Auditor's 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 Group, as at 31 March, 2010, and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Cairn India Limited'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 the 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. The attached financial statements include Cairn India Group's share of net assets, expenses and cash flows aggregating to Rs. 799,846 thousand, Rs. 692,124 thousand and Rs. 9 thousand respectively in the unincorporated joint ventures not operated by the Company or its subsidiaries, the accounts of which have been audited by the auditors of the respective unincorporated joint ventures and relied upon by us.

4. We report that the consolidated financial statements have been prepared by the Cairn India Limited's management in accordance with the requirements of Accounting Standards (AS) 21, Consolidated financial statements, notified pursuant to the Companies (Accounting Standards) Rules, 2006, (as amended).

5. 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 31 March, 2010;
   (b) in the case of the consolidated profit and loss account, of the profit for the year ended on that date; and
   (c) in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

For S.R. Batliboi & Associates
Firm registration number: 101049W
Chartered Accountants
per Sanjay Vij
Partner
Membership No.:95169

Place Gurgaon Date 27 May, 2010

Consolidated Balance Sheet

AS AT MARCH 31, 2010

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

	Schedules	As at March 31, 2010		As at March 31, 2009	
Sources of Funds					
Shareholders' Funds					
Share capital	1		18,969,741		18,966,678
Stock options outstanding	2		463,978		388,978
Reserves and surplus	3		319,249,603		308,667,596
			338,683,322		**328,023,252**
Loan funds					
Secured loans	4		34,007,131		222,402
Unsecured loans	5		-		43,341,500
			34,007,131		**43,563,902**
Deferred tax liabilities (net)	6		4,619,418		5,623,782
			377,309,871		**377,210,936**
Application of Funds					
Fixed assets	7				
Gross cost		2,227,578		1,434,686	
Less: Accumulated depreciation / amortisation		958,067		801,843	
Net book value			**1,269,511**		**632,843**
Exploration, Development and Site-restoration costs	8				
Cost of producing facilities (net)		4,994,770		3,013,742	
Exploratory & development work in progress		91,634,579		62,027,323	
Net book value			**96,629,349**		**65,041,065**
Goodwill			253,192,675		253,192,675
Investments	9		17,124,133		1,712,806
Deferred tax assets (net)	6		166,215		83,935
Current assets, loans and advances					
Inventories	10	2,909,438		1,682,808	
Sundry debtors	11	3,067,474		1,516,418	
Cash and bank balances	12	9,294,240		65,270,674	
Other current assets	13	144,586		704,244	
Loans and advances	14	8,317,866		3,505,102	
		23,733,604		**72,679,246**	
Less: Current liabilities and provisions					
Current liabilities	15	9,868,645		11,794,353	
Provisions	16	4,936,971		4,337,281	
		14,805,616		**16,131,634**	
Net Current assets			8,927,988		56,547,612
			377,309,871		**377,210,936**
Notes to accounts	25				

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
Firm Registration No.:101049W
Chartered Accountants
per Sanjay Vij
Partner
Membership No. 95169

For and on behalf of the Board of Directors

Rahul Dhir Managing Director and Chief Executive Officer
Indrajit Banerjee Executive Director and Chief Financial Officer
Omkar Goswami Director
Neerja Sharma Company Secretary

Place Gurgaon   Date 27 May, 2010

Consolidated Profit and Loss Account

FOR THE YEAR ENDED MARCH 31, 2010

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

	Schedules	Year ended March 31, 2010	Fifteen months ended March 31, 2009
Income			
Income from operations	17	16,230,261	14,326,716
Other income	18	4,076,616	5,510,324
		20,306,877	**19,837,040**
Expenditure			
Operating expenses	19	4,248,252	2,129,743
Depletion	8	1,376,477	2,635,431
Unsuccessful exploration costs	8	2,085,346	1,683,851
Staff Costs	20	1,101,635	1,150,010
Administrative expenses	21	1,372,497	1,727,069
(Increase) / decrease in inventories	22	(366,021)	222,342
Prior period items (Refer note no. 22 in schedule 25)		68,716	283,045
Depreciation and amortisation	7	108,588	62,593
Finance costs	23	148,031	64,090
		10,143,521	**9,958,174**
Profit before taxation		**10,163,356**	**9,878,866**
Current tax		2,216,325	1,336,282
MAT credit entitlement		(1,372,228)	(225,490)
Deferred tax (credit)/ charge		(1,086,649)	623,354
Fringe Benefit Tax (refer note no. 23 in schedule 25)		(105,218)	110,214
Wealth tax		67	-
		(347,703)	**1,844,360**
Profit for the year / period		**10,511,059**	**8,034,506**
Surplus / (Deficit) brought forward from the previous period		7,577,322	(457,184)
Surplus carried to Balance sheet		**18,088,381**	**7,577,322**
Earnings per share in INR	24		
Basic		5.54	4.31
Diluted		5.52	4.28
(Nominal value of shares INR 10)			
Notes to accounts	25		

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
Firm Registration No.:101049W
Chartered Accountants
per Sanjay Vij
Partner
Membership No. 95169

For and on behalf of the Board of Directors

Rahul Dhir Managing Director and Chief Executive Officer
Indrajit Banerjee Executive Director and Chief Financial Officer
Omkar Goswami Director
Neerja Sharma Company Secretary

Place Gurgaon Date 27 May, 2010

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED MARCH 31, 2010

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

	Year ended March 31, 2010	Fifteen months ended March 31, 2009
Cash flow from operating activities		
Profit before taxation for the year / period	10,163,356	9,878,866
Adjustments for		
- Employee compensation expense (equity settled stock options) - net of exceptional gains	89,175	107,292
- Depreciation and depletion	1,780,276	2,949,665
- Loss / (Profit) on sale / discard of fixed assets (net)	(313)	1,835
- Unsuccessful exploration costs	2,085,346	1,683,851
- Share issue expenses	-	208,410
- Unrealised exchange loss / (gain) on restatement of assets and liabilities (net)	(2,604,018)	(1,710,402)
- Interest expense	59,518	79,436
- Profit on sale of non trade current investments (net)	(2,385)	(1,245,686)
- Interest income	(1,375,578)	(1,858,924)
- Dividend from investments	(224,461)	(221,876)
- Loan facility and management fees	103,834	-
- Unrealised loss on option contracts	-	112,973
- Balances written back (net)	(143,360)	(143,285)
Operating profit before working capital changes	9,931,390	9,842,155
Movements in working capital:		
(Increase)/decrease in inventories	(1,226,630)	(466,761)
(Increase)/decrease in debtors	(1,598,096)	(108,344)
(Increase)/decrease in loans and advances and other current assets	(3,050,580)	186,699
Increase/(decrease) in current liabilities and provisions	(1,206,652)	1,684,424
Cash generated from operations	**2,849,432**	**11,138,173**
Current tax/FBT paid (net of refunds)	(1,752,558)	(1,457,679)
Net cash from operating activities (A)	**1,096,874**	**9,680,494**
Cash flow from investing activities		
Payments made for exploration, development activities and purchase of fixed assets	(33,662,150)	(30,133,147)
Short term investments in mutual funds (net)	(15,416,641)	6,661,791
Fixed deposits made	(16,716,524)	(43,410,755)
Proceeds from matured fixed deposits	57,327,022	11,686,817
Proceeds from sale of fixed assets	313	202
Interest received	2,138,135	1,240,524
Dividend from short term investments received	222,195	-
Dividend from long term investments received	-	216,589
Net cash used in investing activities (B)	**(6,107,650)**	**(53,737,979)**
Cash flow from financing activities		
Proceeds from issue of equity shares (including securities premium)	20,363	25,523,445
Payments made for share issue expenses	-	(208,410)
Finance lease taken	9,406	175,645
Repayment of finance lease	(91,483)	(124,838)
Proceeds from long term borrowings	34,604,616	37,620,170
Repayment of long term borrowings	(41,409,564)	-
Loan facility and management fees paid	(1,908,255)	-

Consolidated Statement of Cash Flows Continued

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

	Year ended March 31, 2010	Fifteen months ended March 31, 2009
Interest paid	(1,678,228)	(1,464,603)
Net cash from/(used in) financing activities (C)	**(10,453,145)**	**61,521,409**
Net increase/(decrease) in cash and cash equivalents (A+B+C)	**(15,463,921)**	**17,463,924**
Cash and cash equivalents at the beginning of the year/ period	21,732,635	1,503,807
Cash and cash equivalents at the end of the year/ period	6,268,714	18,967,731
Unrealised exchange differences on closing cash and cash equivalents	97,984	2,764,904
Cash and cash equivalents as per cash flow statement	**6,366,698**	**21,732,635**
Components of cash and cash equivalents as at	**March 31, 2010**	**March 31, 2009**
Cash in hand	452	626
Balances with banks		
on current accounts	390,057	228,024
on site restoration fund	143,703	-
on deposit accounts	8,760,028	65,042,024
Less: Deposits having maturity of over 90 days	(2,927,542)	(43,538,039)
	6,366,698	**21,732,635**

Notes

i) The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in Accounting Standard-3 on "Cash flow statements".

ii) Amounts in bracket indicate a cash outflow or reduction.

iii) Bank balance in deposit accounts includes INR 1,955,866 thousand, previous period INR 3,312,342 thousand, pledged with the banks.

As per our report of even date

For S. R. Batliboi & Associates
Firm Registration No.:101049W
Chartered Accountants
per Sanjay Vij
Partner
Membership No. 95169

For and on behalf of the Board of Directors

Rahul Dhir Managing Director and Chief Executive Officer
Indrajit Banerjee Executive Director and Chief Financial Officer
Omkar Goswami Director
Neerja Sharma Company Secretary

Place Gurgaon Date 27 May, 2010

Schedules to the Consolidated Financial Statements

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

	As at March 31, 2010	As at March 31, 2009
Schedule 1		
Share capital		
Authorised:		
2,250,000,000 (previous period 2,250,000,000) equity shares of INR 10 each	22,500,000	22,500,000
Issued, Subscribed and Paid up:		
1,896,974,132 (previous period 1,896,667,816) equity shares of INR 10 each	18,969,741	18,966,678
	18,969,741	**18,966,678**

Notes

i) Issued, subscribed and fully paid up share capital includes 1,183,243,791 equity shares (previous period - 1,226,843,791 equity shares) of INR 10 each held by Cairn UK Holdings Limited, the holding company, together with its nominees.

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

iii) For stock options outstanding, refer note no. 7 in schedule 25.

Schedule 2		
Stock options outstanding		
Employee stock options outstanding	768,120	782,548
Less: Deferred employee compensation outstanding	(304,142)	(393,570)
Closing Balance	**463,978**	**388,978**

Schedule 3		
Reserves and surplus		
Securities premium account		
Opening Balance	301,090,274	276,084,115
Add: Additions during the year/ period (refer note no. 14 in schedule 25)	70,948	25,006,159
Closing Balance	301,161,222	301,090,274
Profit and Loss Account	18,088,381	7,577,322
	319,249,603	**308,667,596**

Schedule 4		
Secured loans		
Finance lease liabilities (refer note no. 8 in schedule 25)	140,325	222,402
Long term loans (refer note no. 18 in schedule 25)		
- from financial institutions	5,092,111	-
- from banks	28,774,695	-
	34,007,131	**222,402**

Schedule 5		
Unsecured loans		
Long term loans		
- from financial institutions	-	7,648,500
- from banks	-	35,693,000
	-	**43,341,500**

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

	As at March 31, 2010	As at March 31, 2009
Schedule 6		
Deferred tax asset / liabilities (net)		
Effect of differences in block of fixed assets/exploration and development assets as per tax books and financial books	5,005,074	6,178,716
Gross deferred tax liabilities	**5,005,074**	**6,178,716**
Effect of lease accounting	7,877	8,972
Expenditure debited to profit and loss account but allowed for tax purposes in following years	543,994	629,897
Gross deferred tax assets	**551,871**	**638,869**
Net deferred tax liabilities *	**4,453,203**	**5,539,847**

* After setting off net deferred tax assets aggregating to INR 166,215 thousand, previous period INR 83,935 thousand in respect of certain group companies

Schedule 7

Fixed Assets

Description	Gross Block				Accumulated Depreciation / Amortisation				Net Block	
	As on 01.04.2009	Additions	Deletions	As on 31.03.2010	As on 01.04.2009	For the year/period	Deletions	As on 31.03.2010	As on 31.03.2010	As on 31.03.2009
A) Tangible Assets										
Freehold land	43,583	-	-	43,583	-	-	-	-	43,583	43,583
Buildings	5,247	5,042	-	10,289	2,333	782	-	3,115	7,174	2,914
Plant and machinery	-	777,549	-	777,549	-	21,845	-	21,845	755,704	-
Office equipments	512,022	122,898	(165,296)	469,624	344,439	112,124	(165,165)	291,398	178,226	167,583
Furniture and fittings	299,870	13,080	(1,454)	311,496	126,760	61,319	(1,454)	186,625	124,871	173,110
Vehicles	10,983	582	-	11,565	2,660	2,608	-	5,268	6,297	8,323
B) Intangible Assets										
Computer software	562,981	121,447	(80,956)	603,472	325,651	205,121	(80,956)	449,816	153,656	237,330
Grand Total	**1,434,686**	**1,040,598**	**(247,706)**	**2,227,578**	**801,843**	**403,799**	**(247,575)**	**958,067**	**1,269,511**	**632,843**
Previous period	**1,092,632**	**462,608**	**(120,554)**	**1,434,686**	**606,126**	**314,233**	**(118,516)**	**801,843**	**632,843**	**486,506**

Notes

i) Furniture and fittings includes Leasehold improvements of INR 282,259 thousand (previous period INR 278,895 thousand), accumulated depreciation thereon INR 168,063 thousand (previous period INR 110,482 thousand).

ii) Furniture and fittings and Office equipments of INR 281,634 thousand (previous period INR 278,271 thousand) and INR 100,733 thousand (previous period INR 210,192 thousand) respectively have been acquired under finance lease. The depreciation charge for the year/ period on these assets is INR 57,556 thousand (previous period INR 60,569 thousand) and INR 27,197 thousand (previous period INR 61,040 thousand) respectively and the accumulated depreciation thereon is INR 167,910 thousand (previous period INR 110,355 thousand) and INR 43,514 thousand (previous period INR 139,781 thousand) respectively.

iii) Depreciation charge for the year/period includes INR 295,211 thousand (previous period INR 251,640 thousand) allocated to joint ventures.

iv) Fixed assets include INR 996,883 thousand (previous period INR 169,471 thousand) jointly owned with the joint venture partners. Accumulated depreciation on these assets is INR 131,109 thousand (previous period INR 78,560 thousand) and net book value is INR 865,773 thousand (previous period INR 90,911 thousand).

Schedules to the Consolidated Financial Statements Continued

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

	As at March 31, 2010	As at March 31, 2009
Schedule 8		
Exploration, Development and Site restoration costs		
Opening balance of producing properties	3,013,742	4,389,517
Additions / deletions / transfer for the year / period	3,357,505	1,259,656
	6,371,247	5,649,173
Less: Depletion	1,376,477	2,635,431
Net producing properties	4,994,770	3,013,742
Opening balance of exploratory & development work in progress	62,027,323	24,670,264
Additions / deletions / transfer for the year / period	31,692,602	39,040,910
Less: Unsuccessful exploration costs for the year/ period	2,085,346	1,683,851
Exploration and Development work in progress	91,634,579	62,027,323
Net book value	**96,629,349**	**65,041,065**

Note Additions for the year includes borrowing costs (net of income on temporary investments INR 125,203 thousand, previous period INR 241,350 thousand) aggregating to INR 2,442,547 thousand (previous period INR 1,620,043 thousand).

Schedule 9		
Investments		
Long term investments (at cost)		
Quoted and non-trade		
Nil (previous period 755,275) equity shares of INR 10/- each fully paid up in Videocon Industries Limited	-	105,334
Current Investments (at lower of cost and market value)		
Quoted and non-trade		
755,275 (previous period Nil) equity shares of INR 10/- each fully paid up in Videocon Industries Limited	105,334	-
Unquoted and non trade		
Mutual Funds	17,018,799	1,607,472
	17,124,133	**1,712,806**

Schedule 10		
Inventories		
Stores and spares	2,456,383	1,595,774
Finished goods	453,055	87,034
	2,909,438	**1,682,808**

Schedule 11		
Sundry Debtors		
Debts - Unsecured and outstanding for a period exceeding six months :		
- Considered good	78,687	94,261
Other unsecured debts :		
- Considered good	2,988,787	1,422,157
	3,067,474	**1,516,418**

Schedules to the Consolidated Financial Statements Continued

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

	As at March 31, 2010	As at March 31, 2009
Schedule 12		
Cash and bank balances		
Cash in hand	452	626
Balances with banks:		
- on current accounts	390,057	228,024
- on deposit accounts (including deposits with maturity of more than 3 months)*	8,760,028	65,042,024
- on site restoration fund	143,703	-
	9,294,240	**65,270,674**

* includes INR 1,955,866 thousand, previous period INR 3,312,342 thousand, pledged with the banks

	As at March 31, 2010	As at March 31, 2009
Schedule 13		
Other Current Assets		
Interest accrued on bank deposits	23,285	660,639
Dividend receivable	7,553	-
Outstanding option contracts	113,748	43,605
	144,586	**704,244**

	As at March 31, 2010	As at March 31, 2009
Schedule 14		
Loans and advances		
Unsecured and considered good, unless otherwise stated:		
Advances recoverable in cash or in kind or for value to be received*	10,463,960	5,789,515
Deposits	197,740	169,469
Advance tax and tax deducted at source, net of tax provisions INR 3,697,411 thousand (previous period INR 1,921,505 thousand)	365,392	599,367
MAT credit entitlement	950,733	-
Fringe benefit tax paid (net of provisions INR 394,040 thousand, previous period INR 266,883 thousand)	4,329	13,290
	11,982,154	**6,571,641**
Less: Provision for doubtful advances	(3,664,288)	(3,066,539)
	8,317,866	**3,505,102**

*includes doubtful balances INR 3,664,288 thousand (previous period INR 3,066,539 thousand) and also capital advances INR 549,799 thousand (previous period INR 835,486 thousand)

	As at March 31, 2010	As at March 31, 2009
Schedule 15		
Current liabilities		
Amount payable to Cairn Energy Plc., the ultimate holding company	1,773	1,296,164
Sundry creditors	8,652,475	8,647,926
Lease equalisation liability	12,250	9,279
Interest accrued but not due	7,838	94,471
Other liabilities	1,194,309	1,746,513
	9,868,645	**11,794,353**

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

	As at March 31, 2010	As at March 31, 2009
Schedule 16		
Provisions		
Provision for taxation (net of advance tax - INR 576,716 thousand, previous period INR 356,794 thousand)	52,031	250,643
Provision for fringe benefit tax (net of advance tax payments INR Nil, previous period - INR 127,956 thousand)	-	105,235
Site restoration provision *	4,466,429	3,886,882
Provision for Government share of profit petroleum **	-	11,444
Provision for leave encashment	22,840	16,305
Provision for gratuity	64,879	39,571
Provision for employee stock options (cash settled) ***	330,792	27,201
	4,936,971	**4,337,281**
*** Site restoration provision**		
Opening balance	3,886,882	2,714,913
Additions for the year /period	579,547	1,388,000
Reversed during the year /period	-	(216,031)
Closing balance	**4,466,429**	**3,886,882**
**** Provision for Government share of profit petroleum**		
Opening Balance	11,444	362,382
Additions for the year /period	-	26,453
Written back during the year /period	(11,444)	-
Payments during the year /period	-	(377,391)
Closing Balance	**-**	**11,444**
***** Provision for employee stock options (cash settled)**		
Opening Balance	27,201	-
Additions for the year /period	451,596	27,201
Payments during the year /period	(144,762)	-
Reversed during the year /period	(3,243)	-
Closing Balance	**330,792**	**27,201**

Schedule 17	Year Ended March 31, 2010	Fifteen Months ended March 31, 2009
Income from operations		
Revenue from sale of oil, gas and condensate	22,018,998	24,476,702
Less: Government share of Profit Petroleum	(6,396,752)	(10,829,219)
	15,622,246	13,647,483
Tolling income	41,406	50,391
Income received as operator from joint venture	566,609	628,842
	16,230,261	**14,326,716**
Schedule 18		
Other income		
Interest on bank deposits	1,375,578	1,858,924
Profit on sale of non trade current investments (net)	2,385	1,245,686
Dividend income from non trade current investments	222,195	216,589

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

	Year Ended March 31, 2010	Fifteen Months ended March 31, 2009
Dividend income from non trade long term investments	2,266	5,287
Exchange fluctuation (net)*	2,325,709	1,884,830
Miscellaneous income	4,810	-
Profit on sale of fixed assets (net)	313	-
Balances written back (net)	143,360	143,285
Exceptional gain (refer note no. 24 in schedule 25)	-	155,723
	4,076,616	**5,510,324**

* Includes net gain on derivative contracts INR 450,547 thousand (previous period after setting off loss of INR 434,328 thousand).

Schedule 19

Operating expenses		
Production expenses	1,130,815	821,016
Arbitration costs	71,431	7,582
Transportation expenses	1,198,660	123,912
Data acquisition and analysis	328,887	66,266
Insurance	52,164	56,677
Royalty	241,351	393,787
Cess	1,148,496	546,365
Production bonus	76,448	114,138
	4,248,252	**2,129,743**

Schedule 20

Staff costs		
Salaries, wages and bonus	3,763,973	3,359,347
Employee compensation expense (stock options)	537,529	454,546
Contribution to provident fund	177,970	97,356
Contribution to superannuation fund	68,753	53,226
Compensated absences	7,895	29,916
Gratuity expenses	53,570	40,888
Staff welfare expenses	325,567	329,288
	4,935,257	**4,364,567**
Less: Cost allocated to joint ventures	(3,833,622)	(3,214,557)
	1,101,635	**1,150,010**

Schedule 21

Administrative expenses		
Contract employee charges	439,319	1,295,828
Legal and professional expenses	1,345,401	1,489,900
Share issue expenses	-	208,410
Repairs and maintenance	275,984	260,933
Rent	305,214	455,648
Travelling and conveyance expenses	357,480	511,320
Communication expenses	158,900	150,906
Insurance	860	3,127
Inauguration expenses	93,149	-
Loss on sale / discard of fixed assets (net)	-	1,835
Miscellaneous expenses	334,943	357,706
	3,311,250	**4,735,613**
Less: Cost allocated to joint ventures	(1,938,753)	(3,008,544)
	1,372,497	**1,727,069**

Schedules to the Consolidated Financial Statements Continued

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

	Year Ended March 31, 2010	Fifteen Months ended March 31, 2009
Schedule 22		
(Increase) / Decrease in inventories		
Inventories at the beginning of the year/ period		
Finished goods	87,034	309,376
Inventories at the end of the year/period		
Finished goods	453,055	87,034
	(366,021)	**222,342**
Schedule 23		
Finance costs		
Interest		
-on term loan	17,807	-
-others	11,681	38,581
-finance lease charges	30,030	40,855
Loan facility and management fees	103,834	-
Bank charges	12,153	20,734
	175,505	**100,170**
Less: Cost allocated to joint ventures	(27,474)	(36,080)
	148,031	**64,090**
Schedule 24		
Earnings Per Share		
Profit for the year/period as per profit and loss account	10,511,059	8,034,506
Weighted average number of equity shares in calculating basic earnings per share	1,896,696,475	1,866,146,993
Add: Number of equity shares arising on grant of stock options	8,321,392	10,052,076
Weighted average number of equity shares in calculating diluted earnings per share	1,905,017,867	1,876,199,069
Earnings per share in INR		
Basic	5.54	4.31
Diluted	5.52	4.28

(All amounts are in INR thousand 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 is hereinafter collectively referred to as 'Cairn India Group'. The entities under the Cairn India Group are participants in various Oil and Gas blocks/fields (which are in the nature of jointly controlled assets), 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
1	Cairn Energy Australia Pty Limited	Australia
2	Cairn Energy India Pty Limited	Australia
3	CEH Australia Pty Limited	Australia
4	Cairn Energy Asia Pty Limited	Australia
5	Sydney Oil Company Pty Limited	Australia
6	Cairn Energy Investments Australia Pty Limited	Australia
7	Wessington Investments Pty Limited	Australia
8	CEH Australia Limited	British Virgin Islands
9	Cairn India Holdings Limited ('CIHL')	Jersey
10	CIG Mauritius Holding Private Limited ('CMHPL')	Mauritius
11	CIG Mauritius Private Limited	Mauritius
12	Cairn Energy Holdings Limited	United Kingdom
13	Cairn Energy Discovery Limited	United Kingdom
14	Cairn Exploration (No. 2) Limited	United Kingdom
15	Cairn Exploration (No. 6) Limited	United Kingdom
16	Cairn Energy Hydrocarbons Limited	United Kingdom
17	Cairn Petroleum India Limited	United Kingdom
18	Cairn Energy Gujarat Block 1 Limited	United Kingdom
19	Cairn Exploration (No. 4) Limited	United Kingdom
20	Cairn Exploration (No. 7) Limited	United Kingdom
21	Cairn Energy Development Pte Limited	Singapore
22	Cairn Lanka (Pvt) Limited	Sri Lanka
23	Cairn Energy Group Holdings BV	Netherlands
24	Cairn Energy India West BV	Netherlands
25	Cairn Energy India West Holding BV	Netherlands
26	Cairn Energy Gujarat Holding BV	Netherlands
27	Cairn Energy India Holdings BV	Netherlands
28	Cairn Energy Netherlands Holdings BV	Netherlands
29	Cairn Energy Gujarat BV	Netherlands
30	Cairn Energy Cambay BV	Netherlands
31	Cairn Energy Cambay Holding BV	Netherlands

(All amounts are in INR thousand unless, otherwise stated)

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

Cairn India Group has interest in the following Oil & Gas blocks/fields:

Oil & Gas blocks/fields	Area	Participating Interest
Operated block		
Ravva block	Krishna Godavari	22.50%
CB-OS/2 – Exploration	Cambay Offshore	60%
CB-OS/2 - Development & production	Cambay Offshore	40%
RJ-ON-90/1 – Exploration	Rajasthan Onshore	100%
RJ-ON-90/1 – Development & production	Rajasthan Onshore	70%
PR-OSN-2004	Palar Basin offshore	35%
SL 2007-01-001	North West Sri Lanka offshore	100%
KG-ONN-2003/1	Krishna Godavari Onshore	49%
Following blocks have been relinquished		
GV-ONN-2002/1 in July 2009	Ganga Valley Onshore	50%
VN-ONN-2003/1 in Aug 2009	Vindhyan Onshore	49%
GV-ONN-2003/1 in Feb 2010	Ganga Valley Onshore	24%
Non – operated block		
KG-DWN-98/2	Krishna Godavari Deep water	10%
GS-OSN-2003/1	Gujarat Saurashtra Onshore	49%
KK-DWN-2004	Kerala Konkan Basin offshore	40%
Following blocks have been relinquished		
GV-ONN-97/1 in 2008	Ganga Valley Onshore	15%
CB-ONN-2002/1 in Jan 2009	Cambay Onshore	30%
RJ-ONN-2003/1 in Jan 2010	Rajasthan 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.

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 Accounting Standard-21 (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:

1. 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-21 (Consolidated Financial Statements).
2. 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.
3. 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 the successful efforts method of 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 & 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 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 work 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 expenses form part of the exploration & development work in progress or cost of producing properties, as the case may be, 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 cost in the profit and loss account.

(E) Impairment

1. 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.
2. 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 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 10 years
Leasehold land	Lease period

Leasehold improvements are amortized over the remaining period of the primary lease or expected useful economic 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 tested 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 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. All other investments are classified as long-term investments. Current investments are measured at cost or market value, whichever is lower, determined on an individual investment basis. 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. Inventories of stores and spares related to exploration, development and production activities are stated at cost, determined on first in first out (FIFO) basis. However, inventories of stores and spares, which are not likely to be consumed, are written down to their net realizable value.

(K) Joint Ventures

Cairn India Group participates in several Joint Ventures involving joint control of assets for carrying out oil and gas exploration, development and producing activities. Cairn India Group 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 parent company overhead 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 the 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 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 period 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 consolidated financial statements, Cairn

India Group translates the assets and liabilities at the rate of exchange prevailing at the balance sheet date. Income and expenses of non-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 and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the income tax laws. 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 or virtually certain, as the case may be, 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 income tax under the normal provisions during the specified period, resulting in utilization of MAT credit. 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. Cairn India Group 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 the individual company will utilize MAT credit 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 ICAI. Cairn India Group measures compensation cost relating to employee stock options using the intrinsic 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

(All amounts are in INR thousand unless, otherwise stated)

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. 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:

Cairn India Group'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 Cairn India Group 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 Management Personnel

- Rahul Dhir
  Managing Director and Chief Executive Officer
- Winston Frederick Bott Jr.
  Executive Director and Chief Operating Officer
  (appointed on 29th April, 2008)
- Indrajit Banerjee
  Executive Director and Chief Finacial Officer
- Philip Tracy
  Alternate Director (from 18th March, 2009 till 26th May, 2009)
- Lawrence Smyth
  Executive Director and Chief Operating Officer (resigned on 21st January, 2008)

(B) Transactions during the year / period

Nature of the Transactions	Related Party	Current year	Previous period
Reimbursement of expenses to parent company	Cairn Energy Plc.	39,919	279,725
Waiver of outstanding balance by the parent company	Cairn Energy Plc.	1,083,654	Nil
Shares issued including premium and stock option charge	Rahul Dhir	Nil	716,185
	Lawrence Smyth	Nil	126,758
	Total	**Nil**	**842,943**

(All amounts are in INR thousand unless, otherwise stated)

Nature of the Transactions	Related Party	Current year	Previous period
Remuneration	Rahul Dhir	106,814	112,036
	Winston Frederick Bott Jr.	95,593	95,890
	Indrajit Banerjee	14,633	18,024
	Lawrence Smyth	Nil	25,195
	Philip Tracy	3,865	1,354
	Total	**220,905**	**252,499**

In addition to the above remuneration, incentives and bonus of INR 28,813 thousand (previous period INR 13,424 thousand), INR 69,151 thousand (previous period INR 86,598 thousand), INR 38,123 thousand (previous period INR 8,099 thousand) and INR Nil (previous period INR 14,141 thousand) were paid to Rahul Dhir, Winston Frederick Bott Jr., Indrajit Banerjee and Lawrence Smyth respectively. Further, the remuneration does not include provisions made for gratuity and leave benefits, as they are determined on an actuarial basis for the Cairn India Group as a whole.

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

Nature of the Balance	Related Party	31st March 2010	31st March 2009
Accounts payable	Cairn Energy Plc.	1,773	1,296,164

6. The shareholders of the Company in their meeting dated August 18, 2009 had revised the allocation of Initial Public Offer (IPO) proceeds within the existing heads under the prospectus. As at 31st March 2010, the Company and its subsidiaries together have utilized the entire IPO proceeds aggregating to INR 88,248,901 thousand in accordance with the revised approval received from the shareholders. The details of the revised approval and utilization of funds is as follows:

Particulars	Upto, 31st March 2010	Upto, 31st March 2009
Acquisition of shares of Cairn India Holdings Limited from Cairn UK Holdings Limited	59,580,837	59,580,837
Exploration and Development expenses	26,838,445	21,152,714
General corporate purposes	230,000	230,000
Issue expenses	1,599,619	1,599,619
Total	**88,248,901**	**82,563,170**

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

Particulars	31st March 2010	31st March 2009
Mutual funds	Nil	718,277
Balances with banks	Nil	4,967,454
Total	**Nil**	**5,685,731**

7. **EMPLOYEES STOCK OPTION PLANS**

Cairn India Group has provided various share based payment schemes to its employees. During the period ended 31st March 2010, 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 2010	8,298,713	6,727,724	18,197,795	1,883,339	573,918
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 date	3 months from vesting date	7 years from vesting date	Immediately upon vesting	Immediately upon vesting
Number of options granted till 31st March 2010					
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

SCHEDULE 25–NOTES TO ACCOUNTS

(All amounts are in INR thousand unless, otherwise stated)

Particulars	CISMP	CIPOP	CIESOP	CIPOP Phantom	CIESOP Phantom
10th Dec 2008	-	-	36,040	-	38,008
29th July 2009	-	994,768	5,405,144	1,060,472	211,362
Total	**8,298,713**	**6,727,724**	**18,197,795**	**1,883,339**	**573,918**

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.

(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 bopd 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. Phantom options are exercisable proportionate to the period of service rendered by the employee subject to completion of one year.

CIESOP plan (including phantom options)

There are no specific vesting conditions under CIESOP plan. Phantom options are exercisable proportionate to the period of service rendered by the employee subject to completion of one year.

Details of activities under employees stock option plans

CISMP Plan	Current year		Previous period	
	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	2,238,077	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	Nil	NA	5,268,396	33.70
Expired during the year	Nil	NA	792,240	33.70
Outstanding at the end of the year	2,238,077	33.70	2,238,077	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

CIPOP Plan	Current year		Previous period	
	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	3,200,096	10.00	4,755,244	10.00
Granted during the year	994,768	10.00	789,567	10.00
Forfeited during the year	Nil	NA	Nil	NA
Exercised during the year	190,983	10.00	Nil	NA
Expired during the year	1,377,051	10.00	2,344,715	10.00
Outstanding at the end of the year	2,626,830	10.00	3,200,096	10.00
Exercisable at the end of the year	168,382	10.00	Nil	NA
Weighted average fair value of options granted on the date of grant (INR)	174.47	NA	165.46	NA

(All amounts are in INR thousand unless, otherwise stated)

CIESOP Plan	Current year		Previous period	
	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	10,914,244	185.39	8,545,710	164.49
Granted during the year	5,405,144	240.05	3,809,896	226.21
Forfeited during the year	Nil	NA	Nil	NA
Exercised during the year	115,333	160.00	Nil	NA
Expired during the year	1,557,846	179.09	1,441,362	169.33
Outstanding at the end of the year	14,646,209	206.43	10,914,244	185.39
Exercisable at the end of the year	1,981,770	160.00	Nil	NA
Weighted average fair value of options granted on the date of grant (INR)	107.64	NA	101 .47	NA

CIPOP Plan – Phantom options	Current year		Previous period	
	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	784,859	10.00	Nil	NA
Granted during the year	1,977,426	10.00	822,867	10.00
Forfeited during the year	Nil	NA	Nil	NA
Exercised during the year	795,230	10.00	Nil	NA
Expired during the year	238,414	10.00	38,008	10.00
Outstanding at the end of the year	1,728,641	10.00	784,859	10.00
Exercisable at the end of the year, subject to vesting conditions	812,543	10.00	Nil	NA
Weighted average fair value of options granted on reporting date (INR)	296.39	NA	175.40	NA

CIESOP Plan – Phantom options	Current year		Previous period	
	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	362,556	218.19	Nil	NA
Granted during the year	936,862	181 .98	362,556	218.19
Forfeited during the year	Nil	NA	Nil	NA
Exercised during the year	392,977	178.22	Nil	NA
Expired during the year	61,753	240.05	Nil	NA
Outstanding at the end of the year	844,688	195.03	362,556	218.19
Exercisable at the end of the year, subject to vesting conditions	695,079	185.34	Nil	NA
Weighted average fair value of options granted on reporting date (INR)	136.51	NA	48.13	NA

The details of exercise price for stock options outstanding as at March 31, 2010 are:

Scheme	Range of exercise price (INR)	No. of options outstanding	Weighted average remaining contractual life of options (in years)	Weighted average exercise Price in INR
CISMP Plan	33.70	2,238,077	1.08	33.70
CIPOP Plan	10.00	2,626,830	1.36	10.00
CIESOP Plan	143-240	14,646,209	1.28	206.43
CIPOP Plan – Phantom options	10.00	1,728,641	1.71	10.00
CIESOP Plan – Phantom options	143-240	844,688	1.09	195.03

(All amounts are in INR thousand unless, otherwise stated)

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

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 year	Previous period
Total Employee Compensation Cost pertaining to share-based payment plans (including exceptional gain of INR 155,723 thousand in the previous period)	552,002	134,493
Compensation Cost pertaining to equity-settled employee share-based payment plan included above	103,649	107,292
Compensation Cost pertaining to cash-settled employee share-based payment plan included above	448,353	27,201
Liability for equity settled employee stock options outstanding as at year / period end	463,978	388,978
Liability for cash settled employee stock options outstanding as at year / period end (current year amount excludes INR 46,381 thousand payable towards options vested but not exercised)	284,411	27,201
Deferred compensation cost of equity settled options	304,142	393,570
Deferred compensation cost of cash settled options	315,490	94,719

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	29th July 2009
Stock Price/fair value of the equity shares on the date of grant (INR)	160.00	166.95	228.55	150.10	234.75
Vesting date	1st Jan 2010	20th Sept 2010	29th July 2011	10th Dec 2011	29th July 2012
Vesting %	100%	100%	100%	100%	100%
Volatility	41.04%	40.24%	39.43%	38.19%	39.97%
Risk free rate	7.50%	7.65%	9.20%	6.94%	6.91%
Time to maturity (years)	6.50	6.50	6.50	6.50	6.50
Exercise price (INR)	160.00	166.95	227.00	143.00	240.05
Fair Value of the options (INR)	87.30	90.72	130.42	79.80	122.24

(All amounts are in INR thousand unless, otherwise stated)

Variables – CIPOP

Grant date	1st Jan 2007	20th Sept 2007	29th July 2008	29th July 2009
Stock Price/fair value of the equity shares on the date of grant (INR)	160.00	166.95	228.55	234.75
Vesting date	1st Jan 2010	20th Sept 2010	29th July 2011	29th July 2012
Vesting %	Refer vesting conditions	Refer vesting conditions	Refer vesting conditions	Refer vesting conditions
Volatility	41.61%	36.40%	37.49%	43.72%
Risk free rate	7.33%	7.23%	9.37%	5.78%
Time to maturity (years)	3.12	3.12	3.12	3.13
Exercise price (INR)	10.00	10.00	10.00	10.00
Fair Value of the options (INR)	152.05	158.97	221.09	226.40

Variables – CIPOP Phantom

Grant date	20th Sept 2007 (effective grant date)	29th July 2008	29th July 2009
Stock Price of the equity shares on the reporting date (INR)	305.65	305.65	305.65
Vesting date	20th Sept 2010	29th July 2011	29th July 2012
Vesting %	Refer vesting conditions	Refer vesting conditions	Refer vesting conditions
Volatility	28.90%	45.06%	58.06%
Risk free rate	3.76%	5.10%	6.12%
Time to maturity (years)	0.47	1.33	2.33
Exercise price (INR)	10.00	10.00	10.00
Fair Value of the options (INR)	295.83	296.31	296.98

Variables – CIESOP Phantom

Grant date	20th Sept 2007 (effective grant date)	29th July 2008	10th Dec 2008	29th July 2009
Stock Price of the equity shares on the reporting date (INR)	305.65	305.65	305.65	305.65
Vesting date	20th Sept 2010	29th July 2011	10th Dec 2011	29th July 2012
Vesting %	Refer vesting conditions	Refer vesting conditions	Refer vesting conditions	Refer vesting conditions
Volatility	28.90%	45.06%	57.16%	58.06%
Risk free rate	3.76%	5.10%	5.53%	6.12%
Time to maturity (years)	0.47	1.33	1.70	2.33
Exercise price (INR)	166.95	227.00	143.00	240.05
Fair Value of the options (INR)	141.66	111.96	184.32	144.23

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 Cairn India Group expects the options to be live. 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 Institute of Chartered Accountants of India 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 April1, 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:

(All amounts are in INR thousand unless, otherwise stated)

	Current year	Previous period
Profit as reported	10,511,060	8,034,506
Add: Employee stock compensation under intrinsic value method (net of exceptional gain of INR 155,723 thousand in the previous period)	552,002	134,493
Less: Employee stock compensation under fair value method	948,058	622,866
Proforma profit	10,115,004	7,546,133
Earnings Per Share (in INR)		
Basic		
- As reported	5.54	4.31
- As reported	5.33	4.04
Diluted		
- As reported	5.52	4.28
- Proforma	5.31	4.02

8. LEASE OBLIGATIONS DISCLOSURES

Finance Lease:

Fixed assets include office equipments and leaseholds improvements obtained under finance lease. The lease is secured by way of hypothecation of the respective assets acquired under lease. 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 Year	Minimum lease payments	Principal amount due	Interest due
Within one year of the balance sheet date	72,047	60,928	11,119
Due in a period between one year and five years	85,391	79,397	5,994
Due after five years	Nil	Nil	Nil
Total	**157,438**	**140,325**	**17,113**

Previous 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	160,058	142,036	18,022
Due after five years	Nil	Nil	Nil
Total	**257,798**	**222,402**	**35,396**

Note The interest rate on finance lease ranges from 3.77 % to 14.61%

Operating Lease:

Cairn India Group has entered into operating leases for office premises and office equipments, some of which are cancellable and some are non-cancellable. The leases have a life of 3 to 6 years. There is an escalation clause in the lease agreement during 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 2010	31st March 2009
Lease payments made during the period	132,390	120,173
Within one year of the balance sheet date	140,321	124,628
Due in a period between one year and five years	34,536	150,536
Due after five years	Nil	Nil

9. CONTINGENT LIABILITIES

(A) 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 judgment was delivered by the Malaysian High Court on 12th January 2009, ruling in favour of the GoI and setting the arbitration award aside. This had the effect of negating the original award in favour of Cairn India Group.

Cairn India Group appealed against above judgment to the Malaysian Court of Appeal. A judgment was delivered by the Malaysian Court of Appeal on 15th September 2009, which reversed the ruling of the High Court in Malaysia of 12th January 2009 and had the effect of reinstating the original award in favour of Cairn India Group. The Government of India has applied for leave to appeal this judgment to the Federal Court of Malaysia (the apex court).

In addition, consistent with GoI's view that the set-aside meant they have a binding judgment in their favour, GoI has demanded and commenced recovery from Cairn's buyers, of revenues from sale proceeds to set-off against the sums they claim are due as a result of the Malaysian judgment being in their favour. This recovery action was contested by Cairn in the Indian courts, pursuant to which, the Government has given an undertaking to stop recoveries post January 2010. The amounts recovered by the Government aggregate to approximately INR 7,230,000 thousand (USD 160 million). The net effective deduction as on 31st March 2010, after adjusting the current year's profit petroleum, amounts to approximately INR 2,291,000 thousand (USD 51 million).

In the event that the GoI's appeal is successful, then Cairn India Group would be required to pay approximately INR 2,888,000 thousand (USD 64 million) and potential interest of INR 1,398,000 thousand (USD 31 million). The same dispute existed at the end of the previous period.

(B) Ravva Joint Venture Arbitration Proceedings : Base Development Cost

Ravva joint venture had 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 1,688,000 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, the arbitration panel has been fully constituted and one hearing has taken place. A further hearing has been scheduled for oral closing arguments. The same dispute existed at the end of the previous period.

(C) Service Tax

One of the subsidiary companies of the Cairn India Group has received four show cause notices from the tax authorities in India for nonpayment of service tax as a recipient of services from foreign suppliers.

These notices cover periods from 16th August 2002 to 31st March 2009. A writ petition(s) has been filed with Chennai High Court 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). 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 1,679,000 thousand (previous period INR 978,000 thousand) plus potential interest of approximately INR 634,000 thousand (previous period 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.

(D) Tax holiday on gas production

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

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

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. Gujarat High Court did not admit the writ petition on the ground that the matter needs to be first decided by lower tax authorities. A Special Leave Petition has been filed before Supreme Court against the decision of Gujarat High court.

In the event this challenge is unsuccessful, the potential liability for tax and related interest on tax holiday claimed on gas production for all periods to 31st March 2010 is approximately INR 2,321,000 thousand (previous period INR 2,370,000 thousand).

Based on the legal opinions received, the management is of the view that the liability in the cases mentioned in (A) to (D) above are not probable and accordingly no provision has been considered necessary there against.

10. Balances written back are net of INR 450,217 thousand, being the adjustment arising on account of reconciliation of certain working capital balances pertaining to joint ventures, in which Cairn India Group has participating interest.

(All amounts are in INR thousand unless, otherwise stated)

11. CAPITAL COMMITMENTS (NET OF ADVANCES)

1 In respect of Cairn India Group's share of Joint Ventures' Exploration activities – INR 11,688,763 thousand (previous period – INR 11,324,140 thousand).

2 In respect of the Cairn India Group's share of Joint Ventures' Development activities – INR 28,096,949 thousand (previous year – INR 34,536,062 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 amount of outstanding options as at 31st March 2010 aggregated to USD 233,000 thousand (previous period USD 214,000 thousand)

Particulars of Unhedged Foreign Currency Exposure at the Balance Sheet date

Particulars	31st March 2010	31st March 2009
Loan	20,416,806	43,341,500
Sundry Debtors	3,067,474	1,516,418
Investments	201,923	Nil
Cash and Bank	3,894,233	31,366,364
Other current Assets	13,543,767	2,266,955
Current Liabilities	4,545,666	5,623,077

13. Cairn India Group has a defined benefit 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, the funded status and amounts recognised in the balance sheet for the gratuity plans.

Profit and Loss account

Net employee benefit expense (recognised in staff cost)

Particulars	31st March 2010	31st March 2009
Current service cost	31,030	23,529
Interest cost on benefit obligation	8,674	6,051
Expected return on plan assets	(3,598)	(3,666)
Net actuarial (gain) / loss recognised in the year	17,464	14,974
Past service cost	Nil	Nil
Net benefit expense	53,570	40,888
Actual return on plan assets	6,604	6,700

Balance sheet

Details of Provision for Gratuity

Particulars	31st March 2010	31st March 2009
Defined benefit obligation	161,887	108,425
Fair value of plan assets	97,008	68,854
Less: Unrecognized past service cost	Nil	Nil
Plan asset / (liability)	(64,879)	(39,571)

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

Particulars	31st March 2010	31st March 2009
Opening defined benefit obligation	108,425	66,142
Current service cost	31,030	23,529
Interest cost	8,674	6,051
Benefits paid	(4,038)	(5,306)
Actuarial (gains) / losses on obligation	17,796	18,009
Closing defined benefit obligation	161,887	108,425

(All amounts are in INR thousand unless, otherwise stated)

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

Particulars	31st March 2010	31st March 2009
Opening fair value of plan assets	68,854	29,163
Expected return	3,598	3,666
Contributions by employer	28,262	38,296
Benefits paid	(4,038)	(5,306)
Actuarial gains / (losses)	332	3,035
Closing fair value of plan assets	97,008	68,854

Note The Group's expected contribution to the fund in the next year is INR 40,582 thousand (previous period 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 2010	31st March 2009

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.

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

Particulars	31st March 2010	31st March 2009
Discount rate	8.00%	7.00%
Future salary increase	10.00%	10.00%
Expected rate of return on assets	9.40%	9.35%
Employee turnover	5.00%	13.13%
Mortality Rate	LIC (1994-96)	LIC (1994-96)
	Ultimate Table	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 2010	31st March 2009	31st December 2007
Defined benefit obligation	161,887	108,425	66,142
Plan assets	97,008	68,854	29,163
Surplus / (deficit)	(64,879)	(39,571)	(36,979)
Experience adjustments on plan assets (loss)/gain	365	3,132	2,970
Experience adjustments on plan liabilities (loss)/gain	(13,839)	(11,964)	(6,960)

Notes

i) The Group has adopted AS 15 (Revised 2005) Employee Benefits for the first time during the year ended December 31, 2007. 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 year/period ended December 31, 2007 onwards.

ii) 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 year. The total value of plan assets amounts to INR 97,008 thousand (Previous period INR 68,854 thousand) is as certified by the LIC.

SCHEDULE 25–NOTES TO ACCOUNTS

(All amounts are in INR thousand unless, otherwise stated)

14. DETAILS OF MOVEMENT IN SHARE CAPITAL AND SECURITIES PREMIUM IS AS UNDER

Description	No. of equity shares	Issue price in INR	Share capital	Securities premium
Balance as on 1st January 2008	**1,778,399,420**		**17,783,994**	**276,084,115**
Exercise of stock options-CISMP	792,240	33.70	7,922	18,776
Preferential allotment of shares to non promoter investors on 22nd April 2008	113,000,000	224.30	1,130,000	24,215,900
Exercise of share options -CISMP	525,000	33.70	5,250	12,443
Exercise of share options-CISMP	1,713,078	33.70	17,131	40,600
Exercise of share options-CISMP	1,600,000	33.70	16,000	37,920
Exercise of share options-CISMP	638,078	33.70	6,381	15,122
Share options liability transferred to securities premium upon exercise of the options				665,398
Balance as on 31st March 2009	**1,896,667,816**		**18,966,678**	**301,090,274**
Exercise of share options-CIPOP	190,983	10.00	1,910	Nil
Exercise of share options-CIESOP	115,333	160.00	1,153	17,300
Share options liability transferred to securities premium upon exercise of the options				28,648
Waiver of parent company outstanding balance, pertaining to share issue expenses paid by parent company, which had earlier been adjusted from securities premium				25,000
Balance as on 31st March 2010	**1,896,974,132**		**18,969,741**	**301,161,222**

15. The price contract for sale of gas with one customer is due for revision with effect from December 2008 and currently the same is under negotiation. Pending finalization of the price contract, revenue has been recognised based on the last agreed prices on a conservative basis, as the management is expecting an upward price revision.

16. 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 of its investment in Cairn India Holdings Limited (which largely represent Cairn India Group's operations in India through its subsidiaries) and consolidated net book value of assets in Cairn India Holdings Limited, 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 net present value per barrel of oil equivalent. 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.

17. 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. For computing deferred tax liability in relation to the Rajasthan field, Cairn India Group has considered field life as stipulated in the Production Sharing Contract instead of the economic useful life of the field considered in earlier years. This change has resulted in reversal of opening deferred tax liability by INR 1,760,519 thousand.

18. The Company and its wholly owned subsidiary Cairn Energy Hydrocarbons Limited ("CEHyL") have entered into a loan facility for INR 40,000 million (available to the Company) and USD 750 million (available to CEHyL) with a consortium of banks. The purpose of the loan facility is to finance the RJ-ON-90/1 block expenditure and also the repayment of the earlier loan facility of USD 850 million. The main security for the INR loan facility is the hypothecation of the 35% participating interest in RJ-ON-90/1 block held by Cairn Energy India Pty Limited, a wholly owned subsidiary of the Company whereas for the USD loan facility, the entire shares of CEHyL has been provided as the main security.

19. The shareholders of the Company have approved a Scheme of Arrangement between the Company and some of its wholly owned subsidiaries, to be effective from 1st January 2010. The Scheme of Arrangement has been approved by the Hon'ble High Court of Madras. However, it is pending for approval from the Hon'ble High Court of Bombay and other regulatory authorities. Pending receipt of such approvals, no accounting impact of the scheme has been given in these financial statements. After the implementation of the scheme, the Company will directly own the Indian businesses, which are currently owned by some of its wholly owned subsidiaries and as contemplated in the scheme, any goodwill arising in the Company pursuant to the scheme, shall be adjusted against the securities premium account.

SCHEDULE 25–NOTES TO ACCOUNTS

(All amounts are in INR thousand unless, otherwise stated)

20. Operating expenses include cess on crude oil produced from Rajasthan block. The Group has initiated arbitration proceedings against the Government of India and its joint venture partner for recovery of the same.

21. Cairn India Group's estimate of hydrocarbon reserves and resources at the year/period 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 Period	Current Year	Previous Period	Current Year	Previous Period
Rajasthan MBA Fields	2,054	2,054	694	685	486	479
Rajasthan MBA EOR	-	-	308	308	216	216
Rajasthan Block Other Fields	1,976	1,708	152	86	107	61
Ravva Fields	708	625	100	72	23	16
CBOS/2 Fields	175	156	16	20	7	8
KG-DWN-98/2	650	650	353	353	35	35
Total	**5,563**	**5,193**	**1,623**	**1,524**	**874**	**815**

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 2008*	**247.03**	**44.00**	**17.14**	**44.00**
Additions / revision during the period	98.35	(1.66)	2.64	(1.66)
Production during the period	5.58	13.74	5.58	13.74
Reserves as at 31st March 2009**	**339.80**	**28.60**	**14.20**	**28.60**
Additions / revision during the year	2.37	5.93	54.12	5.93
Production during the year	6.26	7.85	6.26	7.85
Reserves as at 31st March 2010***	**335.91**	**26.68**	**62.06**	**26.68**

* 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)

*** Includes probable oil reserves of 57.61 mmstb (of which 14.75 mmstb is developed) and probable gas reserves of 11.13 bscf (of which 11.13 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

22. Prior period items represent miscellaneous expenses in the current year and exchange difference in the previous period.

23. The reversal in fringe benefit tax (FBT) is on account of the abolishment of FBT with effect from 1st April 2009, as Cairn India Group was accounting for FBT liability on stock options on a pro-rata basis over the vesting period.

24. During the previous period, Cairn India Group had 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 previous period, resulting in an exceptional gain of INR 155,723 thousand.

25. Change in financial year and previous period comparatives

The previous financial period consisted of fifteen months from 1st January 2008 to 31st March 2009, while the current financial year is for a twelve months period. Accordingly, previous period figures in the profit and loss account and cash flow statement are not comparable with current financial year. Previous period's figures have been regrouped where necessary to confirm to current year's classification.

As per our report of even date

For S. R. Batliboi & Associates
Firm Registration No.:101049W
Chartered Accountants
per Sanjay Vij
Partner
Membership No. 95169

Place Gurgaon Date 27 May, 2010

For and on behalf of the Board of Directors

Rahul Dhir Managing Director and Chief Executive Officer
Indrajit Banerjee Executive Director and Chief Financial Officer
Omkar Goswami Director
Neerja Sharma Company Secretary

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 Corporate Affairs, New Delhi, vide its letter No.47/247/2010-CL-III dated 13/05/2010 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 (excluding Investments in Subsidiaries)	Details of Investment	Turnover	Profit / (Loss) before taxation	Provision for taxation	Profit / (Loss) after taxation	Proposed dividend
1	Cairn Exploration (No.7) Limited	-	(13,231)	-	-	-	-	-	535	-	535	NIL
2	Cairn Exploration (No.4) Limited	-	(252)	-	-	-	-	-	939	-	939	NIL
3	Cairn Exploration (No.2) Limited	-	(31,221)	-	-	-	-	-	9,793	-	9,793	NIL
4	Cairn Energy Discovery Limited	1,956	(63,110)	-	-	-	-	-	8,340	-	8,340	NIL
5	Cairn Energy Hydrocarbons Limited	21,399,502	3,615,314	53,981,594	53,981,594	10,710	Mutual Funds	3,547,739	5,646,472	(545,729)	6,192,201	NIL
6	Cairn Energy Petroleum India Limited	-	-	-	-	-	-	-	-	-	-	NIL
7	Cairn Energy Holdings Limited	19,026,756	8,727,060	27,470,880	27,470,880	-	-	534,569	652,396	-	652,396	NIL
8	Cairn Energy Netherlands Holdings B.V.	760	23,412,492	23,429,845	23,429,845	-	-	-	(5,107)	-	(5,107)	NIL
9	Cairn Energy Group Holdings B.V.	4,276	26,098,477	26,086,673	26,086,673	-	-	-	5,208,862	-	5,208,862	NIL
10	Cairn Energy India Holdings B.V.	790	6,886	4,503	4,503	1,267	Mutual Funds	-	5,142,058	-	5,142,058	NIL
11	Cairn Energy Gujarat Holding B.V.	790	(18)	790	790	-	-	-	841,238	-	841,238	NIL
12	Cairn Energy Gujarat B.V.	790	645,526	1,160,017	1,160,017	2,381	Mutual Funds	882,553	598,805	119,978	478,828	NIL
13	Cairn Energy India West Holding B.V.	791	(18)	790	790	-	-	-	1,074,913	-	1,074,913	NIL
14	Cairn Energy India West B.V.	790	850,462	1,717,520	1,717,520	25,479	Mutual Funds	1,164,972	822,774	213,474	609,300	NIL
15	Cairn Energy Cambay Holding B.V.	789	52	859	859	-	-	-	841,238	-	841,238	NIL
16	Cairn Energy Cambay B.V.	790	667,681	1,171,378	1,171,378	4,428	Mutual Funds	891,375	571,604	112,242	459,362	NIL
17	Cairn Energy Australia Pty Limited	23,338,051	5,791,634	29,218,435	29,218,435	-	-	-	(19,417)	-	(19,417)	NIL
18	CEH Australia Limited	6,341,456	-	6,341,456	6,341,456	-	-	-	-	-	-	NIL
19	CEH Australia Pty Limited	6,341,456	-	6,341,456	6,341,456	-	-	-	-	-	-	NIL
20	Cairn Energy Asia Pty Limited	20,015,011	1,691,773	21,643,989	21,643,989	-	-	-	(42,217)	-	(42,217)	NIL
21	Wessington Investments Pty. Limited	194,543	(194,543)	-	-	-	-	-	-	-	-	NIL
22	Cairn Energy Investments Australia Pty Limited	22,419,091	(1,494,807)	20,924,284	20,924,284	-	-	-	-	-	-	NIL
23	Sydney Oil Company Pty. Limited	20,992,104	971,727	21,963,830	21,963,830	-	-	-	-	-	-	NIL
24	Cairn Energy India Pty Limited	21,945,324	15,718,734	67,951,574	67,951,574	173,584	Current Investments (at lower of cost and market value) - unquoted and trade: 755,275 equity shares of Rs.10 each fully paid up in Videcon Industries /Limited & investment in Mutual Funds	9,177,014	5,896,168	(203,570)	6,099,738	NIL
25	Cairn India Holdings Limited	48,993,044	21,593,900	56,231,465	56,231,465	89,407	Mutual Funds	-	(3,678,188)	-	(3,678,188)	NIL
26	Cairn Energy Gujarat Block 1 Limited	46	54,575	-	-	-	-	-	(8,378)	-	(8,378)	NIL
27	Cairn Exploration (No.6) Limited	-	(487)	-	-	-	-	-	(60)	-	(60)	NIL
28	Cairn Lanka Private Limited	606,418	(627,231)	74,083	74,083	-	-	-	(559,074)	-	(559,074)	NIL
29	Cairn Energy Developments Pte Limited	-	(595)	258	258	-	-	-	(595)	-	(595)	NIL
30	CIG Mauritius Holding Pvt Limited	611,627	(4,145)	608,093	608,093	-	-	-	(627)	-	(627)	NIL
31	CIG Mauritius Private Limited	606,989	(433)	607,495	607,495	-	-	-	(1,097)	-	(1,097)	NIL

For and on behalf of the Board of Directors

Rahul Dhir Managing Director and Chief Executive Officer

Indrajit Banerjee Executive Director and Chief Financial Officer

Omkar Goswami Director

Neerja Sharma Company Secretary

Place Gurgaon Date 27 May, 2010