Independent Auditors' Report

To
The Board of Directors of Cairn India Limited

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Cairn India Limited ("the Company") and its subsidiaries, which comprise the consolidated Balance Sheet as at March 31, 2013, and the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion 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 Company as at March 31, 2013;
(b) in the case of the consolidated Statement of Profit and Loss, 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.

Emphasis of Matter
Without qualifying our opinion, we draw attention to note no. 26 of the accompanying consolidated financial statements, relating to the accounting treatment adopted by the Company pursuant to a Scheme of Arrangement approved by the Honorable High Court of Bombay and by the Honorable High Court of Madras and other relevant regulatory authorities, whereby the Company in its standalone financial statements has adjusted goodwill aggregating to ₹ 1,016,703 lacs against the securities premium account, which has consequentially been recorded in the consolidated financial statements as well. This accounting, of showing both goodwill and the securities premium account lower by ₹ 1,016,703 lacs, although different from that prescribed under the Accounting Standards, is in conformity with the accounting principles generally accepted in India, as the same has been approved by the Courts.

For S.R. BATLIBOI & CO. LLP
Chartered Accountants
Firm's Registration Number: 301003E

per Raj Agrawal
Partner
Membership No.: 82028

Place: Gurgaon
Date: April 22, 2013

Consolidated Balance Sheet

AS AT 31 MARCH 2013

(All amounts are in ₹ lacs, unless otherwise stated)

	Notes	31 March 2013	31 March 2012
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	191,024	190,740
Reserves and surplus	4	4,578,919	4,638,467
		4,769,943	**4,829,207**
Non-current liabilities			
Deferred tax liabilities (net)	12	46,408	68,414
Long-term provisions	6	240,406	187,398
		286,814	**255,812**
Current liabilities			
Trade payables	7	53,667	60,716
Other current liabilities	7	120,321	187,562
Short-term provisions	6	169,376	12,061
		343,364	**260,339**
Total		**5,400,121**	**5,345,358**
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	8	606,453	590,716
Intangible assets	9	1,518,888	2,534,146
Cost of producing facilities (net)	10	333,659	302,067
Exploration, development and capital work in progress	11	438,499	450,016
Deferred tax assets (net)	12	-	1,039
Long-term loans and advances	13	486,648	253,797
Other non-current assets	14.2	44,590	69,077
		3,428,737	**4,200,858**
Current assets			
Current investments	15	1,038,226	183,557
Inventories	16	19,609	13,607
Trade receivables	14.1	228,519	149,684
Cash and bank balances	17	555,682	701,351
Short-term loans and advances	13	102,123	83,848
Other current assets	14.2	27,225	12,453
		1,971,384	**1,144,500**
Total		**5,400,121**	**5,345,358**
Summary of significant accounting policies	2.1		

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S. R. Batliboi & Co. LLP
Firm Registration No.:301003E
Chartered Accountants

per Raj Agrawal
Partner
Membership No. 82028

Place: Gurgaon
Date: 22 April 2013

For and on behalf of the Board of Directors

Navin Agarwal
Chairman
DIN 00006303

P. Elango
Interim CEO and
Whole Time Director
DIN 06475821

Aman Mehta
Director
DIN 00009364

Sudhir Mathur
Chief Financial Officer

Neerja Sharma
Director-Risk Assurance &
Company Secretary

Consolidated Statement of Profit And Loss

FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in ₹ lacs, unless otherwise stated)

	Notes	31 March 2013	31 March 2012
Income			
Revenue from operations	18	1,752,415	1,186,065
Other income	19	103,624	93,801
Total revenue		**1,856,039**	**1,279,866**
Expenses			
Cess on crude oil		280,767	128,497
Share of expenses from producing oil and gas blocks		85,113	63,004
(Increase) in inventories of finished goods	20	(2,742)	(2,626)
Employee benefit expenses	21	10,325	8,894
Other expenses	22	30,148	32,972
Depletion, depreciation and amortization expense	23	184,592	144,030
Finance costs	24	6,866	22,580
Unsuccessful exploration costs	11	45,488	29,883
Exceptional items	25	-	10,285
		640,557	**437,519**
Profit before tax		**1,215,482**	**842,347**
Tax expenses			
Current tax		245,434	155,445
Less: MAT credit entitlement		(215,571)	(118,128)
Net current tax expense		29,863	37,317
Deferred tax		(6,355)	11,256
Total tax expense		**23,508**	**48,573**
Profit for the year before impact of scheme of arrangement relating to earlier periods		**1,191,974**	**793,774**
Impact of scheme of arrangement relating to earlier periods	26	13,665	-
Profit for the year		**1,205,639**	**793,774**
Earnings per equity share in ₹ [nominal value of share ₹ 10 (31 March 2012: ₹ 10)] **Computed on the basis of profit for the year**	27		
Basic		63.16	41.71
Diluted		63.06	41.61
Summary of significant accounting policies	2.1		

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S. R. Batliboi & Co. LLP
Firm Registration No.:301003E
Chartered Accountants

per Raj Agrawal
Partner
Membership No. 82028

Place: Gurgaon
Date: 22 April 2013

For and on behalf of the Board of Directors

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Interim CEO and
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Aman Mehta
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Sudhir Mathur
Chief Financial Officer

Neerja Sharma
Director-Risk Assurance &
Company Secretary

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in ₹ lacs, unless otherwise stated)

	31 March 2013	31 March 2012
Cash flow from operating activities		
Profit before tax	**1,215,482**	**842,347**
Adjustments for:		
Depletion, depreciation and amortization	188,731	147,094
Unsuccessful exploration costs	45,488	29,883
Employee stock compensation expense (equity settled)	1,198	454
Unrealized foreign exchange (gain)/loss (net)	4,140	(90,450)
Premium on forward exchange contract amortized	-	(25)
Net (gain)/ loss on sale of current investments	(21,765)	(6,265)
Interest expense	6,702	10,848
Loan facility and management fees	100	11,222
Other finance charges	-	383
Interest income	(29,078)	(22,066)
Other non-operating income	(11,792)	(331)
Dividend income	(9,476)	(3,003)
Operating profit before working capital changes	**1,389,730**	**920,091**
Movements in working capital :		
Increase/ (decrease) in trade payables, other liabilities and provisions	21,996	(706)
(Increase) in trade receivables	(80,717)	(1,522)
(Increase) in inventories	(1,643)	(11,637)
Decrease / (increase) in loans and advances and other assets	3,066	13,575
Cash generated from operations	**1,332,432**	**919,801**
Direct taxes paid (net of refunds)	(226,869)	(212,906)
Net cash flow from operating activities (A)	**1,105,563**	**706,895**
Cash flows from investing activities		
Purchase of fixed assets (including CWIP and capital advances)	(163,132)	(295,580)
Short term investments made (net)	(832,904)	(67,847)
Proceeds from redemption/ maturity of deposits having original maturity of more than three months	557,898	915,258
Deposits made having original maturity of more than three months	(898,055)	(846,323)
Interest received	22,907	21,686
Dividend received	9,476	3,003
Payments made to site restoration fund	(1,996)	(3,050)
Net cash flow used in investing activities (B)	**(1,305,806)**	**(272,853)**
Cash flows from financing activities		
Proceeds from issuance of equity share capital (including securities premium)	5,887	5,655
Repayment of long-term borrowings	(125,000)	(141,400)
Repayment of finance lease obligation	(184)	(415)
Dividend paid on equity shares	(95,488)	-
Tax on equity dividend paid	(15,491)	-
Interest paid	(9,497)	(13,214)
Payment of borrowing costs (other than interest)	-	(2,788)
Net cash flow used in financing activities (C)	**(239,773)**	**(152,162)**
Net (decrease)/increase in cash and cash equivalents (A + B + C)	**(440,016)**	**281,880**
Effect of exchange differences on cash & cash equivalents held in foreign currency	11	48,080
Cash and cash equivalents at the beginning of the year	444,639	114,679
Cash and cash equivalents at the end of the year	**4,634**	**444,639**

Consolidated Cash Flow Statement Continued

FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in ₹ lacs, unless otherwise stated)

	31 March 2013	31 March 2012
Components of cash and cash equivalents		
Cash on hand	1	4
With banks		
- on deposit account	4,302	443,397
- on current accounts	331	1,238
Total cash and cash equivalents (note 17)	**4,634**	**444,639**

Notes:

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

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

As per our report of even date

For S. R. Batliboi & Co. LLP
Firm Registration No.:301003E
Chartered Accountants

per Raj Agrawal
Partner
Membership No. 82028

Place: Gurgaon
Date: 22 April 2013

For and on behalf of the Board of Directors

Navin Agarwal
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Sudhir Mathur
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Neerja Sharma
Director-Risk Assurance &
Company Secretary

Notes to Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in ₹ lacs, unless otherwise stated)

1. NATURE OF OPERATIONS

Cairn India Limited ('the Company') was incorporated in India on August 21, 2006. The equity shares of the Company are listed in India on the Bombay stock exchange and the National 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.

The Company along with its subsidiaries, (collectively the 'Cairn India Group') is participant in various Oil and Gas blocks/fields, which are in the nature of jointly controlled assets, granted by the Government of India/Sri Lanka/South Africa through Production Sharing Contract ('PSC')/ Production Resources Agreement ('PRA') entered into between these entities and Government of India/Sri Lanka/South Africa and other venture partners.

Components of the Cairn India Group

The Consolidated Financial Statements represent consolidation of accounts of the Company and its subsidiaries as detailed below (same as in previous year)*:

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 Lanka (Pvt) Limited	Sri Lanka
22	Cairn Energy Group Holdings BV	Netherlands
23	Cairn Energy India West BV	Netherlands
24	Cairn Energy India West Holding BV	Netherlands
25	Cairn Energy Gujarat Holding BV	Netherlands
26	Cairn Energy India Holdings BV	Netherlands
27	Cairn Energy Netherlands Holdings BV	Netherlands
28	Cairn Energy Gujarat BV	Netherlands
29	Cairn Energy Cambay BV	Netherlands
30	Cairn Energy Cambay Holding BV	Netherlands
31	Cairn South Africa Proprietary Limited	South Africa

CIHL and CMHPL are wholly owned subsidiaries of the Company. All other above mentioned companies are direct or indirect wholly owned subsidiaries of either CIHL or CMHPL. The Company's percentage holding in these subsidiaries was same in the previous year.

*Cairn South Africa Proprietary Limited is incorporated during the current year.

Notes to Consolidated Financial Statements Continued

FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in ₹ lacs, unless otherwise stated)

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

Oil & Gas blocks/fields	Area	Participating Interest
Operated blocks		
Ravva block	Krishna Godavari	22.50%
CB-OS/2 – Exploration	Cambay Offshore	60.00%
CB-OS/2 - Development & production	Cambay Offshore	40.00%
RJ-ON-90/1 – Exploration	Rajasthan Onshore	100.00%
RJ-ON-90/1 – Development & production	Rajasthan Onshore	70.00%
PR-OSN-2004/1	Palar Basin Offshore	35.00%
SL 2007-01-001	North West Sri Lanka Offshore	100.00%
KG-ONN-2003/1	Krishna Godavari Onshore	49.00%
KG-OSN-2009/3	Krishna Godavari Offshore	100.00%
MB-DWN-2009/1	Mumbai Deep Water	100.00%
South Africa Block 1	Orange Basin South Africa Offshore	60.00%
Following block has been relinquished		
Non – operated block		
KK-DWN-2004/1 in Mar 2012	Kerala Konkan Basin Offshore	40.00%
Following block has been transferred		
Non – operated block		
KG-DWN-98/2	Krishna Godavari Deep water	10.00%

The participating interests were same in the previous year except for South Africa Block 1 which is acquired during the year.

2. BASIS OF PREPARATION

The financial statements have been prepared to comply in all material respects with the accounting principles generally accepted in India, including mandatory Accounting Standards notified under the Companies (Accounting Standard) Rules, 2006 (as amended) under the historical cost convention and on an accrual basis. The accounting policies, in all material respects, have been consistently applied by the Company and are consistent with those used in the previous year.

2.1 Summary of significant accounting policies

a. 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:

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

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

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

Notes to Consolidated Financial Statements Continued

FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in ₹ lacs, unless otherwise stated)

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" (2003).

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 statement of profit and loss immediately. 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 off 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 statement of profit and loss. 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 statement of profit and loss, to the extent that the net proceeds exceed or are less than the appropriate portion of the net capitalised costs of the asset.

Amounts which are not being paid by the joint venture partner in oil and gas blocks where Cairn India Group is the operator and have hence been funded by it are treated as exploration, development or production costs, as the case may be.

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. Reserves for this purpose are considered on working interest basis which are reassessed atleast annually. Impact of changes to reserves are accounted for prospectively.

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 statement of profit and loss.

e. Impairment

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 using a pre tax discount rate that reflects current market assessment of the time value of money and risks specific to the asset.

Notes to Consolidated Financial Statements Continued

FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in ₹ lacs, unless otherwise stated)

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 stated below, or at the rates prescribed under Schedule XIV of the Companies Act 1956, whichever is higher.

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 lands are amortised over the lease period. Leasehold improvements are amortized over the remaining period of the primary lease (3 to 6 years) 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 consolidation is tested for impairment only.

h. Leases

As lessee

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 recognised as an expense in the statement of profit and loss. 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 statement of profit and loss 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 from the date on which such investments are made, 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 cost or net realizable value, whichever is lower. Cost is determined on a quarterly weighted average basis.

Inventories of stores and spares related to exploration, development and production activities are valued at cost or net realizable value whichever is lower. Cost is determined on first in first out (FIFO) basis.

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

Notes to Consolidated Financial Statements Continued

FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in ₹ lacs, unless otherwise stated)

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.

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 (net of Government's share of profit petroleum) of oil, gas and condensate production, recognized on a direct entitlement basis, when significant risks and rewards of ownership are transferred to the buyers. Government's share of profit petroleum is accounted for when the obligation (legal or constructive), in respect of the same arises.

As operator from the joint venture

Cairn India Group recognizes revenue from joint ventures for services rendered in the form of parent company overhead 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 instrument/unit holders' right to receive payment is established by the balance sheet date.

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 statement of profit and loss 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.

Notes to Consolidated Financial Statements Continued

FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in ₹ lacs, unless otherwise stated)

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 prevailing in the respective tax jurisdictions where Cairn India Group operates. 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 any component of Cairn India Group has carry forward of unabsorbed depreciation and tax losses, deferred tax assets are recognised by the component 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. Cairn India Group 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 statement of profit and loss 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 year. The weighted average number of equity shares outstanding during the year 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 year attributable to equity shareholders and the weighted average number of shares outstanding during the year 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 comprise of 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 fund are defined contribution schemes. Cairn India Group has no obligation, other than the contribution payable to the provident fund and superannuation fund. Cairn India Group recognizes contribution payable to the provident fund and superannuation fund as an expenditure, when an employee renders the related service. If the contribution payable to the fund for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the fund is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre payment will lead to, for example, a reduction in future payment or a cash refund.

Notes to Consolidated Financial Statements Continued

FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in ₹ lacs, unless otherwise stated)

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 on projected unit credit method.

Actuarial gains / losses are immediately taken to statement of profit and loss 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.

t. Use of estimates

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

u. Segment Reporting Policies

Identification of segments:

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.

3. SHARE CAPITAL

	31 March 2013	31 March 2012
Authorised shares		
22,500 lacs (31 March 2012: 22,500 lacs) equity shares of ₹ 10 each	225,000	225,000
Issued, subscribed and fully paid up shares		
19,102 lacs (31 March 2012: 19,074 lacs) equity shares of ₹ 10 each	191,024	190,740
Total issued, subscribed and fully paid-up share capital	**191,024**	**190,740**

(a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

	31 March 2013		31 March 2012	
	No. lacs	₹ lacs	No. lacs	₹ lacs
At the beginning of the period	19,074	190,740	19,019	190,192
Issued during the period – ESOP	28	284	55	548
Outstanding at the end of the period	**19,102**	**191,024**	**19,074**	**190,740**

(b) Terms/ rights attached to equity shares

The Company has only one class of equity shares having par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. The dividend, if any, proposed by the Board of Directors will be subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive assets of the Company remaining after settlement of all liabilities. The distribution will be in proportion to the number of equity shares held by the shareholders.

Notes to Consolidated Financial Statements Continued

FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in ₹ lacs, unless otherwise stated)

3. SHARE CAPITAL CONTINUED

(c) Shares held by holding/ ultimate holding company and/ or their subsidiaries/ associates

	31 March 2013	31 March 2012
Subsidiaries of Vedanta Resources Plc., the holding company		
Twin Star Mauritius Holdings Limited	73,887	73,887
7,389 lacs (31 March 2012: 7,389 lacs) equity shares of ₹ 10 each fully paid		
Sesa Goa Limited	35,114	35,114
3,511 lacs (31 March 2012: 3,511 lacs) equity shares of ₹ 10 each fully paid		
Sesa Resources Limited	3,270	3,270
327 lacs (31 March 2012: 327 lacs) equity shares of ₹ 10 each fully paid		

(d) Aggregate no. of shares issued for consideration other than cash during the period of five years immediately preceding the reporting date:

The Company has issued total 180 lacs equity shares (31 March 2012: 160 lacs equity shares) during the period of five years immediately preceding the reporting date on exercise of options granted under the employee stock option plan (ESOP scheme) wherein part consideration was received in form of employee services. No other equity shares have been issued for consideration other than cash during the period five years immediately preceding the end of current year.

(e) Details of shareholders holding more than 5% shares in the Company

	31 March 2013		31 March 2012	
	No. lacs	% holding in the class	No. lacs	% holding in the class
Equity shares of ₹ 10 each fully paid				
Twin Star Mauritius Holdings Limited	7,389	38.68%	7,389	38.74%
Cairn UK Holdings Ltd	1,962	10.27%	4,156	21.79%
Sesa Goa Ltd	3,511	18.38%	3,511	18.41%
Life Insurance Corporation of India*	1,510	7.90%	-	-

As per records of the Company, including its register of shareholders/ members, the above shareholding represents legal ownerships of shares.

* Shareholding by Life Insurance Corporation of India in the Company as at 31 March 2012 was less than 5%, therefore has not been disclosed.

(f) Shares reserved for issue under options

For details of shares reserved for issue under the ESOP scheme of the Company, please refer note 29.

Notes to Consolidated Financial Statements Continued

FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in ₹ lacs, unless otherwise stated)

4. RESERVES AND SURPLUS

	31 March 2013	31 March 2012
Securities premium account		
Balance as per the last financial statements	3,029,271	3,019,260
Less: Adjustment pursuant to implementation of Scheme of Arrangement (refer note 26)	(1,016,703)	-
Add: additions on employee stock options exercised	584	5,107
Add: transferred from stock options outstanding	5,605	4,904
Closing Balance	**2,018,757**	**3,029,271**
Debenture redemption reserve		
Balance as per the last financial statements	4,396	-
Add: amount transferred from/(to) surplus balance in the statement of profit and loss	(4,396)	4,396
Closing Balance	**-**	**4,396**
Employee stock options outstanding		
Gross employee stock compensation for options granted in earlier years	7,760	5,444
Add: gross compensation for options granted during the year	2,182	2,458
Less: deferred employee stock compensation	(2,625)	(1,900)
Less: transferred to securities premium on exercise of stock options	(5,605)	(4,904)
Closing Balance	**1,712**	**1,098**
General reserve		
Balance as per the last financial statements	-	-
Add: amount transferred from surplus balance in the statement of profit and loss	294,935	-
Closing Balance	**294,935**	**-**
Surplus in the statement of profit and loss		
Balance as per last financial statements	1,603,702	814,324
Profit for the year	1,205,639	793,774
Less: Appropriations		
Proposed final equity dividend [amount per share ₹ 6.50 (31 March 2012: Nil)]	(124,165)	-
Tax on proposed equity dividend	(20,143)	-
Interim equity dividend [amount per share ₹ 5 (31 March 2012: Nil)]	(95,488)	-
Tax on interim dividend	(15,491)	-
Transfer from/(to) debenture redemption reserve	4,396	(4,396)
Transfer to general reserve	(294,935)	-
Net surplus in the statement of profit and loss	**2,263,515**	**1,603,702**
Total reserves and surplus	**4,578,919**	**4,638,467**

Notes to Consolidated Financial Statements Continued

FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in ₹ lacs, unless otherwise stated)

5. LONG-TERM BORROWINGS

	Non-current portion		Current maturities	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
Debentures (Unsecured)				
Series B - Nil (31 March 2012: 0.06 lacs) 8.40% non convertible debentures of ₹ 10 lacs each (fully paid up)	-	-	-	62,500
Series A - Nil (31 March 2012: 0.06 lacs) 8.35% non convertible debentures of ₹ 10 lacs each (fully paid up)	-	-	-	62,500
Other loans and advances				
Finance lease obligation (secured)	-	-	-	184
	-	**-**	**-**	**125,184**
The above amount includes				
Secured borrowings	-	-	-	184
Unsecured borrowings	-	-	-	125,000
Amount disclosed under the head “other current liabilities” (refer note 7)			-	(125,184)
Net amount	-	-	-	-

a. Series A debentures were redeemable at par after 21 months from date of allotment viz. 12 October 2010. Series B debentures were redeemable at par after 24 months from date of allotment viz. 12 October 2010.

b. Finance lease liabilities were secured by way of hypothecation of the office equipments and leasehold improvements acquired under such leases.

6. PROVISIONS

	Long-term		Short-term	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
Provision for employee benefits				
Provision for employee stock options (cash settled)**	573	530	817	719
Provision for gratuity (refer note 28)	-	103	1,323	735
Provision for compensated absences	-	-	1,330	724
	573	633	3,470	2,178
Other provisions				
Provision for site restoration*	239,833	186,765	-	-
Provision for taxation (net of advance tax)	-	-	21,598	9,858
Provision for mark-to-market losses on derivative contracts	-	-	-	25
Proposed equity dividend	-	-	124,165	-
Provision for tax on proposed equity dividend	-	-	20,143	-
	239,833	186,765	165,906	9,883
	240,406	**187,398**	**169,376**	**12,061**

	31 March 2013	31 March 2012
* Provision for site restoration [refer note 2.1 (d) above]		
Opening balance	186,765	135,233
Additions for the year	53,068	51,532
Closing balance	239,833	186,765

** Provision for employee stock options (cash settled) [refer note 2.1 (s) above]		
Opening Balance	1,249	2,870
Additions for the year	1,619	1,914
Payments during the year	(1,076)	(2,337)
Reversed during the year	(402)	(1,198)
Closing Balance	1,390	1,249

Notes to Consolidated Financial Statements Continued

FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in ₹ lacs, unless otherwise stated)

7. OTHER CURRENT LIABILITIES

	31 March 2013	31 March 2012
Trade payables	53,667	60,716
Other liabilities		
Current maturities of long-term borrowings (refer note 5) [Includes current maturity of finance lease obligation ₹ Nil (31 March 2012: ₹ 184 lacs)]	-	1,25,184
Interest accrued but not due on borrowings	-	4,905
Others		
Revenue received in excess of entitlement interest	9,595	1,133
Statutory dues payable	13,193	12,965
Interest accrued on other than borrowings	7,630	5,522
Profit petroleum payable	2,788	4,922
Liabilities for exploration and development activities	87,115	32,931
	120,321	187,562
	173,988	**248,278**

8. TANGIBLE ASSETS

	Freehold land	Leasehold land	Buildings	Plant and machinery	Office equipments	Furniture & fixtures	Leasehold Improvements	Vehicles	Total
Cost or valuation									
At 1 April 2011	**436**	**8,538**	**64,283**	**573,968**	**6,005**	**844**	**2,816**	**638**	**657,528**
Additions	-	4,884	26,170	35,745	1,768	199	-	76	68,842
Disposals	-	-	-	-	(208)	(7)	-	-	(215)
Other adjustments									
- Borrowing costs [refer (b) below]	-	-	151	238	-	-	-	-	389
At 31 March 2012	**436**	**13,422**	**90,604**	**609,951**	**7,565**	**1,036**	**2,816**	**714**	**726,544**
Additions	2	1,217	29,259	59,368	7,395	1,645	-	97	98,983
Disposals	-	-	-	-	(31)	-	-	(54)	(85)
At 31 March 2013	**438**	**14,639**	**119,863**	**669,319**	**14,929**	**2,681**	**2,816**	**757**	**825,442**
Depreciation									
At 1 April 2011	-	774	4,006	55,656	3,895	307	2,257	140	67,035
Charge for the year	-	1,209	10,554	55,044	1,568	137	397	82	68,991
Disposals	-	-	-	-	(191)	(7)	-	-	(198)
At 31 March 2012	**-**	**1,983**	**14,560**	**110,700**	**5,272**	**437**	**2,654**	**222**	**135,828**
Charge for the year	-	1,486	11,940	66,831	2,508	241	161	75	83,242
Disposals	-	-	-	-	(27)	-	-	(54)	(81)
At 31 March 2013	**-**	**3,469**	**26,500**	**177,531**	**7,753**	**678**	**2,815**	**243**	**218,989**
Net Block									
At 31 March 2012	**436**	**11,439**	**76,044**	**499,251**	**2,293**	**599**	**162**	**492**	**590,716**
At 31 March 2013	**438**	**11,170**	**93,363**	**491,788**	**7,176**	**2,003**	**1**	**514**	**606,453**

a. The above gross block includes ₹ 804,008 lacs (31 March 2012: ₹ 718,750 lacs) jointly owned with the joint venture partners. Accumulated depreciation on these assets is ₹ 207,255 lacs (31 March 2012: ₹ 129,377 lacs) and net book value is ₹ 596,753 lacs (31 March 2012: ₹ 589,373 lacs).

b. Borrowing costs capitalized during the year aggregates to Nil (31 March 2012: ₹ 2,870 lacs), of which Nil (31 March 2012: ₹ 389 lacs) has been included under tangible assets and Nil (31 March 2012: ₹ 2,481 lacs) under Exploration, development and capital work in progress.

Notes to Consolidated Financial Statements Continued

FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in ₹ lacs, unless otherwise stated)

9. INTANGIBLE ASSETS

	Goodwill	Computer Software	Total
Gross block			
At 1 April 2011	**2,531,927**	**7,866**	**2,539,793**
Additions	-	2,357	2,357
Deletions	-	(376)	(376)
At 31 March 2012	**2,531,927**	**9,847**	**2,541,774**
Additions	-	4,347	4,347
Deletions (refer note 26)	(1,016,703)	-	(1,016,703)
At 31 March 2013	**1,515,224**	**14,194**	**1,529,418**
Amortization			
At 1 April 2011	**-**	**6,004**	**6,004**
Charge for the year	-	1,995	1,995
Deletions	-	(371)	(371)
At 31 March 2012	**-**	**7,628**	**7,628**
Charge for the year	-	2,902	2,902
Deletions	-	-	-
At 31 March 2013	**-**	**10,530**	**10,530**
Net block			
At 31 March 2012	2,531,927	2,219	2,534,146
At 31 March 2013	**1,515,224**	**3,664**	**1,518,888**

The goodwill of Cairn India Group arose 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 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 test 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 net present value per barrel of oil equivalent after risk adjustments. The result of the impairment test indicates that the value in use is higher than the carrying amounts and no impairment provision is required to be created at the reporting date.

10. COST OF PRODUCING FACILITIES (NET)

	31 March 2013	31 March 2012
Opening balance	302,067	208,496
Add: Additions	65,148	57,538
Add: Transferred from exploration, development and capital work in progress	69,031	112,141
Less: Depletion	(102,587)	(76,108)
Closing balance	**333,659**	**302,067**

11. EXPLORATION, DEVELOPMENT AND CAPITAL WORK IN PROGRESS

	31 March 2013	31 March 2012
Opening balance	450,016	398,188
Add: Additions [refer note 8(b)]	194,997	267,161
Less: Transferred to cost of producing facilities	(69,031)	(112,141)
Less: Transferred to fixed assets	(91,995)	(64,807)
Less: Transferred to other current assets (refer note 14.2)	-	(8,502)
Less: Unsuccessful exploration costs	(45,488)	(29,883)
Closing balance	**438,499**	**450,016**

Notes to Consolidated Financial Statements Continued

FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in ₹ lacs, unless otherwise stated)

12. DEFERRED TAX LIABILITY (NET)

	31 March 2013	31 March 2012
Deferred tax liability		
Fixed assets: Impact of difference between tax depreciation and depreciation/ amortization charged for the financial reporting	47,127	67,997
Gross deferred tax liability	47,127	67,997
Deferred tax asset		
Impact of expenditure charged to the statement of profit and loss in the current year but allowed for tax purposes on payment basis	719	543
Others	-	79
Gross deferred tax asset	719	622
Net deferred tax liability	**46,408**	**67,375**
Aggregate amount of deferred tax liability (net) in components of Cairn India Group	46,408	68,414
Aggregate amount of deferred tax assets (net) in components of Cairn India Group	-	1,039
	46,408	67,375

13. LOANS AND ADVANCES

	Non-current		Current	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
Unsecured and considered good				
Capital advances	2,993	2,597	-	-
Security deposit	2,280	1,522	779	790
Loan and advances to related parties (refer note 31)	-	-	-	53
Advances recoverable in cash or kind	-	-	10,031	50,159
	5,273	4,119	10,810	51,002
Unsecured and considered doubtful				
Advances recoverable in cash or kind	-	-	42,783	65,750
Less: provision	-	-	(42,783)	(65,750)
	-	-	-	-
Other loans and advances				
(unsecured and considered good)				
Advance income-tax (net of provision)	14,157	9,908	17,830	30,200
Deposits with non-banking financial company	-	-	70,000	-
MAT credit entitlement	467,218	239,770	-	-
Fringe benefit tax paid (net of provision)	-	-	17	43
Prepaid expenses	-	-	3,466	2,603
	481,375	249,678	91,313	32,846
	486,648	**253,797**	**102,123**	**83,848**

Notes to Consolidated Financial Statements Continued

FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in ₹ lacs, unless otherwise stated)

14. TRADE RECEIVABLES AND OTHER ASSETS

14.1. TRADE RECEIVABLES

	Non-current		Current	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
Unsecured, considered good				
Outstanding for a period exceeding six months from the date they are due for payment	-	-	-	-
Other receivables	-	-	228,519	149,684
	-	**-**	**228,519**	**149,684**

14.2. OTHER ASSETS

	Non-current		Current	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
Unsecured, considered good				
Non-current bank balances (refer note 17)	18,128	38,276	-	-
Non-current inventory of stores and spares (refer note 16)	26,440	30,801	-	-
Exploration, development and capital work in progress (refer note 11)*	-	-	-	8,502
Receivable for assignment of participating interest of KG-DWN-98/2 block	-	-	17,225	-
Ancillary cost of arranging the borrowings	-	-	-	100
Interest accrued on deposits and investments	22	-	10,000	3,851
	44,590	**69,077**	**27,225**	**12,453**

* represents carrying value of KG-DWN-98/2 block which has been assigned to a third party during the year.

15. CURRENT INVESTMENTS (valued at lower of cost and fair value)

	31 March 2013	31 March 2012
Quoted mutual funds	276,840	98,784
Quoted tax free bonds	50,000	-
Unquoted mutual funds	644,749	77,924
Unquoted certificate of deposits	66,637	6,849
	1,038,226	**183,557**

16. INVENTORIES (valued at lower of cost and net realizable value)

	Non-current		Current	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
Finished goods (crude oil)*	-	-	12,534	9,793
Stores and spares	26,440	30,801	7,075	3,814
	26,440	30,801	19,609	13,607
Less: amount disclosed under other non-current assets	(26,440)	(30,801)	-	-
	-	**-**	**19,609**	**13,607**

*includes stock in pipeline ₹ 9,439 lacs (31 Mar 2012: ₹ 7,282 lacs).

Notes to Consolidated Financial Statements Continued

FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in ₹ lacs, unless otherwise stated)

17. CASH AND BANK BALANCES

	Non-current		Current	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
Cash and cash equivalents				
Balances with banks:				
– On current accounts	-	-	331	1,238
– Deposits with original maturity of less than 3 months	-	-	4,302	443,397
Cash on hand	-	-	1	4
	-	-	4,634	444,639
Other bank balances				
– Deposits with original maturity for more than 12 months	7,306	29,450	375,159	35,591
– Deposits with original maturity for more than 3 months but less than 12 months	-	-	175,889	221,121
– On site restoration fund	10,822	8,826	-	-
	18,128	38,276	551,048	256,712
Less: amount disclosed under other non-current assets	(18,128)	(38,276)	-	-
	-	**-**	**555,682**	**701,351**

18. REVENUE FROM OPERATIONS

	31 March 2013	31 March 2012
Sale of finished goods		
Crude oil and condensate	2,096,360	1,412,542
Gas	14,031	15,467
Less: Government share of profit petroleum	(359,964)	(246,722)
	1,750,427	1,181,287
Sale of services (tolling income)	1,520	427
Other operating revenue (income received as operator from joint venture)	468	4,351
	1,752,415	**1,186,065**

19. OTHER INCOME

	31 March 2013	31 March 2012
Interest income on		
Bank deposits	26,896	21,774
Current investments	1,585	89
Others	597	203
Dividend income on current investments	9,476	3,003
Gain on sale of current investments (net)	21,765	6,265
Exchange differences (net)*	31,340	61,861
Other non-operating income	11,965	606
	103,624	**93,801**

* net of loss on derivative contracts of ₹ 563 lacs (31 March 2012: ₹ 1,451 lacs)

20. (INCREASE) IN INVENTORIES OF FINISHED GOODS

	31 March 2013	31 March 2012
Inventories at the end of the year	12,534	9,792
Inventories at the beginning of the year	9,792	7,166
	(2,742)	**(2,626)**

Notes to Consolidated Financial Statements Continued

FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in ₹ lacs, unless otherwise stated)

21. EMPLOYEE BENEFIT EXPENSES

	31 March 2013	31 March 2012
Salaries, wages and bonus	45,589	41,597
Contribution to provident fund	2,028	1,836
Contribution to superannuation fund	1,321	1,126
Employee stock option scheme	2,415	1,290
Gratuity expense (Note 28)	1,023	809
Compensated absences	704	525
Staff welfare expenses	4,721	4,451
	57,801	51,634
Less: Cost allocated to joint ventures	(47,476)	(42,740)
	10,325	**8,894**

22. OTHER EXPENSES

	31 March 2013	31 March 2012
Data acquisition and analysis	874	621
Arbitration costs	65	322
Royalty	1,932	2,259
Production bonus	579	636
Legal and professional fees	18,006	20,101
Loss on commodity hedging contracts (net)	-	9,463
Travelling and conveyance	4,985	4,338
Contract employee charges	4,692	4,018
Rent	3,730	3,219
Rates and Taxes	3,209	2,793
Insurance	1,946	1,753
Repairs and maintenance		
Buildings	1,620	864
Others	4,444	2,721
Miscellaneous expenses	13,112	5,876
	59,194	58,984
Less: Cost allocated to joint ventures	(29,046)	(26,012)
	30,148	**32,972**

23. DEPLETION, DEPRECIATION AND AMORTIZATION EXPENSE

	31 March 2013	31 March 2012
Depreciation of tangible assets	83,242	68,991
Amortization of intangible assets	2,902	1,995
Less: Cost allocated to joint ventures	(4,139)	(3,064)
	82,005	67,922
Depletion on producing facilities	1,02,587	76,108
	1,84,592	**1,44,030**

Notes to Consolidated Financial Statements Continued

FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in ₹ lacs, unless otherwise stated)

24. FINANCE COSTS

	31 March 2013	31 March 2012
Interest	6,722	10,917
Loan facility and management fees	100	11,222
Bank charges	64	127
Exchange difference to the extent considered as an adjustment to borrowing cost	-	383
	6,886	**22,649**
Less: Cost allocated to joint ventures	(20)	(69)
	6,866	**22,580**

25. CHANGE OF CONTROL OF THE COMPANY

The sale of shares of the Company by Cairn UK Holdings Limited and its holding company, Cairn Energy Plc. to Vedanta Resources Plc. and its subsidiaries (collectively the 'Vedanta group') was completed on 8 December 2011 and it resulted in change of control in the management of the Company from that date. Consequently, royalty paid by Oil and Natural Gas Corporation Limited with respect to the RJ-ON-90/1 block has been treated as cost recoverable, as it was one of the pre-conditions imposed by the Government of India for approving the said transaction of sale of shares, resulting in reduction in revenues and profit in the previous year (₹ 10,285 lacs for the period upto 31 March 2011 was disclosed as an exceptional item).

26. SCHEME OF ARRANGEMENT

The shareholders of the Company had approved a Scheme of Arrangement ('Scheme') between the Company and some of its overseas subsidiaries with an appointed date of 1 January 2010 whereby, the Indian businesses of the said subsidiaries were to be transferred to the Company from the appointed date. The said Scheme had received the approvals of the Hon'ble High Court of Madras and the Hon'ble High Court of Bombay in 2010 and was subsequently approved by other relevant regulatory authorities in October 2012. Post receipt of the requisite approvals, the Company has considered the operations of the said subsidiaries from 1 January 2010 as its own operations and accounted for the same in its books of accounts after making necessary adjustments. The adjustment of ₹ 13,665 lacs relating to the period prior to 31 March 2012, on account of differences in tax rates etc., has been accounted for in the current year.

Further, as per the provisions of the Scheme which had also been approved by the Shareholders of the Company, the Company in its standalone financial statements had adjusted goodwill of ₹ 1,016,703 lakhs against the securities premium account which has consequentially been recorded in the consolidated financial statements as well as result both goodwill and securities premium account are stated lower by ₹ 1,016,703 lakhs each. This accounting, although different from that prescribed under the Accounting Standards, is in confirmity with the accounting principles generally accepted in India, as the same has been approved by the Court and has no impact on the profit for the year.

27. EARNINGS PER SHARE (EPS)

	31 March 2013	31 March 2012
The following reflects the profit and share data used in the basic and diluted EPS computations:		
Profit for the year as per Statement of Profit & Loss	**12,05,639**	**7,93,774**
(used for calculation of both basic and diluted EPS)		
	No. lacs	**No. lacs**
Weighted average number of equity shares in calculating basic EPS	19,089	19,030
Effect of dilution:		
Stock options granted under employee stock options	29	48
Weighted average number of equity shares in calculating diluted EPS	19,118	19,078
Earnings per equity share in ₹ computed on the basis of profit for the year		
Basic	63.16	41.71
Diluted	63.06	41.61

Notes to Consolidated Financial Statements Continued

FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in ₹ lacs, unless otherwise stated)

28. GRATUITY

Cairn India Group has a defined benefit gratuity plan for its employees. Under the gratuity plan, every employee who has completed atleast five years of service gets a gratuity on departure @ 15 days of last drawn salary for each completed year of service. The scheme is funded with an insurance company in the form of qualifying insurance policy.

The following tables summarize the components of net benefit expense recognized in the statement of profit and loss, the funded status and amounts recognized in the balance sheet for the respective plans.

Statement of profit and loss

Net employee benefit expense recognized in the employee cost

	31 March 2013	31 March 2012
Current service cost	609	471
Interest cost on benefit obligation	216	160
Expected return on plan assets	(172)	(129)
Net actuarial (gain) / loss recognized in the year	370	307
Past service cost	-	-
Net benefit expense	**1,023**	**809**
Actual return on plan assets	176	130

Balance sheet

Benefit asset/ liability

	31 March 2013	31 March 2012
Present value of defined benefit obligation	3,676	2,698
Fair value of plan assets	2,353	1,860
Plan asset / (liability)	**(1,323)**	**(838)**

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

	31 March 2013	31 March 2012
Opening defined benefit obligation	2,698	2,000
Current service cost	609	471
Interest cost	216	160
Benefits paid	(221)	(241)
Actuarial (gains) / losses on obligation	374	308
Closing defined benefit obligation	**3,676**	**2,698**

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

	31 March 2013	31 March 2012
Opening fair value of plan assets	1,820	1,394
Expected return	172	129
Contributions by employer	578	577
Benefits paid	(221)	(241)
Actuarial gains / (losses)	4	1
Closing fair value of plan assets	**2,353**	**1,860**

Notes to Consolidated Financial Statements Continued

FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in ₹ lacs, unless otherwise stated)

28. GRATUITY CONTINUED

The Group's expected contribution to the fund in the next year is ₹ 939 lacs (31 March 2012: ₹ 576 lacs).

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

	31 March 2013	31 March 2012
Investments with insurer	100%	100%

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

	31 March 2013	31 March 2012
Discount rate	8.00%	8.00%
Future salary increase	12.00%	10.00%
Expected rate of return on assets	9.45%	9.40%
Employee turnover	5.00%	5.00%
Mortality rate	IALM (1994-96)	LIC (1994-96)

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.

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.

Amounts for the current and previous four periods are as follows:

	31 March 2013	31 March 2012	31 March 2011	31 March 2010	31 March 2009
Defined benefit obligation	3,676	2,698	2,000	1,619	1,084
Plan assets	2,353	1,860	1,394	970	689
Surplus / (deficit)	(1,323)	(838)	(606)	(649)	(395)
Experience adjustments on plan assets	4	1	4	4	31
Experience adjustments on plan liabilities	(374)	(308)	69	(138)	(120)

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 is as certified by the LIC.

29. EMPLOYEE STOCK OPTION PLANS

Cairn India Group has provided various share based payment schemes to its employees. During the year ended 31 March 2013, the following schemes were in operation:

Particulars	CISMP	CIPOP	CIESOP	CIPOP Phantom	CIESOP Phantom
Date of Board Approval	17-Nov-06	17-Nov-06	17-Nov-06	Not applicable	Not applicable
Date of Shareholder's approval	17-Nov-06	17-Nov-06	17-Nov-06	Not applicable	Not applicable
Number of options granted till March 2013	8,298,713	9,208,784	30,112,439	3,593,955	758,370
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

Notes to Consolidated Financial Statements Continued

FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in ₹ lacs, unless otherwise stated)

29. EMPLOYEE STOCK OPTION PLANS CONTINUED

Number of options granted till 31 March 2013

Particulars	CISMP	CIPOP	CIESOP	CIPOP Phantom	CIESOP Phantom
Date of Grant					
24-Nov-06	8,298,713	-	-	-	-
01-Jan-07	-	1,708,195	3,467,702	-	-
20-Sep-07	-	3,235,194	5,515,053	-	-
29-Jul-08	-	789,567	3,773,856	822,867	324,548
10-Dec-08	-	-	36,040	-	38,008
22-Jun-09	-	-	-	69,750	-
29-Jul-09	-	994,768	5,405,144	1,230,416*	211,362
27-Jul-10	-	584,144	3,027,463	614,999*	93,572
23-Dec-10	-	-	-	23,645	-
26-Jul-11	-	1,006,415	4,733,714	390,654	66,385
23-Jul-12		890,501	4,153,467	441,624	24,495
Total	8,298,713	9,208,784	30,112,439	3,593,955	758,370

* includes 1,69,944 & 2,60,288 options converted from CIPOP to CIPOP Phantom in 29-Jul-09 & 27-Jul-10 grants respectively during previous year.

The vesting conditions of the above plans are as under-

CISMP plan

(A) 6,714,233 options to be vested in the following manner-
- 1/3rd of the options 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 9 Jan 2007.
- 1/3rd of the options vest 18 months after the admission date.
- 1/3rd of the options vest on achieving 30 days' consecutive production of over 1,50,000 bopd from the Rajasthan Block.

(B) 1,584,480 options to be vested in the following manner-
- 1/2 of the options 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 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 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 has been 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 other than completion of the minimum service period. 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	31 March 2013		31 March 2012	
	Number of options	Weighted average exercise price in ₹	Number of options	Weighted average exercise price in ₹
Outstanding at the beginning of the year	Nil	Nil	2,238,077	33.70
Granted during the year	Nil	NA	Nil	NA
Expired during the year	Nil	NA	Nil	NA
Exercised during the year	Nil	Nil	2,238,077	33.70
Forfeited / cancelled during the year	Nil	NA	Nil	NA
Outstanding at the end of the year	Nil	NA	Nil	NA
Exercisable at the end of the year	Nil	NA	Nil	NA

Weighted average fair value of options granted on the date of grant is ₹ 131.50 (31 March 2012: ₹ 131.50)

Weighted average share price at the date of exercise of stock options is NA (31 March 2012: ₹ 344.15)

Notes to Consolidated Financial Statements Continued

FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in ₹ lacs, unless otherwise stated)

29. EMPLOYEE STOCK OPTION PLANS CONTINUED

CIPOP Plan	31 March 2013		31 March 2012	
	Number of options	Weighted average exercise price in ₹	Number of options	Weighted average exercise price in ₹
Outstanding at the beginning of the year	1,082,340	10.00	2,147,663	10.00
Granted during the year	890,501	10.00	1,006,415	10.00
Expired during the year	Nil	NA	Nil	NA
Exercised during the year	221,029	10.00	856,432	10.00
Forfeited / cancelled during the year	246,449	10.00	1,215,306	10.00
Outstanding at the end of the year	1,505,363	10.00	1,082,340	10.00
Exercisable at the end of the year	Nil	NA	Nil	NA

Weighted average fair value of options granted on the date of grant is ₹ 213.64 (31 March 2012: ₹ 202.15)
Weighted average share price at the date of exercise of stock options is ₹ 344.46 (31 March 2012: ₹ 338.79)

CIESOP Plan	31 March 2013		31 March 2012	
	Number of options	Weighted average exercise price in ₹	Number of options	Weighted average exercise price in ₹
Outstanding at the beginning of the year	13,963,416	278.49	12,730,726	246.00
Granted during the year	4,153,467	326.85	4,733,714	327.75
Expired during the year	Nil	NA	Nil	NA
Exercised during the year	2,621,017	223.86	2,384,498	201.94
Forfeited / cancelled during the year	1,524,050	320.70	1,116,526	280.31
Outstanding at the end of the year	13,971,816	298.51	13,963,416	278.49
Exercisable at the end of the year	4,135,249	228.10	2,640,232	205.23

Weighted average fair value of options granted on the date of grant is ₹ 135.23 (31 March 2012: ₹ 126.64)
Weighted average share price at the date of exercise of stock options is ₹ 331.27 (31 March 2012: ₹ 337.97)

CIPOP Plan – Phantom options	31 March 2013		31 March 2012	
	Number of options	Weighted average exercise Price in ₹	Number of options	Weighted average exercise Price in ₹
Outstanding at the beginning of the year	1,038,206	10.00	1,347,429	10.00
Granted during the year	441,624	10.00	820,886	10.00
Expired during the year	Nil	NA	Nil	NA
Exercised during the year	Nil	NA	672,114	10.00
Forfeited / cancelled during the year	606,141	10.00	457,995	10.00
Outstanding at the end of the year	873,689	10.00	1,038,206	10.00
Exercisable at the end of the year	Nil	NA	Nil	NA

Weighted average fair value of options granted on the date of grant is ₹ 329.69 (31 March 2012: ₹ 341.23)
Weighted average share price at the date of exercise of stock options is NA (31 March 2012: ₹ 310.07)

Notes to Consolidated Financial Statements Continued

FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in ₹ lacs, unless otherwise stated)

29. EMPLOYEE STOCK OPTION PLANS CONTINUED

CIESOP Plan – Phantom options	31 March 2013		31 March 2012	
	Number of options	Weighted average exercise price in ₹	Number of options	Weighted average exercise price in ₹
Outstanding at the beginning of the year	263,711	278.79	381,578	253.96
Granted during the year	24,495	326.85	66,385	327.75
Expired during the year	Nil	NA	Nil	NA
Exercised during the year	Nil	NA	152,002	227.00
Forfeited / cancelled during the year	246,231	275.21	32,250	329.94
Outstanding at the end of the year	41,975	327.86	263,711	278.79
Exercisable at the end of the year	Nil	NA	Nil	NA

Weighted average fair value of options granted on the date of grant is ₹ 141.17 (31 March 2012: ₹ 149.89)
Weighted average share price at the date of exercise of stock options is NA (31 March 2012: ₹ 308.30)

The details of exercise price for stock options outstanding as at 31 March 2013 are:

Scheme	Range of exercise price in ₹	No. of options outstanding	Weighted average remaining contractual life of options (in years)	Weighted average exercise price in ₹
CIPOP Plan	10.00	1,505,363	1.83	10.00
CIESOP Plan	143-331.25	13,971,816	1.04	298.51
CIPOP Plan – Phantom options	10.00	873,689	1.37	10.00
CIESOP Plan – Phantom options	326.85-331.25	41,975	1.72	327.86

The details of exercise price for stock options outstanding as at 31 March 2012 are:

CIPOP Plan	10.00	1,082,340	2.00	10.00
CIESOP Plan	143-331.25	13,963,416	1.01	278.49
CIPOP Plan – Phantom options	10.00	1,038,206	1.40	10.00
CIESOP Plan – Phantom options	240.05-331.25	263,711	0.96	278.79

Effect of Employees Stock Option Plans on Financial Position

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

Particulars	31 March 2013	31 March 2012
Total Employee Compensation Cost pertaining to share-based payment plans	2,415	1,290
Compensation Cost pertaining to equity-settled employee share-based payment plan included above	1,198	454
Compensation Cost pertaining to cash-settled employee share-based payment plan included above	1,217	836
Equity settled employee stock options outstanding as at year end	1,712	1,098
Liability for cash settled employee stock options outstanding as at year end	1,390	1,249
Deferred compensation cost of equity settled options	2,625	1,900
Deferred compensation cost of cash settled options	1,147	2,361

Notes to Consolidated Financial Statements Continued

FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in ₹ lacs, unless otherwise stated)

29. EMPLOYEE STOCK OPTION PLANS CONTINUED

Inputs for Fair valuation of Employees Stock Option Plans

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

Variables – CIPOP		
Grant date	**26-Jul-11**	**23-Jul-12**
Stock Price/fair value of the equity shares on the date of grant (₹)	322.60	326.85
Vesting date	26-Jul-14	23-Jul-15
Vesting %	Refer vesting conditions	Refer vesting conditions
Volatility	46.39%	44.25%
Risk free rate	8.37%	8.18%
Time to maturity (years)	3.12	3.12
Exercise price (₹)	10.00	10.00
Fair Value of the options (₹)	316.80	320.98

Variables – CIESOP		
Grant date	**26-Jul-11**	**23-Jul-12**
Stock Price/fair value of the equity shares on the date of grant (₹)	322.60	326.85
Vesting date	26-Jul-14	23-Jul-15
Vesting %	100.00%	100.00%
Volatility	46.39%	44.25%
Risk free rate	8.37%	8.18%
Time to maturity (years)	6.50	6.50
Exercise price (₹)	327.75	326.85
Fair Value of the options (₹)	190.16	188.87

Variables – CIPOP Phantom		
Grant date	**26-Jul-11**	**23-Jul-12**
Stock Price/fair value of the equity shares on the date of grant (₹)	272.45	272.45
Vesting date	26-Jul-14	23-Jul-15
Vesting %	Refer vesting conditions	Refer vesting conditions
Volatility	28.32%	28.87%
Risk free rate	7.70%	7.75%
Time to maturity (years)	1.32	2.31
Exercise price (₹)	10.00	10.00
Fair Value of the options (₹)	263.42	264.09

Variables – CIESOP Phantom		
Grant date	**26-Jul-11**	**23-Jul-12**
Stock Price of the equity shares on the reporting date (₹)	272.45	272.45
Vesting date	26-Jul-14	23-Jul-15
Vesting %	Refer vesting conditions	Refer vesting conditions
Volatility	28.32%	28.87%
Risk free rate	7.70%	7.75%
Time to maturity (years)	1.32	2.31
Exercise price (₹)	327.75	326.85
Fair Value of the options (₹)	26.11	47.01

Notes to Consolidated Financial Statements Continued

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(All amounts are in ₹ lacs, unless otherwise stated)

29. EMPLOYEE STOCK OPTION PLANS CONTINUED

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 April 1, 2005. The said guidance note requires the Proforma disclosures of the impact of the fair value method of accounting of employee stock compensation accounting in the financial statements. Applying the fair value based method defined in the said guidance note, the impact on the reported net profit and earnings per share would be as follows:

	31 March 2013	31 March 2012
Profit as reported	1,205,639	793,774
Add: Employee stock compensation under intrinsic value method	2,415	1,290
Less: Employee stock compensation under fair value method	(7,246)	(6,019)
Proforma profit	1,200,808	789,045
Earnings Per Share in ₹		
Basic		
- As reported	63.16	41.71
- Proforma	62.91	41.46
Diluted		
- As reported	63.06	41.61
- Proforma	62.81	41.36

30. LEASES

Finance lease: as lessee

Fixed assets include office equipments and leaseholds improvements obtained under finance 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.

31 March 2013	Minimum lease payments	Principal amount due	Interest due
Within one year of the balance sheet date	-	-	-
Due in a period between one year and five years	-	-	-
Due after five y ears	-	-	-
Total	**-**	**-**	**-**

31 March 2012	Minimum lease payments	Principal amount due	Interest due
Within one year of the balance sheet date	191	184	7
Due in a period between one year and five years	-	-	-
Due after five years	-	-	-
Total	**191**	**184**	**7**

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

Notes to Consolidated Financial Statements Continued

FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in ₹ lacs, unless otherwise stated)

30. LEASES CONTINUED

Operating Lease: as lessee

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 agreements during the primary lease period. There are no restrictions imposed by lease arrangements and there are no subleases. There are no contingent rents. The information with respect to non cancellable leases are as under:

Particulars	31 March 2013	31 March 2012
Lease payments made during the year	393	449
Within one year of the balance sheet date	343	288
Due in a period between one year and five years	236	397
Due after five years	-	-

31. RELATED PARTY DISCLOSURES

Names of related parties and related party relationship	
Related parties where control exists	
Holding / Ultimate holding company	Vedanta Resources Plc. (w.e.f. 8 Dec 2011)
	Vedanta Resources Holdings Limited (w.e.f. 8 Dec 2011)
	Volcan Investments Limited (w.e.f. 8 Dec 2011)
	Cairn UK Holdings Limited (upto 7 Dec 2011)*
	Cairn Energy Plc. (upto 7 Dec 2011)*

* from 8 December 2011 to 2 July 2012 Cairn Energy Plc. and Cairn UK Holdings Limited only had significant influence over the Company. They ceased to be a related party w.e.f. 2 July 2012.

Related parties with whom transactions have taken place	
Fellow subsidiaries	Capricorn Energy Limited, UK (upto 7 Dec 2011)**
	Cairn Energy Search Limited, UK (upto 7 Dec 2011)**
	Sterlite Industries (India) Limited (w.e.f. 8 Dec 2011)
	Sesa Goa Limited (w.e.f. 8 Dec 2011)***
	Twin Star Mauritius Holdings Limited (w.e.f. 8 Dec 2011) ***
	Sesa Resources Limited (w.e.f. 8 Dec 2011)

** from 8 December 2011 to 2 July 2012 they were related parties being the subsidiaries of Cairn Energy Plc.

*** also has significant influence over the Company.

Key management personnel	P. Elango, Whole Time Director and Interim Chief Executive Officer (from 1 September 2012)
	Rahul Dhir, Managing Director and Chief Executive Officer (upto 31 August 2012)
	Indrajit Banerjee, Executive Director and Chief Financial Officer (upto 23 August 2011)
	Winston Frederick Bott Jr., Executive Director and Chief Operating Officer (upto 15 June 2011)

Notes to Consolidated Financial Statements Continued

FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in ₹ lacs, unless otherwise stated)

31. RELATED PARTY DISCLOSURES CONTINUED

Related party transactions

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

Nature of the Transactions	Related Party	31 March 2013	31 March 2012
Reimbursement of expenses to related party	Cairn Energy Plc.	-	13
	Sterlite Industries (India) Limited	150	11
	Total	**150**	**24**
Expenses incurred on behalf of related party	Cairn Energy Plc.	-	42
	Capricorn Energy Limited	-	31
	Total	-	**73**
Shares issued including premium and stock option charge	Indrajit Banerjee	-	49
	Rahul Dhir	-	2,827
	Total	-	**2,876**
Dividend Paid	Sesa Goa Limited	17,557	-
	Twin Star Mauritius Holdings Limited	36,944	-
	Sesa Resources Limited	1,635	-
	P. Elango	9	-
	Total	**56,145**	**-**
Remuneration	Rahul Dhir	1,066	5,177
	Winston Frederick Bott Jr.	-	478
	Indrajit Banerjee	-	92
	P. Elango	116	-
	Total	**1,182**	**5,747**

In addition to the above remuneration, incentives and bonus of ₹ 641 lacs (31 March 2012: ₹ 310 lacs), Nil (31 March 2012: ₹ 813 lacs) and Nil (31 March 2012: ₹ 164 lacs) were paid to Rahul Dhir, Winston Frederick Bott Jr. and Indrajit Banerjee respectively. Remuneration to the key management personnel does not include provisions made for gratuity and leave benefits, as the same is determined on an actuarial basis for the Cairn India Group as a whole. However, a sum of Nil (31 Mar 2012: ₹ 8 lacs) was paid to Indrajit Banerjee towards leave benefits on cessation of employment.

Balances outstanding as at the end of the year:

Nature of the Balance	Related Party	31 March 2013	31 March 2012
Other current liabilities including trade payables	Capricorn Energy Limited	-	202
	Sterlite Industries (India) Limited	14	10
	Total	**14**	**212**
Loans & Advances	Cairn Energy Plc.	-	53

32. CAPITAL AND OTHER COMMITMENTS

Capital commitments (net of advances)

Cairn India Group's share of Joint Ventures' Exploration activities and Development activities – ₹ 21,020 lacs (31 March 2012: – ₹ 3,847 lacs) and ₹ 136,722 lacs (31 March 2012: – ₹ 87,427 lacs) respectively.

Other commitments

Cairn India Group's share of Joint Ventures' minimum exploration commitments as per the production sharing contracts - ₹ 20,285 lacs (31 March 2012: – ₹ 40,807 lacs).

Notes to Consolidated Financial Statements Continued

FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in ₹ lacs, unless otherwise stated)

33. CONTINGENT LIABILITIES

a. 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, Company's share will be USD 37.4 million (approximately ₹ 16,880 lacs) [31 March 2012: USD 37.4 million (approximately ₹ 16,880 lacs)] 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 had recovered costs in excess of the Base Development Costs ("BDC") cap imposed in the PSC and that the Ravva JV had also allowed these excess costs in the calculation of the Post Tax Rate of Return (PTRR). Joint venture partners initiated the arbitration proceedings and Arbitration Tribunal published the Award on 18 January 2011 at Kuala Lumpur, allowing Claimants (including the Company) to recover the Development costs spent to the tune of USD 278 million and disallowed over run of USD 22.3 million spent in respect of BDC along with 50% legal costs reimbursable to the Joint venture partners. High Court of Kuala Lumpur dismissed Government of India's (GOI) application of setting aside the part of the Award on 30 August 2012 with costs. However, GOI's counsel served notice of appeal filed before Court of Appeal against the High Court's order.

b. Service tax

The Company has received five show cause notices from the tax authorities in India for non payment of service tax as a recipient of services from foreign service providers, against which replies have already been filed before the authorities.

These notices cover periods from 1 April 2006 to 31 March 2011. A writ petition has been filed with Chennai High Court challenging the scope of some services in respect of first show cause notice (1 April 2006 to 31 March 2007).

Should future adjudication go against the Company, it will be liable to pay the service tax of approximately ₹ 11,248 lacs (31 March 2012: ₹ 11,248 lacs) plus potential interest of approximately ₹ 9,013 lacs (31 March 2012: ₹ 6,603 lacs), although this could be recovered in part, where it relates to services provided to Joint Venture of which the Company is operator.

c. Tax holiday on gas production

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

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

The Company filed a writ petition to the Gujarat High Court in 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 is approximately ₹ 24,317 lacs (31 March 2012: ₹ 24,258 lacs).

d. Others

i) Pursuant to the provisions of the Rajasthan Entry Tax Act, 1999, an entry tax demand has been raised for ₹ 664 Lacs (31 March 2012: ₹ 165 Lacs) plus penalty and interest which the Company has contested before the Deputy Commissioner. The Company believes that this levy is not constitutionally valid and its writ petition in this regard is pending before the Honorable Rajasthan High Court.

ii) Other claims against the Company not acknowledged as debts amounts to ₹ 1,500 lacs (31 March 2012: Nil).

Based on an analysis of the legal positions, the management is of the view that the liabilities in the cases mentioned in (a) to (d) above are not probable and accordingly no provision has been considered necessary there against.

Notes to Consolidated Financial Statements Continued

FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in ₹ lacs, unless otherwise stated)

34. DERIVATIVE INSTRUMENTS AND UNHEDGED FOREIGN CURRENCY EXPOSURE

Cairn India Group has taken USD put/₹ call options aggregating to Nil (31 March 2012: USD 5,150 lacs, equivalent to ₹ 243,000 lacs) and forward contracts for sale of Nil (31 March 2012: USD 100 lacs, equivalent to ₹ 5,032 lacs).

Particulars of Unhedged Foreign Currency Exposure at the Balance Sheet date

Particulars	31 March 2013	31 March 2012
Trade receivables	228,519	149,684
Investments	1,024	1,423
Cash and bank balances	547,879	558,593
Other assets	8,503	31,289
Loans and advances	264,027	236,855
Other current liabilities including trade payables	142,165	64,837

35. The Board, subject to the approval of shareholders, has appointed Mr. P. Elango, Interim Chief Executive Officer, as a Whole Time Director of the Company with effect from 21 January 2013.

36. OIL & GAS RESERVES AND RESOURCES

Cairn India Group's gross reserve estimates are based on forecast production profiles over the remaining life of the field, determined on an asset-by-asset basis, using appropriate petroleum engineering techniques. The management's internal estimates of hydrocarbon reserves and resources at the year end is as follows-

Particulars	Gross proved and probable hydrocarbons initially in place		Gross proved and probable reserves and resources		Net working interest proved and probable reserves and resources	
	(mmboe)		(mmboe)		(mmboe)	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012	31 March 2013	31 March 2012
Rajasthan MBA Fields	2,193	2,090	636	636	445	445
Rajasthan MBA EOR	-	-	270	308	189	216
Rajasthan Block Other Fields	2,005	2,088	181	178	126	125
Ravva Fields	681	690	50	70	11	16
CBOS/2 Fields	209	182	20	13	8	5
Other fields*	553	792	130	426	93	99
Total	**5,641**	**5,842**	**1,287**	**1,631**	**872**	**906**

*31 March 2012 includes KG-DWN-98/2, participating interest of which was sold during the year.

Notes to Consolidated Financial Statements Continued

FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in ₹ lacs, unless otherwise stated)

36. OIL & GAS RESERVES AND RESOURCES CONTINUED

Cairn India Group's net working interest 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 of 1 April 2011*	304.60	20.17	138.94	20.17
Additions / revision during the year	59.96	2.21	94.10	2.21
Production during the year	35.92	7.22	35.92	7.22
Reserves as of 31 March 2012**	**328.64**	**15.16**	**197.12**	**15.16**
Additions / revision during the year	(3.33)	8.98	31.00	7.57
Production during the year	45.74	5.56	45.74	5.56
Reserves as of 31 March 2013***	**279.57**	**18.58**	**182.38**	**17.17**

* Includes probable oil reserves of 55.93 mmstb (of which 26.7 mmstb is developed) and probable gas reserves of 9.45 bscf (of which 9.45 bscf is developed)

** Includes probable oil reserves of 87.03 mmstb (of which 51.39 mmstb is developed) and probable gas reserves of 6.40 bscf (of which 6.40 bscf is developed)

*** Includes probable oil reserves of 74.07 mmstb (of which 35.76 mmstb is developed) and probable gas reserves of 11.06 bscf (of which 9.70 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

37. 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

Cairn India Group's secondary segments are the geographic distribution of activities. Revenue and receivables are specified by location of customers while the other geographic information is specified by location of the assets. The figures appearing in these financial statements relate to operations in the Indian sub-continent except for an unsuccessful exploration expenditure of ₹ 7,267 lacs (31 March 2012: Nil) incurred in South Africa.

Notes to Consolidated Financial Statements Continued

FOR THE YEAR ENDED 31 MARCH 2013

(All amounts are in ₹ lacs, unless otherwise stated)

38. PREVIOUS YEAR FIGURES

Cairn India Group has reclassified and regrouped the previous year figures to confirm to this year's classification.

As per our report of even date

For S. R. Batliboi & Co. LLP
Firm Registration No.:301003E
Chartered Accountants

per Raj Agrawal
Partner
Membership No. 82028

Place: Gurgaon
Date: 22 April 2013

For and on behalf of the Board of Directors

Navin Agarwal
Chairman
DIN 00006303

P. Elango
Interim CEO and
Whole Time Director
DIN 06475821

Aman Mehta
Director
DIN 00009364

Sudhir Mathur
Chief Financial Officer

Neerja Sharma
Director-Risk Assurance &
Company Secretary