Transfer for the period / year	39,040,910	10,060,193
Less: Unsuccessful exploration costs for the period / year	1,683,851	2,512,282
Exploration and Development work in progress	**62,027,323**	**24,670,264**
Net book value	**65,041,065**	**29,059,781**

Note: Additions for the period includes borrowing costs (net of income on temporary investments INR 241,350 thousand, previous year Nil) aggregating to INR 1,620,043 thousand (previous year INR 573,983 thousand)

SCHEDULE - 8		
Investments		
Long term investments (at cost)		
Quoted and non-trade		
755,275 (previous year 755,275) equity shares of INR 10 each fully paid up in Videocon Industries Limited	105,334	105,334
Current Investments (at lower of cost and market value)		
Unquoted and non trade		
Mutual Funds	1,607,472	7,023,575
	1,712,806	**7,128,909**

SCHEDULE - 9		
Inventories		
Stores and spares	1,595,774	906,672
Finished goods	87,034	309,376
	1,682,808	**1,216,048**

SCHEDULE - 10		
Sundry Debtors		
Debts - Unsecured and outstanding for a period exceeding six months :		
– Considered Good	94,261	8,587
– Considered doubtful	–	62,025
Other unsecured debts :		
– Considered Good	1,422,157	1,339,991
	1,516,418	**1,410,603**
Less: Provision for doubtful debts	–	(62,025)
	1,516,418	**1,348,578**

(All amounts are in thousand Indian Rupees, unless otherwise stated)

	As at March 31, 2009	As at December 31, 2007
SCHEDULE - 11		
Cash and bank balances		
Cash in hand	626	108
Balances with banks:		
– on current accounts	228,024	609,096
– on deposit accounts (including deposits more than 3 months)*	65,042,024	12,708,703
	65,270,674	**13,317,907**

* includes INR 3,312,342 thousand, previous year INR 1,717,840 thousand, pledged with the banks

	As at March 31, 2009	As at December 31, 2007
SCHEDULE - 12		
Other Current Assets		
Interest accrued on bank deposits	660,639	28,614
Dividend receivable	–	8,260
Outstanding option contracts	43,605	97,659
	704,244	**134,533**

	As at March 31, 2009	As at December 31, 2007
SCHEDULE - 13		
Loans and advances		
Unsecured and considered good, unless otherwise stated:		
Advances recoverable in cash or kind or for value to be received*	5,789,515	5,921,540
Deposits	169,469	25,169
Advance tax and tax deducted at source (net of tax provisions INR 1,921,505 thousand, (previous year INR 3,011,025 thousand)	599,367	565,441
Fringe benefit tax paid (net of provisions INR 266, 883 thousand, previous year INR 6,000 thousand)	13,290	1,920
	6,571,641	6,514,070
Less: Provision for doubtful advances	(3,066,539)	(1,646,999)
	3,505,102	**4,867,071**

*Includes doubtful balances INR 3,066,539 thousand (previous year INR 1,646,999 thousand)

	As at March 31, 2009	As at December 31, 2007
SCHEDULE - 14		
Current liabilities		
Amount payable to Cairn Energy Plc., the ultimate holding company	1,296,164	1,033,919
Sundry creditors	8,647,926	3,587,844
Lease equalisation liability	9,279	–
Interest accrued but not due	94,471	21,383
Other liabilities	1,746,513	48,651
	11,794,353	**4,691,797**

(All amounts are in thousand Indian Rupees, unless otherwise stated)

	As at March 31, 2009	As at December 31, 2007
SCHEDULE - 15		
Provisions		
Provision for taxation (net of advance tax - INR 356,794 thousand, previous year Nil)	250,643	222,901
Provision for fringe benefit tax (net of advance tax payments, INR 127,956 thousand, previous year - INR 258 thousand)	105,235	320,231
Site restoration provision *	3,886,882	2,714,913
Provision for Government share of profit petroleum **	11,444	362,382
Provision for leave encashment	16,305	3,941
Provision for gratuity	39,571	36,979
Provision for employee stock options (cash settled) ***	27,201	–
	4,337,281	**3,661,347**
* Site restoration provision		
Opening balance	2,714,913	2,232,264
Additions for the period / year	1,388,000	482,649
Reversed during the period / year	(216,031)	–
Closing balance	3,886,882	2,714,913
** Provision for Government share of profit petroleum		
Opening balance	362,382	306,211
Additions for the period / year	26,453	56,171
Payments during the period / year	(377,391)	–
Closing balance	11,444	362,382
*** Provision for employee stock options (cash settled)		
Opening balance	–	–
Additions for the period / year	27,201	–
Payments during the period / year	–	–
Closing balance	27,201	–

	Fifteen months ended March 31, 2009	Twelve months ended December 31, 2007
SCHEDULE - 16		
Income from operations		
Revenue from sale of oil, gas and condensate	24,476,702	16,287,379
Less: Government share of Profit Petroleum	(10,829,219)	(6,438,550)
	13,647,483	**9,848,829**
Tolling income	50,391	31,995
Income received as operator from joint venture	628,842	241,803
	14,326,716	**10,122,627**

(All amounts are in thousand Indian Rupees, unless otherwise stated)

	Fifteen months ended March 31, 2009	Twelve months ended December 31, 2007
SCHEDULE - 17		
Other income		
Interest on bank deposits	1,858,924	727,431
Profit on sale of non trade current investments (net)	1,245,686	27,632
Dividend income from non trade current investments	216,589	568,031
Dividend income from non trade long term investments	5,287	–
Exchange fluctuation (net)	2,319,158	–
Miscellaneous income	143,285	995
Exceptional gain (refer note no. 8 in schedule 23)	155,723	–
	5,944,652	**1,324,089**
SCHEDULE - 18		
Operating expenses		
Production expenses	952,510	943,863
Data acquisition and analysis	66,266	32,884
Insurance	56,677	39,630
Royalty	393,787	342,907
Cess	546,365	487,569
Production bonus	114,138	98,959
	2,129,743	**1,945,812**
SCHEDULE - 19		
Administrative expenses		
Salaries, wages and bonus	3,408,323	2,325,513
Employee compensation expense (stock options)	454,546	780,365
Contribution to Provident fund	97,356	35,490
Contribution to Superannuation fund	53,226	30,865
Leave encashment expenses	29,916	1,041
Gratuity expenses	40,888	33,137
Staff welfare expenses	280,312	32,519
Contract employee charges	1,295,828	1,534,541
Legal and professional expenses	1,488,580	464,776
Share issue expenses (refer note no. 15 in schedule 23)	208,410	–
Repair and maintenance	260,933	206,779
Rent	455,648	212,806
Travelling and conveyance expenses	511,320	192,505
Communication expenses	150,906	56,944
Exchange Fluctuation (net)	–	2,057,001
Insurance	3,127	6,464
Directors' sitting fees	1,320	700
Loss on sale / discard of fixed assets (net)	1,835	10,055
Loss on derivative contracts	434,328	63,010
Miscellaneous expenses	357,706	246,298
	9,534,508	8,290,809
Less: Cost allocated to joint ventures	(6,223,101)	(4,405,954)
	3,311,407	**3,884,855**

(All amounts are in thousand Indian Rupees, unless otherwise stated)

	Fifteen months ended March 31, 2009	Twelve months ended December 31, 2007
SCHEDULE - 20		
(Increase) / Decrease in inventories		
Inventories at the beginning of the period / year		
Finished goods	309,376	197,661
Inventories at the end of the period / year		
Finished goods	87,034	309,376
	222,342	**(111,715)**

	Fifteen months ended March 31, 2009	Twelve months ended December 31, 2007
SCHEDULE - 21		
Finance costs		
Interest on bank overdraft	–	199
Other interest	38,581	–
Finance lease charges	40,855	7,524
Bank charges	20,734	19,326
	100,170	**27,049**
Less: Cost allocated to joint ventures	(36,080)	(10,875)
	64,090	**16,174**

	Fifteen months ended March 31, 2009	Twelve months ended December 31, 2007
SCHEDULE - 22		
Earnings / (Loss) Per Share		
Profit / (Loss) for the period / year as per profit and loss account	8,034,506	(245,441)
Weighted average number of equity shares in calculating basic earnings / (loss) per share	1,866,146,993	1,777,001,292
Add: Number of equity shares arising on grant of stock options	10,052,076	11,017,255
Weighted average number of equity shares in calculating diluted earnings / (loss) per share	1,876,199,069	1,788,018,547
Earnings / (Loss) per share in INR		
Basic	4.31	(0.14)
Diluted (previous year considered anti-dilutive)	4.28	(0.14)

(All amounts are in thousand Indian Rupees, unless otherwise stated)

1. NATURE OF OPERATIONS

Cairn India Limited ('the Company') was incorporated in India on August 21, 2006 and is a subsidiary of Cairn UK Holdings Limited, which in turn is a wholly owned subsidiary of Cairn Energy Plc., UK which is listed on London Stock Exchange.

The Company is primarily engaged in the business of surveying, prospecting, drilling, exploring, acquiring, developing, producing, maintaining, refining, storing, trading, supplying, transporting, marketing, distributing, importing, exporting and generally dealing in minerals, oils, petroleum, gas and related by-products and other activities incidental to the above. As part of its business activities, the Company also holds interests in its subsidiary companies which have been granted rights to explore and develop oil exploration blocks in the Indian sub-continent. The Company along with its subsidiaries are herein referred to as 'Cairn India Group'. The entities under the Cairn India Group are participants in various Oil and Gas blocks/fields granted by the Government of India/Sri Lanka through Production Sharing Contract ('PSC')/Production Resources Agreement ('PRA') entered into between these entities and Government of India/Sri Lanka and other venture partners.

2. COMPONENTS OF THE CAIRN INDIA GROUP

The Consolidated Financial Statements represent consolidation of accounts of the Company and its subsidiaries as detailed below:

S. No.	Name of the Subsidiaries	Country of Incorporation
i	Cairn Energy Australia Pty Limited	Australia
ii	Cairn Energy India Pty Limited	Australia
iii	CEH Australia Pty Limited	Australia
iv	Cairn Energy Asia Pty Limited	Australia
v	Sydney Oil Company Pty Limited	Australia
vi	Cairn Energy Investments Australia Pty Limited	Australia
vii	Wessington Investments Pty Limited	Australia
viii	CEH Australia Limited	British Virgin Islands
ix	Cairn India Holdings Limited ('CIHL')	Jersey
x	CIG Mauritius Holding Private Limited ('CMHPL') - with effect from 1st July 2008	Mauritius
xi	CIG Mauritius Private Limited - with effect from 1st July 2008	Mauritius
xii	Cairn Energy Holdings Limited	Scotland
xiii	Cairn Energy Discovery Limited	Scotland
xiv	Cairn Exploration (No. 2) Limited	Scotland
xv	Cairn Exploration (No. 6) Limited	Scotland
xvi	Cairn Energy Hydrocarbons Limited	Scotland
xvii	Cairn Petroleum India Limited	Scotland
xviii	Cairn Energy Gujarat Block 1 Limited	Scotland
xix	Cairn Exploration (No. 4) Limited	Scotland
xx	Cairn Exploration (No. 7) Limited	Scotland
xxi	Cairn Energy Development Pte Limited - with effect from 16th July 2008	Singapore
xxii	Cairn Lanka Private Limited - with effect from 3rd July 2008	Sri Lanka
xxiii	Cairn Energy Group Holdings BV	Netherlands
xxiv	Cairn Energy India West BV	Netherlands
xxv	Cairn Energy India West Holding BV	Netherlands
xxvi	Cairn Energy Gujarat Holding BV	Netherlands
xxvii	Cairn Energy India Holdings BV	Netherlands
xxviii	Cairn Energy Netherlands Holdings BV	Netherlands
xxix	Cairn Energy Gujarat BV	Netherlands
xxx	Cairn Energy Cambay BV	Netherlands
xxxi	Cairn Energy Cambay Holding BV	Netherlands

CIHL and CMHPL are wholly owned subsidiaries of the Company. All other above mentioned companies are direct or indirect wholly owned subsidiaries of either CIHL or CMHPL.

(All amounts are in thousand Indian Rupees, unless otherwise stated)

Cairn India Group has interest in the following Oil and Gas blocks/fields-

S. No.	Oil and Gas blocks/fields	Area	Participating Interest
	Operated block		
i	Ravva	Krishna Godavari	22.50%
ii	CB-OS/2 - Exploration area	Cambay Offshore	60%
	CB-OS/2 - Development area	Cambay Offshore	40%
iii	RJ-ON-90/1 - Exploration area	Rajasthan Onshore	100%
	RJ-ON-90/1 - Development area	Rajasthan Onshore	70%
iv	GV-ONN-2003/1	Ganga Valley Onshore	24%
v	VN-ONN-2003/1	Vindhyan Onshore	49%
vi	PR-OSN-2004	Palar Basin Offshore	35%
vii	SL 2007-01-001	North West Sri Lanka Offshore	100%
viii	KG-ONN-2003/1	Krishna Godavari Onshore	49%
ix	GV-ONN-2002/1	Ganga Valley Onshore	50%
	Non - operated block		
x	KG-DWN-98/2	Krishna Godavari Deep water	10%
xi	RJ-ONN-2003/1	Rajasthan Onshore	30%
xii	GS-OSN-2003/1	Gujarat Saurashtra Onshore	49%
xiii	KK-DWN-2004	Kerala Konkan Basin Offshore	40%
xiv	CB-ONN-2002/1 (proposed to be relinquished)	Cambay Onshore	30%
xv	GV-ONN-97/1 (relinquished in 2008)	Ganga Valley Onshore	15%
xvi	CB-ONN-2001/1 (relinquished in 2007)	Cambay Onshore	30%

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards notified under the Companies (Accounting Standard) Rules, 2006 under the historical cost convention and on an accrual basis. The accounting policies, in all material respects, have been consistently applied by Cairn India Group and are consistent with those used in the previous period, except to the extent stated in note no. 8 below.

Principles of consolidation:

The consolidated financial statements relate to the Cairn India Group. In the preparation of these consolidated financial statements, investments in subsidiaries have been accounted for in accordance with the provisions of AS 21 (Accounting for Consolidated Financial Statements). The financial statements of the subsidiaries have been drawn up to the same reporting date as of Cairn India Limited. The consolidated financial statements are prepared on the following basis:

i. The financial statements of the Company and its subsidiary companies are consolidated on a line-by-line basis by adding together the book values of the like items of assets, liabilities, income and expenses after eliminating all significant intra-group balances and intra-group transactions and also unrealised profits or losses in accordance with Accounting Standard (AS) 21 "Consolidated Financial Statements".

ii. The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented, to the extent possible, in the same manner as the Company's separate financial statements. The financial statements of the subsidiaries are adjusted for the accounting principles and policies followed by the Company.

iii. The difference between the cost to the Company of its investment in subsidiaries and its proportionate share in the equity of the investee company at the time of acquisition of shares in the subsidiaries is recognized in the financial statements as Goodwill or Capital Reserve, as the case may be. Goodwill is tested for impairment by the management on each reporting date.

(b) Oil and gas assets

Cairn India Group follows a successful efforts method for accounting for oil and gas assets as set out by the Guidance Note issued by the Institute of Chartered Accountants of India (ICAI) on "Accounting for Oil and Gas Producing Activities".

Expenditure incurred on the acquisition of a license interest is initially capitalised on a license by license basis. Costs are held, undepleted, within exploratory and development work in progress until the exploration phase relating to the license area is complete or commercial oil and gas reserves have been discovered.

Exploration expenditure incurred in the process of determining exploration targets which cannot be directly related to individual exploration

(All amounts are in thousand Indian Rupees, unless otherwise stated)

wells is expensed in the period in which it is incurred.

Exploration/appraisal drilling costs are initially capitalised within exploratory and development work in progress 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 oil and gas reserves exist and there is a reasonable prospect that these reserves are commercial.

Where results of exploration drilling indicate the presence of oil and gas reserves which are ultimately not considered commercially viable, all related costs are written off to the profit and loss account. Following appraisal of successful exploration wells, when a well is ready for commencement of commercial production, the related exploratory and development wells in progress are transferred into a single field cost centre within producing properties, after testing for impairment.

Where costs are incurred after technical feasibility and commercial viability of producing oil and gas is demonstrated and it has been determined that the wells are ready for commencement of commercial production, they are capitalised within producing properties for each cost centre. Subsequent expenditure is capitalised when it enhances the economic benefits of the producing properties or replaces part of the existing producing properties. Any costs remaining associated with such part replaced are expensed in the financial statements.

Net proceeds from any disposal of an exploration asset within exploratory and development work in progress are initially credited against the previously capitalised costs and any surplus proceeds are credited to the profit and loss account. Net proceeds from any disposal of producing properties are credited against the previously capitalised cost and any gain or loss on disposal of producing properties is recognised in the profit and loss account, to the extent that the net proceeds exceed or are less than the appropriate portion of the net capitalised costs of the asset.

(c) Depletion

The expenditure on producing properties is depleted within each cost centre.

Depletion is charged on a unit of production basis, based on proved reserves for acquisition costs and proved and developed reserves for other costs.

(d) Site restoration costs

At the end of the producing life of a field, costs are incurred in restoring the site of production facilities. Cairn India Group recognizes the full cost of site restoration as a liability when the obligation to rectify environmental damage arises. The site restoration expense forms part of the cost of producing properties of the related asset. The amortization of the asset, calculated on a unit of production basis based on proved and developed reserves, is included in the "depletion and site restoration costs" in the profit and loss account.

(e) Impairment

i. The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized where the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

ii. After impairment, depreciation/depletion is provided in subsequent periods on the revised carrying amount of the asset over its remaining useful life.

(f) Tangible Fixed Assets, depreciation and amortization

Tangible assets, other than oil and gas assets, are stated at cost, less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets which take a substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

Depreciation is provided using the Straight Line Method as per the useful lives of the assets estimated by the management, or at the rates prescribed under Schedule XIV of the Companies Act 1956, whichever is higher. The expected useful economic lives are as follows:

Vehicles	2 to 5 years
Freehold buildings	10 years
Computers	2 to 5 years
Furniture and fixtures	2 to 5 years
Office equipments	2 to 5 years
Plant and Equipment	2 to 5 years

Leasehold improvements are amortized over the remaining period of the primary lease or expected useful lives, whichever is shorter.

(g) Intangible fixed assets and amortization

Intangible assets, other than oil and gas assets, have finite useful lives and are measured at cost and amortized over their expected useful economic lives as follows:

Computer software	2 to 4 years

Goodwill arising on acquisition is capitalized and is subject to review for impairment.

(h) Leases

Finance leases, which effectively transfer substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease

(All amounts are in thousand Indian Rupees, unless otherwise stated)

payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalised.

If there is no reasonable certainty that Cairn India Group will obtain the ownership by the end of the lease term, capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term.

(i) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. Current investments are measured at cost or market value, whichever is lower, determined on an individual investment basis. All other investments are classified as long-term investments. Long term investments are measured at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

(j) Inventory

Inventories of oil and condensate held at the balance sheet date are valued at net realizable value based on the estimated selling price. Inventory of stores and spares related to exploration, development and production activities are stated at cost, determined on First in First out (FIFO) basis.

(k) Joint Ventures

Cairn India Group participates in several Joint Ventures which involve the joint control of assets used in the oil and gas exploration, development and producing activities. It accounts for its share of the assets and liabilities of Joint Ventures along with attributable income and expenses in such Joint Ventures, in which it holds a participating interest. Joint venture cash and cash equivalent balances are considered by the Cairn India Group to be the amounts contributed in excess of the Cairn India Group's obligations to the joint ventures and are, therefore, disclosed within Loans and Advances.

(l) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Cairn India Group and the revenue can be reliably measured.

Revenue from operating activities

From sale of oil, gas and condensate

Revenue represents the Cairn India Group's share of oil, gas and condensate production, recognised on a direct entitlement basis, when significant risks and rewards of ownership are transferred to the buyers.

As operator from the joint venture

Cairn India Group recognizes operators fees as revenue from joint ventures based on the provisions of respective PSCs.

Tolling income

Tolling income represents Cairn India Group'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.

Interest income

Interest income is recognised on a time proportion basis.

Dividend income

Revenue is recognized when the shareholders' right to receive payment is established by the balance sheet date. Dividend from subsidiaries is recognized even if same are declared after the balance sheet date but pertains to period on or before the date of balance sheet as per the requirement of schedule VI of the Companies Act, 1956.

(m) Borrowing costs

Borrowing costs include interest and commitment charges on borrowings, amortisation of costs incurred in connection with the arrangement of borrowings, exchange differences to the extent they are considered a substitute to the interest cost and finance charges under leases. Costs incurred on borrowings directly attributable to development projects, which take a substantial period of time to complete, are capitalised within the development/producing asset for each cost centre.

All other borrowing costs are recognised in the profit and loss account in the period in which they are incurred.

(n) Foreign currency transactions and translations

Cairn India Group translates foreign currency transactions into Indian Rupees at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into Indian Rupees at the rate of exchange prevailing at the Balance Sheet date. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

Exchange differences arising on the settlement of monetary items or on reporting the Cairn India Group's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise except those arising from investments in non-integral operations.

All transactions of integral foreign operations are translated as if the transactions of those foreign operations were the transactions of the group itself. In translating the financial statements of a non-integral foreign operation for incorporating in the group's financial statements, the Cairn India Group translates the assets and liabilities at the rate of exchange prevailing at the balance sheet date. Income and expenses of non-

(All amounts are in thousand Indian Rupees, unless otherwise stated)

integral operations are translated using rates at the date of transactions. Resulting exchange differences are disclosed under the foreign currency translation reserve until the disposal of the net investment in non-integral operations.

(o) Income taxes

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax are measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Fringe benefit tax also includes the proportionate amount of tax likely to be paid by Cairn India Group, on the exercise of share options of the Company. Deferred income tax reflects the impact of current period timing differences between taxable income and accounting income for the period and reversal of timing differences of earlier period.

Deferred tax assets and liabilities are measured, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities across various subsidiaries or countries of operation are not set off against each other as Cairn India Group does not have a legal right to do so. Current and deferred tax assets and liabilities are only offset where they arise within the same entity and tax jurisdiction.

Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If Cairn India Group has carry forward of unabsorbed depreciation and tax losses, deferred tax assets are recognised only if there is virtual certainty, supported by convincing evidence, that such deferred tax assets can be realised against future taxable profits. Unrecognised deferred tax assets of earlier periods are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Minimum Alternative Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

(p) Earnings Per Share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events of bonus issue, bonus element in a rights issue to existing shareholders, share split and reverse share split (consolidation of shares).

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares, if any.

(q) Provisions

A provision is recognised when Cairn India Group has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

(r) Cash and Cash equivalents

Cash and cash equivalents in the cash flow statement comprise cash at bank and in hand and short-term investments, with an original maturity of 90 days or less.

(s) Employee Benefits

Retirement and Gratuity benefits

Retirement benefits in the form of provident fund and superannuation scheme are defined contribution schemes and the contributions are charged to the profit and loss account of the period when the contributions to the respective funds are due. There are no obligations other than the contribution payable to the respective funds.

Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year. The scheme is maintained and administered by an insurer to which the trustees make periodic contributions.

Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation made at the end of each financial year. The actuarial valuation is done as per projected unit credit method.

Actuarial gains / losses are immediately taken to profit and loss account and are not deferred.

Employee Stock Compensation Cost

Measurement and disclosure of the employee share-based payment plans is done in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India. Cairn India Group measures compensation cost relating to employee stock options using the intrinsic

(All amounts are in thousand Indian Rupees, unless otherwise stated)

value method. Compensation expense is amortized over the vesting period of the option on a straight line basis. The cost of awards to employees under the Company's ultimate parent entity's Long Term Incentive Plans ("the LTIP") is recognised based on the amount cross charged by the parent entity.

(t) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(u) Segment Reporting Policies

Identification of segments:

The Company's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which major operating divisions of the Company operate.

(v) Derivative Instruments

As per the ICAI Announcement, accounting for derivative contracts, other than those covered under AS-11, is done on marked to market on a portfolio basis, and the net loss is charged to the income statement. Net gains are ignored.

4. SEGMENTAL REPORTING

Business segments

The primary reporting of Cairn India Group has been prepared on the basis of business segments. Cairn India Group has only one business segment, which is the exploration, development and production of oil and gas and operates in a single business segment based on the nature of the products, the risks and returns, the organisation structure and the internal financial reporting systems. Accordingly, the figures appearing in these financial statements relate to the Cairn India Group's single business segment.

Geographical segments

Secondary segmental reporting is prepared on the basis of the geographical location of customers. The operating interests of the Cairn India Group are confined to the Indian sub-continent in terms of oil and gas blocks and customers. Accordingly, the figures appearing in these financial statements relate to Cairn India Group's single geographical segment being operations in the Indian sub-continent.

5. RELATED PARTY TRANSACTIONS

(a) Names of related parties:

Companies having control

- Cairn UK Holdings Limited, UK
  Holding Company
- Cairn Energy Plc., UK
  Ultimate holding company

Key Managerial Personnel

- Rahul Dhir
  Managing Director and Chief Executive Officer
- Indrajit Banerjee
  Executive Director and Chief Financial Officer
  (Appointed on 1st March 2007)
- Lawrence Smyth
  Executive Director and Chief Operating Officer
  (Appointed on 1st March 2007 and resigned on 21st January 2008)
- Winston Frederick Bott Jr.
  Executive Director and Chief Operating Officer
  (Appointed on 29th April 2008)
- Philip Tracy
  Alternate Director
  (Appointed on 18th March 2009)

(b) Transactions during the period/year:

Nature of the Transactions	Related Party	Current period	Previous year
Reimbursement of expenses	Cairn Energy Plc.	279,725	197,600
Shares issued including premium and stock option charge	Rahul Dhir	716,185	Nil
	Lawrence Smyth	126,758	Nil
	Total	**842,943**	**Nil**
Remuneration (including bonus on cash basis)	Rahul Dhir	125,460	165,579
	Winston Frederick Bott Jr.	182,488	Nil
	Indrajit Banerjee	26,123	15,593
	Philip Tracy	1,354	Nil
	Lawrence Smyth	39,336	113,677
	Total	**374,761**	**294,849**

(All amounts are in thousand Indian Rupees, unless otherwise stated)

(c) Balances outstanding as at the end of the period/year:

Nature of the Balance	Related Party	31st March 2009	31st December 2007
Accounts payable	Cairn Energy Plc.	1,296,164	1,033,919
Remuneration payable	Rahul Dhir	Nil	3,261
	Indrajit Banerjee	Nil	1,500
	Lawrence Smyth	Nil	1,800
	Total	**Nil**	**6,561**

Note: The remuneration to the key managerial personnel does not include the provisions made for gratuity and leave encashment benefits, as they are determined on an actuarial basis for the Cairn India Group as a whole.

6. As at 31st March 2009, the Company and its subsidiaries together have utilized INR 82,563,170 thousand for the purposes listed in the prospectus issued for the Initial Public Offer. The details of utilization of funds is as follows-

Particulars	Upto 31st March 2009	Upto 31st December 2007
Acquisition of shares of Cairn India Holdings Limited from Cairn UK Holdings Limited	59,580,837	59,580,837
Exploration and Development expenses	21,152,714	10,411,239
General corporate purposes	230,000	90,440
Issue expenses	1,599,619	1,599,619
Total	**82,563,170**	**71,682,135**

The details of the unutilized monies out of the public issue proceeds is as follows-

Particulars	31st March 2009	31st December 2007
Mutual funds	718,277	7,337,856
Balances with banks	4,967,454	9,228,910
Total	**5,685,731**	**16,566,766**

7. EMPLOYEES STOCK OPTION PLANS

The Company has provided various share-based payment schemes to its employees. During the period ended 31st March 2009, the following schemes were in operation:

Particulars	CISMP	CIPOP	CIESOP	CIPOP Phantom	CIESOP Phantom
Date of Board Approval	17th Nov 2006	17th Nov 2006	17th Nov 2006	Not applicable	Not applicable
Date of Shareholder's approval	17th Nov 2006	17th Nov 2006	17th Nov 2006	Not applicable	Not applicable
Number of options granted till March 2009	8,298,713	5,732,956	12,792,651	822,867	362,556
Method of Settlement	Equity	Equity	Equity	Cash	Cash
Vesting Period	Refer vesting conditions below	3 years from grant date	3 years from grant date	3 years from grant date	3 years from grant date
Exercise Period	18 months from vesting	3 months from vesting date	7 years from vesting date	Immediately upon vesting	Immediately upon vesting
Number of options granted till March 2009					
24th Nov 2006	8,298,713	–	–	–	–
1st Jan 2007	–	1,708,195	3,467,702	–	–
20th Sept 2007	–	3,235,194	5,515,053	–	–
29th July 2008	–	789,567	3,773,856	822,867	324,548
10th Dec 2008	–	–	36,040	–	38,008
Total	**8,298,713**	**5,732,956**	**12,792,651**	**822,867**	**362,556**

The vesting conditions of the above plans are as under-

CISMP plan

(a) 6,714,233 options are to be vested in the following manner-

– 1/3rd of the options will vest on the day following the date on which the equity shares have been admitted to listing on the Stock Exchanges ('admission date'). Listing date was 9th Jan 2007.

– 1/3rd of the options will vest 18 months after the admission date.

– 1/3rd of the options will vest on achieving 30 days' consecutive production of over 150,000 bopd from the Rajasthan Block.

(All amounts are in thousand Indian Rupees, unless otherwise stated)

(b) 1,584,480 options are to be vested in the following manner-
- 1/2 of the options will vest on the day following the date on which the equity shares have been admitted to listing on the Stock Exchanges.
- 1/4th of the options will vest on the date on which all major equipment for the start-up of the Mangala field is delivered to site.
- 1/4th of the options will vest on achieving 100,000 boepd from the Mangala Field.

CIPOP plan (including phantom options)

Options will vest (i.e become exercisable) at the end of a "performance period" which will be set by the remuneration committee at the time of grant (although such period will not be less than three years). However, the percentage of an option which vests on this date will be determined by the extent to which pre-determined performance conditions have been satisfied.

CIESOP plan (including phantom options)

There are no specific vesting conditions under CIESOP plan.

Details of Activities under Employees Stock Option Plans

CISMP Plan	Current period		Previous year	
	Number of options	Weighted average exercise Price in INR	Number of options	Weighted average exercise Price in INR
Outstanding at the beginning of the year	8,298,713	33.70	8,298,713	33.70
Granted during the year	Nil	NA	Nil	NA
Forfeited during the year	Nil	NA	Nil	NA
Exercised during the year	5,268,396	33.70	Nil	NA
Expired during the year	792,240	33.70	Nil	NA
Outstanding at the end of the year	2,238,077	33.70	8,298,713	33.70
Exercisable at the end of the year	Nil	NA	Nil	NA
Weighted average fair value of options granted on the date of grant (INR)	131.50	NA	131.50	NA

The weighted average share price on the dates of exercise of stock options was INR 220.09

CIPOP Plan	Current period		Previous year	
	Number of options	Weighted average exercise Price in INR	Number of options	Weighted average exercise Price in INR
Outstanding at the beginning of the year	4,755,244	10.00	Nil	NA
Granted during the year	789,567	10.00	4,943,389	10.00
Forfeited during the year	Nil	NA	Nil	NA
Exercised during the year	Nil	NA	Nil	NA
Expired during the year	2,344,715	10.00	188,145	10.00
Outstanding at the end of the year	3,200,096	10.00	4,755,244	10.00
Exercisable at the end of the year	Nil	NA	Nil	NA
Weighted average fair value of options granted on the date of grant (INR)	165.46	NA	165.46	NA

CIESOP Plan	Current period		Previous year	
	Number of options	Weighted average exercise Price in INR	Number of options	Weighted average exercise Price in INR
Outstanding at the beginning of the year	8,545,710	164.49	Nil	NA
Granted during the year	3,809,896	226.21	8,982,755	164.27
Forfeited during the year	Nil	NA	Nil	NA
Exercised during the year	Nil	NA	Nil	NA
Expired during the year	1,441,362	169.33	437,045	160.00
Outstanding at the end of the year	10,914,244	185.39	8,545,710	164.49
Exercisable at the end of the year	Nil	NA	Nil	NA
Weighted average fair value of options granted on the date of grant (INR)	101.47	NA	89.40	NA

(All amounts are in thousand Indian Rupees, unless otherwise stated)

CIPOP Plan - Phantom options	Current period		Previous year	
	Number of options	Weighted average exercise Price in INR	Number of options	Weighted average exercise Price in INR
Outstanding at the beginning of the year	Nil	NA	Nil	NA
Granted during the year	822,867	10.00	Nil	NA
Forfeited during the year	Nil	NA	Nil	NA
Exercised during the year	Nil	NA	Nil	NA
Expired during the year	38,008	10.00	Nil	NA
Outstanding at the end of the year	784,859	10.00	Nil	NA
Exercisable at the end of the year	Nil	NA	Nil	NA
Weighted average fair value of options granted on reporting date (INR)	175.40	NA	Nil	NA

CIESOP Plan - Phantom options	Current period		Previous year	
	Number of options	Weighted average exercise Price in INR	Number of options	Weighted average exercise Price in INR
Outstanding at the beginning of the year	Nil	NA	Nil	NA
Granted during the year	362,556	218.19	Nil	NA
Forfeited during the year	Nil	NA	Nil	NA
Exercised during the year	Nil	NA	Nil	NA
Expired during the year	Nil	NA	Nil	NA
Outstanding at the end of the year	362,556	218.19	Nil	NA
Exercisable at the end of the year	Nil	NA	Nil	NA
Weighted average fair value of options granted on reporting date (INR)	48.13	NA	Nil	NA

The details of exercise price for stock options outstanding as at March 31, 2009 are:

Scheme	Range of exercise price (INR)	No. of options outstanding	Weighted average remaining contractual life of options (in years)	Weighted average exercise price (INR)
CISMP Plan	33.70	2,238,077	2.08	33.70
CIPOP Plan	10.00	3,200,096	1.51	10.00
CIESOP Plan	143-227	10,914,244	1.60	185.39
CIPOP Plan - Phantom options*	10.00	784,859	2.33	10.00
CIESOP Plan - Phantom options*	143-227	362,556	2.37	218.19
The details of exercise price for stock options outstanding as at December 31, 2007 are:				
CISMP Plan	33.70	8,298,713	1.04	33.70
CIPOP Plan	10.00	4,755,244	2.49	10.00
CIESOP Plan	160-166.95	8,545,710	2.47	164.49

*Introduced during the current period

(All amounts are in thousand Indian Rupees, unless otherwise stated)

Effect of Employees Stock Option Plans on Financial Position

Effect of the employee share-based payment plans on the profit and loss account and on its financial position:

Particulars	Current Period	Previous Year
Total Employee Compensation Cost pertaining to share-based payment plans (including exceptional gain of INR 155,723 thousand in the current period-refer note no. 8 below)	134,493	602,025
Compensation Cost pertaining to equity-settled employee share-based payment plan included above	107,292	602,025
Compensation Cost pertaining to cash-settled employee share-based payment plan included above	27,201	Nil
Liability for equity-settled employee stock options outstanding as at period / year end	388,978	947,084
Liability for cash-settled employee stock options outstanding as at period / year end	27,201	Nil
Deferred compensation cost of equity-settled options	393,570	1,549,011
Deferred compensation cost of cash-settled options	94,719	Nil

Inputs for Fair valuation of Employees Stock Option Plans

The Share Options have been fair valued using an Option Pricing Model (Black Scholes Model). The main inputs to the model and the Fair Value of the options, based on an independent valuation, are as under:

Variables - CISMP	A	B
Grant date	24th Nov 2006	24th Nov 2006
Stock Price / fair value of the equity shares on the date of grant (INR)	160.00	160.00
Vesting date	Refer vesting conditions	Refer vesting conditions
Vesting %	Refer vesting conditions	Refer vesting conditions
Volatility (Weighted average)	44.08%	46.59%
Risk free rate (Weighted average)	7.05%	6.94%
Time to maturity in years (Weighted average)	2.45	2.00
Exercise price - INR	33.70	33.70
Fair Value of the options (Weighted average) - INR	131.69	130.69

Variables - CIESOP				
Grant date	1st Jan 2007	20th Sept 2007	29th July 2008	10th Dec 2008
Stock Price/fair value of the equity shares on the date of grant (INR)	160.00	166.95	228.55	150.10
Vesting date	1st Jan 2010	20th Sept 2010	29th July 2011	10th Dec 2011
Vesting %	100%	100%	100%	100%
Volatility	41.04%	40.24%	39.43%	38.19%
Risk free rate	7.50%	7.65%	9.20%	6.94%
Time to maturity (years)	6.50	6.50	6.50	6.50
Exercise price (INR)	160.00	166.95	227.00	143.00
Fair Value of the options (INR)	87.30	90.72	130.42	79.80

Variables - CIPOP			
Grant date	1st Jan 2007	20th Sept 2007	29th July 2008
Stock Price/fair value of the equity shares on the date of grant (INR)	160.00	166.95	228.55
Vesting date	1st Jan 2010	20th Sept 2010	29th July 2011
Vesting %	Refer vesting conditions	Refer vesting conditions	Refer vesting conditions
Volatility	41.61%	36.40%	37.49%
Risk free rate	7.33%	7.23%	9.37%
Time to maturity (years)	3.12	3.12	3.12
Exercise price (INR)	10.00	10.00	10.00
Fair Value of the options (INR)	152.05	158.97	221.09

(All amounts are in thousand Indian Rupees, unless otherwise stated)

Variables - CIPOP Phantom	
Grant date	29th July 2008
Stock Price of the equity shares on the reporting date (INR)	184.10
Vesting date	29th July 2011
Vesting %	Refer vesting conditions
Volatility	44.64%
Risk free rate	5.97%
Time to maturity (years)	2.33
Exercise price (INR)	10.00
Fair Value of the options (INR)	175.40

Variables - CIESOP Phantom		
Grant date	29th July 2008	10th Dec 2008
Stock Price of the equity shares on the reporting date (INR)	184.10	184.10
Vesting date	29th July 2011	10th Dec 2011
Vesting %	100%	100%
Volatility	44.64%	42.35%
Risk free rate	5.97%	6.18%
Time to maturity (years)	2.33	2.70
Exercise price (INR)	227.00	143.00
Fair Value of the options (INR)	44.41	79.91

Volatility is the measure of the amount by which the price has fluctuated or is expected to fluctuate during the period. The measure of volatility used in Black-Scholes option-pricing model is the annualized standard deviation of the continuously compounded rates of return on the stock over a period of time. Time to maturity /expected life of options is the period for which the Company expects the options to be live. The time to maturity has been calculated as an average of the minimum and maximum life of the options.

Impact of Fair Valuation Method on net profits and EPS

In March 2005 the ICAI has issued a guidance note on "Accounting for Employees Share Based Payments" applicable to employee based share plan the grant date in respect of which falls on or after April 1, 2005. The said guidance note requires the Proforma disclosures of the impact of the fair value method of accounting of employee stock compensation accounting in the financial statements. Applying the fair value based method defined in the said guidance note, the impact on the reported net profit and earnings per share would be as follows:

Particulars	Current Period
Profit as reported	8,034,506
Add: Employee stock compensation under intrinsic value method (including exceptional gain of INR 155,723 thousand-refer note no. 8 below)	134,493
Less: Employee stock compensation under fair value method	622,866
Proforma profit	**7,546,133**
Earnings Per Share	
Basic	
– As reported	4.31
– Proforma	4.04
Diluted	
– As reported	4.28
– Proforma	4.02

8. During the current period, Cairn India Group decided to retrospectively account for stock options using the Intrinsic Value Method as against the Fair Value Method (Black Scholes) followed till the financial year ended 31st December 2007. Accordingly, the excess stock option provision up to 31st December 2007 was reversed during the current period ended 31st March 2009, resulting in an exceptional gain of INR 155,723 thousand. Further, the stock option charge for the current period is lower and the profit after tax is higher by INR 488,373 thousand (including exceptional gain of INR 155,723 thousand) due to this change.

(All amounts are in thousand Indian Rupees, unless otherwise stated)

9. LEASE OBLIGATIONS DISCLOSURES

Finance Lease:

Fixed assets include office equipments and leasehold improvements obtained under finance lease. The lease is secured by way of hypothecation of the respective assets acquired under them. The lease term is for 3 to 6 years and renewable for further period/years at the option of the Cairn India Group. There is no escalation clause in the lease agreements. There are no restrictions imposed by lease arrangements and there are no subleases.

Current Period	Minimum lease payments	Principal amount due	Interest due
Within one year of the balance sheet date	97,740	80,366	17,374
Due in a period between one year and five years	160,059	142,037	18,022
Due after five years	Nil	Nil	Nil
Total	**257,799**	**222,403**	**35,396**

Previous Year	Minimum lease payments	Principal amount due	Interest due
Within one year of the balance sheet date	86,166	74,764	11,402
Due in a period between one year and five years	104,096	94,597	9,499
Due after five years	Nil	Nil	Nil
Total	**190,262**	**169,361**	**20,901**

Note: The interest rate on finance lease ranges from 3.77% to 14.64%

Operating Lease:

Cairn India Group has entered into operating leases for office premises and office equipments. The leases have a life of 3 to 6 years. There is an escalation clause in the lease agreement for the primary lease period. There are no restrictions imposed by lease arrangements and there are no subleases. There are no contingent rents.

Particulars	31st March 2009	31st December 2007
Lease payments made during the period	120,173	40,199
Minimum lease payments in case of non-cancellable operating leases		
Within one year of the balance sheet date	124,628	117,470
Due in a period between one year and five years	150,536	264,797
Due after five years	Nil	Nil

10. CONTINGENT LIABILITIES

Ravva Joint Venture Arbitration proceedings : ONGC Carry

Ravva is an unincorporated Joint Venture (JV) in which Cairn India Group has an interest. The calculation of the Government of India's (GoI) share of petroleum produced from the Ravva oil field has been a matter of disagreement for some years.

An arbitration panel opined in October 2004 and Cairn has been willing to be bound by the award, although it was not as favourable as had been hoped. The GoI, however, had lodged an appeal in the Malaysian courts in respect of one element of the award which was in Cairn's favour, namely the "ONGC Carry" issue. The "ONGC Carry" issue relates to whether Contractor Parties under Ravva PSC are entitled to include in their accounts for the purposes of calculating the PTRR certain costs paid by Contractor Parties in consideration for ONGC having paid 100% of costs prior to the signing of the Ravva PSC in 1994.

Cairn India Group challenged both the GoI's right to appeal and the grounds of that appeal.

A judgement was delivered by the Malaysian High Court on 12th January 2009, ruling in favour of the GoI and setting the arbitration award aside. This has the effect of negating the original award in favour of Cairn India Group. This judgement is subject to appeal to the Malaysian Court of Appeal and, potentially, the Malaysian Federal Court. Cairn has appealed to the Malaysian Court of Appeal.

Should Cairn finally lose the argument through the Malaysian courts, given the terms of the High Court's award itself, this will require the matter to be arbitrated afresh under the terms of the PSC for dispute resolution.

Cairn India Group has received advice from their Malaysian legal counsel to the effect that there are strong grounds for appeal through the Malaysian courts but, even if this proved unsuccessful, given there was one arbitration award in Cairn India Group's favour on this issue and a similar award was made in favour of one of Cairn India Group's joint venture partners on the same issue in a separate arbitration with GoI, Cairn India Group believes it has a good chance of any new arbitration panel coming to the same conclusion.

The GoI has challenged Cairn's understanding of the effect of a set-aside claiming that this would not entitle Cairn to a fresh arbitration should we ultimately lose in Malaysia. This dispute is currently before the courts in India although Cairn has received clear and consistent advice from Malaysian lawyers that a set-aside under Malaysian law does not constitute a judgement in favour of GoI.

In addition, consistent with GoI's view that the set-aside meant they now have a binding judgement in their favour, GoI has demanded and

(All amounts are in thousand Indian Rupees, unless otherwise stated)

commenced recovery from Cairn's buyers, of revenues from sale proceeds to set-off against the sums they claim are now due as a result of the Malaysian judgement being in their favour. This recovery action is currently being contested by Cairn in the Indian courts.

In the event that the GoI's appeal ultimately succeeded in a manner which resulted in a ruling which Cairn India Group accepted as binding, then Cairn India Group would be required to pay an additional USD 64 million (approximately INR 3,265,000 thousand). Cairn India Group would also be potentially liable for interest on this sum currently estimated at approximately USD 30 million (INR 1,536,000 thousand) though the calculation of interest would require further agreement.

Ravva Joint Venture Arbitration proceedings : Base Development Cost

In a separate and unrelated dispute related to the profit petroleum calculations under the Ravva PSC, the Ravva joint venture received a claim from the Director General of Hydrocarbons (DGH) for the period from 2000-2005 for USD 166.4 million for an alleged underpayment of profit petroleum to the Indian Government, out of which Cairn India Group's share will be USD 37.4 million (approximately INR 1,909,000 thousand) plus potential interest at applicable rate (LIBOR plus 2% as per PSC).

This claim relates to the Indian Government's allegation that the Ravva JV has recovered costs in excess of the Base Development Costs ("BDC") cap imposed in the PSC and that the Ravva JV has also allowed these excess costs in the calculation of the Post Tax Rate of Return (PTRR). Cairn believes that such a claim is unsustainable under the terms of the PSC because, amongst other reasons, the BDC cap only applies to the initial development of the Ravva field and not to subsequent development activities under the PSC. Additionally the Ravva JV has also contested the basis of the calculation in the above claim from the DGH. Even if upheld, Cairn believes that the DGH has miscalculated the sums that would be due to the Indian Government in such circumstances. Companies have initiated the arbitration proceedings with appointment of an arbitrator. Government of India has also appointed its arbitrator. Presiding arbitrator is yet to be appointed.

Service tax

One of the subsidiary companies of the Cairn India Group has received three show cause notices from the tax authorities in India for non payment of service tax as a recipient of services from foreign suppliers. These notices cover periods from 16th August 2002 to 31st March 2008. A writ petition(s) challenging the liability to pay service tax as recipient of services in respect of first show cause notice (16th August 2002 to 31st March 2006) and challenging the scope of some services in respect of second show cause notice (1st April 2006 to 31st March 2007), has been filed with the Chennai High Court. The reply for second and third show cause notice has also been filed before the authorities. Should the adjudication go against Cairn India Group, it will be liable to pay the service tax of approximately INR 978,000 thousand plus potential interest of approximately INR 395,000 thousand, although this could be recovered in part where it relates to services provided to Joint Venture of which Cairn India is operator.

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 and collectively.

The 2008 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.

Cairn India Group filed a writ petition to the Gujarat High Court in December 2008 challenging the restriction of section 80-IB to the production of oil. In the event this challenge is unsuccessful, the potential liability for tax and related interest on tax holiday claimed on gas production for all periods to 31st March 2009 is approximately INR 2,370,000 thousand.

Based on the legal opinions received, the management is of the view that the liability in these cases is not probable and accordingly no provision has been made in the financial statements.

11. CAPITAL COMMITMENTS (NET OF ADVANCES)

a. In respect of Cairn India Group's share of Joint Ventures' Exploration activities - INR 11,324,140 thousand (previous year - INR 23,442,498 thousand).

b. In respect of the Cairn India Group's share of Joint Ventures' Development activities - INR 34,536,062 thousand (previous year - INR 3,351,442 thousand).

12. DERIVATIVE INSTRUMENTS AND UNHEDGED FOREIGN CURRENCY EXPOSURE

Cairn India Group has taken USD put/INR call options to hedge the risk of foreign currency exposure. The aggregate amount of outstanding options as at 31st March 2009 aggregated to USD 214,000 thousand (previous year USD 210,000 thousand)

Particulars of Unhedged Foreign Currency Exposure at the Balance Sheet date

Particulars	31st March 2009	31st December 2007
Unsecured Loans	43,341,500	2,955,000
Sundry Debtors	1,516,418	1,335,754
Cash and Bank	31,366,364	11,304,311
Current Assets	2,266,955	4,843,437
Current Liabilities	5,623,077	4,168,594

(All amounts are in thousand Indian Rupees, unless otherwise stated)

13. Cairn India Group has a defined contribution gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

The following tables summarize the components of net benefit expense recognised in the profit and loss account and the funded status and amounts recognised in the balance sheet for the gratuity plans.

Profit and Loss account

Net employee benefit expense (recognised in Employee Cost)

Particulars	31st March 2009	31st December 2007
Current service cost	23,529	10,846
Interest cost on benefit obligation	6,051	2,863
Expected return on plan assets	(3,666)	(1,798)
Net actuarial (gain) / loss recognised in the year	14,974	21,226
Past service cost	Nil	Nil
Net benefit expense	40,888	33,137
Actual return on plan assets	6,700	2,975

Balance sheet

Details of Provision for Gratuity

Particulars	31st March 2009	31st December 2007
Defined benefit obligation	108,425	66,142
Fair value of plan assets	68,854	29,163
Less: Unrecognized past service cost	Nil	Nil
Plan asset / (liability)	(39,571)	(36,979)

Changes in the present value of the defined benefit obligation are as follows:

Particulars	31st March 2009	31st December 2007
Opening defined benefit obligation	66,142	41,207
Current service cost	23,529	10,846
Interest cost	6,051	2,515
Benefits paid	(5,306)	(10,829)
Actuarial (gains) / losses on obligation	18,009	22,403
Closing defined benefit obligation	108,425	66,142

Changes in the fair value of plan assets are as follows:

Particulars	31st March 2009	31st December 2007
Opening fair value of plan assets	29,163	25,693
Expected return	3,666	1,798
Contributions by employer	38,296	11,324
Benefits paid	(5,306)	(10,829)
Actuarial gains / (losses)	3,035	1,177
Closing fair value of plan assets	68,854	29,163

Note: The Group's expected contribution to the fund in the next year is INR 34,725 thousand.

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

Particulars	31st March 2009	31st December 2007
Investments with insurer	100%	100%

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

(All amounts are in thousand Indian Rupees, unless otherwise stated)

The principal assumptions used in determining gratuity liability for the Group's plans are shown below:

Particulars	31st March 2009	31st December 2007
Discount rate	7%	8%
Future salary increase	10%	10%
Expected rate of return on assets	9.35%	9.1%
Employee turnover	13.13%	13.13%
Mortality Rate	LIC (1994-96) Ultimate Table	LIC (1994-96) Ultimate Table

Note: The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Gratuity liabilities for the current and previous period are as follows:

Particulars	31st March 2009	31st December 2007
Defined benefit obligation	108,425	66,142
Plan assets	68,854	29,163
Surplus / (deficit)	(39,571)	(36,979)
Experience adjustments on plan assets (loss)/gain	3,132	2,970
Experience adjustments on plan liabilities (loss)/gain	(11,964)	(6,960)

Notes:

a) The Group has adopted AS 15 (Revised 2005) Employee Benefits for the first time during the previous year. Disclosures required by paragraph 120 (n) of AS-15 (Revised 2005) are required to be furnished prospectively from the date of transition and hence have been furnished for the current and the previous year only.

b) The Group is maintaining a fund with the Life Insurance Corporation of India (LIC) to meet its gratuity liability. The present value of the plan assets represents the balance available with the LIC as at the end of the period. The total value of plan assets amounts to INR 68,854 thousand as certified by the LIC.

14. DETAILS OF MOVEMENT IN SHARE CAPITAL IS AS UNDER

Date	Number of equity shares of INR 10 each	Description	Issue price in INR	Share capital	Securities premium
31st December 2006	**1,765,314,379**	Closing balance		**17,653,144**	**275,017,837**
8th February 2007	13,085,041	Issued under Green Shoe Option	160.00	130,850	1,962,756
		Less: Share issue expenses adjusted against premium			(896,478)
31st December 2007	**1,778,399,420**			**17,783,994**	**276,084,115**
7th March 2008	792,240	Exercise of stock options	33.70	7,922	18,776
22nd April 2008	113,000,000	Preferential allotment of shares to non promoter investors	224.30	1,130,000	24,215,900
7th May 2008	525,000	Exercise of share options	33.70	5,250	12,443
27th May 2008	1,713,078	Exercise of share options	33.70	17,131	40,600
8th December 2008	1,600,000	Exercise of share options	33.70	16,000	37,920
19th December 2008	638,078	Exercise of share options	33.70	6,381	15,122
		Add : Share options liability transferred to securities premium upon exercise of the options			665,398
31st March 2009	**1,896,667,816**			**18,966,678**	**301,090,274**

15. The share issue expenses of INR 208,410 thousand incurred on the preferential allotment of 113,000,000 equity shares have been charged to the profit and loss account and not adjusted from the securities premium account on conservative basis.

16. Cairn India Group supplies gas from its Ravva and Cambay blocks to various customers. The price contracts with two customers are due for revision with effect from December 2008 and currently the same are under negotiation. Pending finalization of the price contracts, revenue has been recognised based on the last agreed prices on a conservative basis, as the management is expecting an upward price revision.

(All amounts are in thousand Indian Rupees, unless otherwise stated)

17. The goodwill of Cairn India Group amounting to INR 253,192,675 thousand has arisen on consolidation of financial statements of the Company with its subsidiaries and represents the difference between the cost to the Company of its investment in Cairn India Holdings Limited (which largely represent Cairn India Group's operations in India through its subsidiaries) and its proportionate share in the net book value of Cairn India Holdings Limited on consolidated basis at the time of acquisition of shares in Cairn India Holdings Limited. The management has carried out the tests for impairment of goodwill at the year-end as per requirements of AS 28 (Impairment of Assets) by computing the value in use of the assets and comparing the same with the carrying amount of the net assets. Value in use is based on the discounted future net cash flows of the oil and gas assets held by the Cairn India Group. For all blocks in the exploration stage, valuation has been carried out using risked NPV / boe. The result of the impairment tests indicate that the value in use is higher than the carrying amounts and no impairment provision is required to be created at the reporting date.

18. The management committee for the Rajasthan block has recently approved the declaration of commerciality and has granted an area of 822 square kilometers for future development. This includes an additional area of 238 square kilometers where the approval of the Ministry of Petroleum and Natural Gas is awaited.

19. Long term investment represents shares of Videocon Industries Limited held by Cairn Energy India Pty Limited (CEIPL) by virtue of its holdings in erstwhile Videocon Petroleum Limited, which subsequently merged with Videocon Industries Limited. CEIPL is yet to receive the share certificates of the merged entity and the matter is being pursued with the company.

20. The current tax and deferred tax provisions have been computed on the basis of the standalone financial statements of the Company's subsidiaries, i.e. not based on the consolidated financial statements of Cairn India Limited and its subsidiaries. There was a reversal of deferred tax liability amounting to INR 237,884 thousand during the current period due to changes in assumptions for computing the timing differences in relation to certain assets of Rajasthan project during the tax holiday period.

21. Cairn India Holdings Limited (CIHL), a wholly owned subsidiary of the Company along with some of its subsidiaries has entered into a loan facility agreement for USD 850 million with a consortium of banks. For the purposes of securing this facility, CIHL along with some of its subsidiaries has created a negative pledge on its assets and those of its subsidiaries, whereby it has undertaken not to dispose any of the said assets or create any charge on the same without the prior consent of the lenders. Further, the entire shares of Cairn Energy Hydrocarbons Limited a wholly owned subsidiary of CIHL, has been pledged with the lenders.

22. Cairn India Group's estimate of hydrocarbon reserves and resources at the period/year end is as follows-

Particulars	Gross proved and probable hydrocarbons initially in place (mmboe)		Gross proved and probable reserves and resources (mmboe)		Net proved and probable reserves and resources (mmboe)	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Rajasthan MBA Fields	2,054	2,054	685	685	479	479
Rajasthan MBA EOR	–	–	308	308	216	216
Rajasthan Block Other Fields	1,708	1,697	86	84	61	60
Ravva Fields	625	584	72	82	16	18
CBOS/2 Fields	156	116	20	25	8	10
KG-DWN-98/2	650	650	353	353	35	35
Total	**5,193**	**5,101**	**1,524**	**1,537**	**815**	**818**

Cairn India Group's net working interest in proved and probable reserves is as follows-

Particulars	Proved and probable Reserves		Proved and probable reserves (developed)	
	Oil (mmstb)	Gas (bscf)	Oil (mmstb)	Gas (bscf)
Reserves as at 1st January 2007*	**207.15**	**53.19**	**18.10**	**53.19**
Additions / revision during the year	44.47	4.21	3.63	4.21
Production during the year	4.59	13.40	4.59	13.40
Reserves as at 31st December 2007**	**247.03**	**44.00**	**17.14**	**44.00**
Additions / revision during the fifteen months period	98.35	(1.66)	2.64	(1.66)
Production during the fifteen months period	5.58	13.74	5.58	13.74
Reserves as at 31st March 2009***	**339.80**	**28.60**	**14.20**	**28.60**

(All amounts are in thousand Indian Rupees, unless otherwise stated)

* Includes probable oil reserves of 35.81 mmstb (of which 3.24 mmstb is developed) and probable gas reserves of 16.73 bscf (of which 16.73 bscf is developed)

** Includes probable oil reserves of 41.78 mmstb (of which 4.17 mmstb is developed) and probable gas reserves of 16.57 bscf (of which 16.57 bscf is developed)

*** Includes probable oil reserves of 57.70 mmstb (of which 5.7 mmstb is developed) and probable gas reserves of 12.80 bscf (of which 12.80 bscf is developed)

mmboe = million barrels of oil equivalent
mmstb = million stock tank barrels
bscf = billion standard cubic feet
1 million metric tonnes = 7.4 mmstb
1 standard cubic meter = 35.315 standard cubic feet
MBA = Mangala, Bhagyam & Aishwarya
EOR = Enhanced Oil Recovery

23. CHANGE IN FINANCIAL YEAR AND PRIOR YEAR COMPARATIVES

Shareholders of the Company have approved the change of financial year end from 31st December to 31st March. Therefore, the current financial year consists of fifteen month period from 1st January 2008 to 31st March 2009. Subsequent financial years would be for twelve months period ending 31st March every year. Accordingly, previous year figures in the profit and loss account and cash flow statement are not comparable with current extended financial year.

Previous year's figures have been regrouped where necessary to confirm to current period's classification.

As per our report of even date

For S. R. Batliboi & Associates
Chartered Accountants
per Raj Agrawal
Partner
Membership No.: 82028

For and on behalf of the Board of Directors
Rahul Dhir Managing Director and Chief Executive Officer
Aman Mehta Director
Indrajit Banerjee Executive Director and Chief Financial Officer
Neerja Sharma Company Secretary

Place : Gurgaon
Date : 27th May, 2009

Statement Pursuant to Section 212 (8) of the Companies Act, 1956

(All amounts are in thousand Indian Rupees, unless otherwise stated)

Pursuant to section 212 (8)of the Companies Act, 1956, the company has obtained exemption from the Ministry of Company Affairs, New Delhi, vide its letter No.47/108/2009-CL-III dated 30/03/2009 to attach accounts of subsidiaries. The accounts of subsidiaries are available for inspection of members on any working day at the registered office of the company between 10 am and 12 noon. A statement pursuant to above order giving details of subsidiaries is given below:

S. No.	Name of the Subsidiary Company	Capital	Reserves	Total Assets	Total Liabilities	Investments*	Details of Investment	Turnover	Profit / (Loss) before taxation	Provision for taxation	Profit / (Loss) after taxation	Proposed dividend
1	Cairn India Holdings Limited	25,641,916	2,926,043	1,969,920	26,598,039	–	–	–	6,456,890	–	6,456,890	NIL
2	Cairn Energy Gujarat Block 1 Limited	46	62,953	275	62,724	–	–	–	104,336	9,703	94,633	NIL
3	Cairn Exploration (No.7) Limited	–	(13,766)	110	(13,876)	–	–	–	142,121	12,354	129,766	NIL
4	Cairn Exploration (No.6) Limited	–	(427)	(153)	(274)	–	–	–	7,913	443	7,469	NIL
5	Cairn Exploration (No.4) Limited	–	(1,190)	130	(1,321)	–	–	–	6,603	84	6,519	NIL
6	Cairn Exploration (No.2) Limited	–	(41,014)	94	(41,108)	–	–	–	241,844	19,867	221,977	NIL
7	Cairn Energy Discovery Limited	1,956	(71,450)	(5,038)	(64,455)	–	–	–	(16,679)	13	(16,692)	NIL
8	Cairn Energy Hydrocarbons Limited	2,755,860	(2,576,888)	46,198,649	(46,019,677)	–	–	428	4,086,822	25,389	4,061,433	NIL
9	Cairn Petroleum India Limited	–	–	–	–	–	–	–	–	–	–	NIL
10	Cairn Energy Holdings Limited	4,053,726	(3,219,853)	835,277	(1,404)	–	–	591,511	607,972	(145,042)	753,014	NIL
11	Cairn Energy Netherlands Holdings B.V.	760	(15,828)	879	(15,947)	–	–	–	(4,987,504)	(30,253)	(4,957,252)	NIL
12	Cairn Energy Group Holdings B.V.	4,276	(971,429)	3,334	(970,486)	–	–	–	(1,440,244)	(12,480)	(1,427,764)	NIL
13	Cairn Energy India Holdings B.V.	790	(668)	91	31	–	–	–	(878)	–	(878)	NIL
14	Cairn Energy Gujarat Holding B.V.	790	(816)	–	(26)	–	–	–	(26)	–	(26)	NIL
15	Cairn Energy Gujarat B.V.	790	1,721,036	2,131,440	(409,614)	–	–	1,276,923	498,667	31,282	467,384	NIL
16	Cairn Energy India West Holding B.V.	791	(816)	–	(26)	–	–	–	(26)	–	(26)	NIL
17	Cairn Energy India West B.V.	790	2,274,978	2,125,042	150,727	–	–	1,687,029	581,041	118,207	462,834	NIL
18	Cairn Energy Cambay Holding B.V.	789	(815)	–	(26)	–	–	–	(26)	–	(26)	NIL
19	Cairn Energy Cambay B.V.	790	1,762,656	2,212,858	(449,411)	–	–	1,289,650	373,414	(26,846)	400,260	NIL
20	Cairn Energy Australia Pty Limited	3,397,091	(3,458,256)	6,537	(67,702)	–	–	–	(16,732)	(23,267)	6,535	NIL
21	CEH Australia Limited	–	–	–	–	–	–	–	–	–	–	NIL
22	CEH Australia Pty Limited	–	–	–	–	–	–	–	–	–	–	NIL
23	Cairn Energy Asia Pty Limited	85,734	923,341	4,544	1,004,532	–	–	–	233,002	–	233,002	NIL
24	Wessington Investments Pty Limited	194,543	(194,543)	–	–	–	–	–	–	–	–	NIL
25	Cairn Energy Investments Australia Pty Limited	1,590,605	(1,590,605)	–	–	–	–	–	–	–	–	NIL
26	Sydney Oil Company Pty Limited	163,617	(163,617)	–	–	–	–	–	–	–	–	NIL
27	Cairn Energy India Pty Limited	1,116,837	9,618,995	62,679,034	(52,048,535)	105,334	Long term investments (at cost)–unquoted and trade: 755,275 equity shares of Rs.10 each fully paid up in Videcon Industries Limited	9,443,844	2,408,716	1,282,320	1,126,397	NIL
28	Cairn Lanka Private Limited	121,538	(68,156)	64,693	(11,311)	–	–	–	(68,156)	–	(68,156)	NIL
29	CIG Mauritius Holding Private Limited	121,980	(123,103)	333	(1,457)	–	–	–	(3,518)	–	(3,518)	NIL
30	CIG Mauritius Private Limited	119,585	(120,873)	7	(1,296)	–	–	–	664	–	664	NIL

* Other than Investment in subsidiaries

For and on behalf of the Board of Directors
Rahul Dhir Managing Director and Chief Executive Officer
Aman Mehta Director
Indrajit Banerjee Executive Director and Chief Financial Officer
Neerja Sharma Company Secretary

Place : Gurgaon
Date : 27th May, 2009

Statement Pursuant to Section 212 of the Companies Act, 1956

(All amounts are in thousand Indian Rupees, unless otherwise stated)

						Profits/(Losses) so far it concerns the members of the Holding Company and not dealt with in the books of Account of the Holding Company		Profits/(Losses) so far it concerns the members of the Holding Company and dealt with in the books of Account of the Holding Company	
S. No.	Name of the Subsidiary Company	Name of the Holding Company	Number of equity shares held	Extent of Holding	Financial year of the subsidiary ended on	For the Financial Year of the Subsidiary	For the Previous Financial Year(s) since it became a Subsidiary	For the Financial Year of the Subsidiary	For the Previous Financial Year(s) since it became a Subsidiary
1	Cairn India Holdings Limited	Cairn India Limited	292,929,752 shares of £ 1 each	100%	12/31/2008	6,456,890	(1,592,111)	–	–
2	Cairn Energy Gujarat Block 1 Limited	Cairn India Holdings Limited	551 ordinary shares of £ 1 each	100%	12/31/2008	94,633	(8,458)	–	–
3	Cairn Exploration (No.7) Limited	Cairn India Holdings Limited	1 ordinary share of £ 1 each	100%	12/31/2008	129,766	(136,016)	–	–
4	Cairn Exploration (No.6) Limited	Cairn India Holdings Limited	1 ordinary share of £ 1 each	100%	12/31/2008	7,469	(6,276)	–	–
5	Cairn Exploration (No.4) Limited	Cairn India Holdings Limited	1 ordinary share of £ 1 each	100%	12/31/2008	6,519	(7,710)	–	–
6	Cairn Exploration (No.2) Limited	Cairn India Holdings Limited	1 ordinary share of £ 1 each	100%	12/31/2008	221,977	(216,479)	–	–
7	Cairn Energy Discovery Limited	Cairn India Holdings Limited	23,216 ordinary shares of £ 1 each	100%	12/31/2008	(16,692)	(11,666)	–	–
8	Cairn Energy Hydrocarbons Limited	Cairn India Holdings Limited	31,341,712 ordinary shares of £ 1 each	100%	12/31/2008	4,061,433	(392,625)	–	–
9	Cairn Petroleum India Limited	Cairn India Holdings Limited	1 ordinary share of £ 1 each	100%	12/31/2008	–	–	–	–
10	Cairn Energy Holdings Limited	Cairn India Holdings Limited	67,418,405 ordinary shares of £ 1 each	100%	12/31/2008	753,014	240,863	–	–
11	Cairn Energy Netherlands Holdings B.V.	Cairn Energy Holdings Limited	18 equity shares of EUR 1,000 each	100%	12/31/2008	(4,957,252)	(323,998)	–	–
12	Cairn Energy Group Holdings B.V.	Cairn Energy Netherlands Holdings B.V.	215 equity shares of NLG 1,000 each (in accordance with article 2:178c of the Dutch Civil Code, this sum converts to EUR 453.78)	100%	12/31/2008	(1,427,764)	(14,124)	–	–
13	Cairn Energy India Holdings B.V.	Cairn Energy Group Holdings B.V.	40 equity shares of NLG 1,000 each (in accordance with article 2:178c of the Dutch Civil Code, this sum converts to EUR 453.78)	100%	12/31/2008	(878)	(144)	–	–
14	Cairn Energy Gujarat Holding B.V.	Cairn Energy India Holdings B.V.	41 shares of EUR 454 each	100%	12/31/2008	(26)	–	–	–
15	Cairn Energy Gujarat B.V.	Cairn Energy Gujarat Holding B.V.	40 equity shares of NLG 1,000 each (in accordance with article 2:178c of the Dutch Civil Code, this sum converts to EUR 453.78)	100%	12/31/2008	467,384	312,805	–	–
16	Cairn Energy India West Holding B.V.	Cairn Energy India Holdings B.V.	41 shares of EUR 454 each	100%	12/31/2008	(26)	–	–	–
17	Cairn Energy India West B.V.	Cairn Energy India West Holding B.V.	40 equity shares of NLG 1,000 each (in accordance with article 2:178c of the Dutch Civil Code, this sum converts to EUR 453.78)	100%	12/31/2008	462,834	456,307	–	–
18	Cairn Energy Cambay Holding B.V.	Cairn Energy India Holdings B.V.	18 equity shares of EUR 1,000 each	100%	12/31/2008	(26)	–	–	–
19	Cairn Energy Cambay B.V.	Cairn Energy Cambay Holding B.V.	40 equity shares of NLG 1,000 each (in accordance with article 2:178c of the Dutch Civil Code, this sum converts to EUR 453.78)	100%	12/31/2008	400,260	296,204	–	–
20	Cairn Energy Australia Pty Limited	Cairn Energy Group Holdings B.V.	116,789,079 ordinary shares of AUS$ 1 each	100%	12/31/2008	6,535	(6,653)	–	–
21	CEH Australia Limited	Cairn Energy Australia Pty Limited	100 shares of US$ 1 each	100%	12/31/2008	–	–	–	–
22	CEH Australia Pty Limited	CEH Australia Limited	2 ordinary shares of AUS$ 1 each	100%	12/31/2008	–	–	–	–
23	Cairn Energy Asia Pty Limited	Cairn Energy Australia Pty Limited	330,522,617 ordinary shares of AUS$ 1 each	100%	12/31/2008	233,002	(56,683)	–	–
24	Wessington Investments Pty Limited	Cairn Energy Asia Pty Limited	30,000,000 ordinary shares of AUS$ 0.25 each	100%	12/31/2008	–	–	–	–
25	Cairn Energy Investments Australia Pty Limited	Cairn Energy Asia Pty Limited	144,101,302 ordinary shares of AUS$ 1 each	100%	12/31/2008	–	–	–	–
26	Sydney Oil Company Pty Limited	Cairn Energy Investments Australia Pty Limited	27,024,288 ordinary shares of AUS$ 0.25 each	100%	12/31/2008	–	–	–	–
27	Cairn Energy India Pty Limited	Sydney Oil Company Pty Limited	2 ordinary shares of AUS$ 1 each and 1,000 ordinary shares of AUS$ 45,792.67 each	100%	12/31/2008	1,126,397	2,009,486	–	–
28	Cairn Lanka Private Limited	CIG Mauritius Private Limited	27,937,467 ordinary shares of LKR 10 each	100%	12/31/2008	(68,156)	–	–	–
29	CIG Mauritius Holding Private Limited	Cairn India Limited	2,509,960 ordinay shares of USD 1 each	100%	12/31/2008	(3,518)	–	–	–
30	CIG Mauritius Private Limited	CIG Mauritius Holding Private Limited	2,501,000 ordinay shares of USD 1 each	100%	12/31/2008	664	–	–	–

For and on behalf of the Board of Directors
Rahul Dhir Managing Director and Chief Executive Officer
Aman Mehta Director
Indrajit Banerjee Executive Director and Chief Financial Officer
Neerja Sharma Company Secretary

Place : Gurgaon
Date : 27th May, 2009