AUDITED FINANCIAL STATEMENTS

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, 2014, 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 but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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, 2014;
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.

For S.R. Batliboi & Co. LLP
Chartered Accountants
ICAI Firm Registration Number : 301003E

per Raj Agrawal
Partner
Membership No.: 82028

Place: Gurgaon
Date: 23 April 2014

Consolidated Balance Sheet

As at 31 March 2014

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

	Notes	31 March 2014	31 March 2013
EQUITY & LIABILITIES			
Shareholder's fund			
Share capital	3	190,763	191,024
Reserves and surplus	4	5,553,006	4,578,919
		5,743,769	**4,769,943**
Non-current liabilities			
Deferred tax liabilities (net)	11	73,559	46,408
Long-term provisions	5	311,314	240,406
		384,873	**286,814**
Current liabilities			
Trade payables	6	62,077	53,667
Other current liabilities	6	209,580	120,321
Short-term provisions	5	168,780	174,284
		440,437	**348,272**
Total		**6,569,079**	**5,405,029**
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	7	988,365	940,112
Intangible assets	8	1,519,217	1,518,888
Development capital work in progress	9	362,106	320,788
Exploration intangible assets under development	10	207,583	117,711
Long-term loans and advances	12	740,271	486,648
Other non-current assets	13.2	538,270	44,590
		4,355,812	**3,428,737**
Current assets			
Current investments	14	1,636,384	1,038,226
Inventories	15	29,705	19,609
Trade receivables	13.1	251,240	228,519
Cash and bank balances	16	176,194	555,682
Short-term loans and advances	12	104,668	107,031
Other current assets	13.2	15,076	27,225
		2,213,267	**1,976,292**
Total		**6,569,079**	**5,405,029**
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
Chartered Accountants
ICAI Firm Registration Number : 301003E

per Raj Agrawal
Partner
Membership No.: 82028

Place: Gurgaon
Date: 23 April 2014

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 & Loss

For the year ended 31 March 2014

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

	Notes	31 March 2014	31 March 2013
Income			
Revenue from operations	17	1,876,170	1,752,415
Other income	18	150,271	103,624
Total revenue		**2,026,441**	**1,856,039**
Expenses			
Cess on crude oil		289,859	280,767
Share of expenses from producing oil and gas blocks		117,415	85,113
Change in inventories of finished goods	19	(1,413)	(2,742)
Employee benefit expenses	20	27,412	10,325
Other expenses	21	33,087	30,148
Depletion, depreciation and amortization expense	22	229,736	184,592
Finance costs	23	4,148	6,866
Exploration costs written off	10	41,238	45,488
		741,482	**640,557**
Profit before tax		**1,284,959**	**1,215,482**
Tax expenses			
Current tax		255,314	245,434
Less: MAT credit entitlement		(240,685)	(215,571)
Net current tax expense		14,629	29,863
Deferred tax charge/(credit)		27,151	(6,355)
Total tax expense		**41,780**	**23,508**
Profit for the year before impact of scheme of arrangement relating to earlier periods		**1,243,179**	**1,191,974**
Impact of scheme of arrangement relating to earlier periods	24	-	13,665
Profit for the year		**1,243,179**	**1,205,639**
Earnings per equity share in ₹	25		
[nominal value of share ₹ 10 (31 March 2013: ₹ 10)]			
Computed on the basis of profit for the year			
Basic		65.08	63.16
Diluted		64.95	63.06
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
Chartered Accountants
ICAI Firm Registration Number : 301003E

per Raj Agrawal
Partner
Membership No.: 82028

Place: Gurgaon
Date: 23 April 2014

For and on behalf of the Board of Directors

Navin Agarwal
Chairman
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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 Cash Flow Statement

For the year ended 31 March 2014

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

	31 March 2014	31 March 2013
Cash flow from operating activities		
Profit before tax	**1,284,959**	**1,215,482**
Adjustments for:		
Depletion, depreciation and amortization	235,452	188,731
Exploration costs written off	41,238	45,488
Employee stock compensation expense (equity settled)	19,868	1,198
Unrealized foreign exchange (gain)/loss (net)	3,048	4,140
Gain on sale of current investments (net)	(36,614)	(21,765)
Interest expense	1,460	6,702
Other finance charges	2,646	100
Interest income	(38,812)	(29,078)
Share buy back expenses	375	-
Other non-operating income	(489)	(11,792)
Dividend income	(452)	(9,476)
Operating profit before working capital changes	**1,512,679**	**1,389,730**
Movements in working capital :		
Increase in trade payables, other liabilities and provisions	7,192	21,996
(Increase) in trade receivables	(28,441)	(80,717)
(Increase) in inventories	(27,200)	(1,643)
(Increase)/ decrease in loans and advances and other assets	(92,684)	3,066
Cash generated from operations	**1,371,546**	**1,332,432**
Direct taxes paid (net of refunds)	(262,270)	(226,869)
Net cash flow from operating activities (A)	**1,109,276**	**1,105,563**
Cash flows from investing activities		
Purchase of fixed assets (including capital advances)	(287,327)	(163,132)
Proceeds from sale of KG-DWN-98/2 block	17,225	-
Deposit made on escrow account	(14,313)	-
Short term investments made (net)	(561,546)	(832,904)
Proceeds from redemption/ maturity of deposits having original maturity of more than three months	621,832	557,898
Deposits made having original maturity of more than three months	(617,483)	(898,055)
Interest received	30,970	22,907
Dividend received on current investments	452	9,476
Payments made to site restoration fund	(2,718)	(1,996)
Net cash flow (used in) investing activities (B)	**(812,908)**	**(1,305,806)**
Cash flows from financing activities		
Proceeds from issuance of equity share capital (including securities premium)	1,481	5,887
Payment made for buy back of equity shares	(10,553)	-
Expenses paid for buy back of equity shares	(375)	-
Repayment of long-term borrowings	-	(125,000)
Repayment of finance lease obligation	-	(184)
Dividend paid on equity shares	(238,805)	(95,488)
Tax paid on equity dividend	(40,585)	(15,491)
Payment of borrowing costs (other than interest)	(2,646)	-
Interest paid	(937)	(9,497)
Net cash flow (used in) financing activities (C)	**(292,420)**	**(239,773)**
Net increase / (decrease) in cash and cash equivalents (A + B + C)	**3,948**	**(440,016)**

Consolidated Cash Flow Statement (contd.)

For the year ended 31 March 2014

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

	31 March 2014	31 March 2013
Effect of exchange differences on cash & cash equivalents held in foreign currency	(248)	11
Cash and cash equivalents at the beginning of the year	4,634	444,639
Cash and cash equivalents at the end of the year	**8,334**	**4,634**
Components of cash and cash equivalents		
Cash on hand	1	1
With banks		
- deposits with original maturity of upto 3 months	8,265	4,302
- current accounts	68	331
Total cash and cash equivalents (note 16)	**8,334**	**4,634**

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
Chartered Accountants
ICAI Firm Registration Number : 301003E

per Raj Agrawal
Partner
Membership No.: 82028

Place: Gurgaon
Date: 23 April 2014

For and on behalf of the Board of Directors

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Neerja Sharma
Director-Risk Assurance
& Company Secretary

Notes To Consolidated Financial Statements

For the year ended 31 March 2014

(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') partcipates 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.

* Liquidated during the year.

Notes To Consolidated Financial Statements (contd.)

For the year ended 31 March 2014

(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 transferred		
Non – operated block		
KG-DWN-98/2 in September 2012	Krishna Godavari Deep water	10.00%

The participating interests were same in the previous 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 Act, 1956 read with General Circular 8/2014 dated 4 April 2014, issued by the Ministry of Corporate Affairs, 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, except to the extent stated in note 2.1 a below.

2.1 Summary of significant accounting policies

a. Change in accounting policy

During the current year, the Cairn India Group has decided to measure all its outstanding stock option liabilities using the Fair value method (Black-Scholes) as against the previously followed Intrinsic value method. Accordingly, the stock option charge for the year ended 31 March 2014 is higher by ₹ 17,035 lacs (including ₹ 13,011 lacs for the period up to 31 March 2013) and profit after tax is lower by ₹ 15,276 lacs (including ₹ 11,730 lacs for the period up to 31 March 2013).

b. 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.

c. 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" (Revised 2013).

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

Notes To Consolidated Financial Statements (contd.)

For the year ended 31 March 2014

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

2. BASIS OF PREPARATION CONTINUED

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.

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.

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, amortization and depletion

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 which is a maximum of 10 years. Leasehold improvements are amortized over the remaining period of the primary lease (3 to 6 years) or expected useful economic lives, whichever is shorter.

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.

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.

Notes To Consolidated Financial Statements (contd.)

For the year ended 31 March 2014

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

2. BASIS OF PREPARATION CONTINUED

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 long term 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.

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.

Notes To Consolidated Financial Statements (contd.)

For the year ended 31 March 2014

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

2. BASIS OF PREPARATION CONTINUED

n. Foreign currency transactions and translations

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

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

All transactions of integral foreign operations are translated as if the transactions of those foreign operations were the transactions of the group itself. In translating the financial statements of a non-integral foreign operation for incorporating in the consolidated financial statements, Cairn India Group translates the assets and liabilities at the rate of exchange prevailing at the balance sheet date. Income and expenses of non-integral operations are translated using rates at the date of transactions. Resulting exchange differences are disclosed under the foreign currency translation reserve until the disposal of the net investment in non-integral operations.

o. Income taxes

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the income tax laws 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,

Notes To Consolidated Financial Statements (contd.)

For the year ended 31 March 2014

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

2. BASIS OF PREPARATION CONTINUED

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.

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 fair value method. Compensation expense is amortized over the vesting period of the option on a straight line basis.

t. Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. Cairn India Group does not recognize a contingent liability but discloses its existence in the financial statements.

u. Segment Reporting

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.

w. 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.

3. SHARE CAPITAL

	31 March 2014	31 March 2013
Authorised shares		
22,500 lacs (31 March 2013: 22,500 lacs) equity shares of ₹ 10 each	225,000	225,000
Issued, subscribed and fully paid up shares		
19,076 lacs (31 March 2013: 19,102 lacs) equity shares of ₹ 10 each	190,763	191,024
Total issued, subscribed and fully paid-up share capital	**190,763**	**191,024**

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

	31 March 2014		31 March 2013	
	No. lacs	₹ lacs	No. lacs	₹ lacs
At the beginning of the period	19,102	191,024	19,074	190,740
Issued during the period – ESOP	7	66	28	284
Shares extinguished pursuant to buy back (refer note 30)	(33)	(327)	-	-
Outstanding at the end of the period	**19,076**	**190,763**	**19,102**	**191,024**

Notes To Consolidated Financial Statements (contd.)

For the year ended 31 March 2014

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

3. SHARE CAPITAL CONTINUED

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.

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

	31 March 2014	31 March 2013
Sesa Sterlite Limited (formerly Sesa Goa Limited), the holding company 3,511 lacs (31 March 2013: 3,511 lacs) equity shares of ₹ 10 each fully paid	35,114	35,114
Twin Star Mauritius Holdings Limited, subsidiary of Sesa Sterlite Limited 7,389 lacs (31 March 2013: 7,389 lacs) equity shares of ₹ 10 each fully paid	73,887	73,887
Sesa Resources Limited, subsidiary of Sesa Sterlite Limited 327 lacs (31 March 2013: 327 lacs) equity shares of ₹ 10 each fully paid	3,270	3,270

Note: On 26 August 2013, Sesa Sterlite Limited acquired Twin Star Mauritius Holdings Limited and became the Company's holding company. However, as in the previous year, all the above entities and the Company continue to be the subsidiaries of Vedanta Resources Plc.

d. Aggregate number of shares issued for consideration other than cash during the period of five years immediately preceding the reporting date:

The Company has issued total 142 lacs equity shares (31 March 2013: 180 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 period.

e. Aggregate number and class of shares bought back during the period of five years immediately preceding the reporting date:

The Company bought back 33 lacs equity shares (31 March 2013: Nil) during the period of five years immediately preceding the reporting date. Also refer note 30 below.

f. Details of shareholders holding more than 5% shares in the Company

	31 March 2014		31 March 2013	
	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	38.73%	7,389	38.68%
Sesa Sterlite Limited (formerly Sesa Goa Limited)	3,511	18.41%	3,511	18.38%
Cairn UK Holdings Ltd	1,841	9.65%	1,962	10.27%
Life Insurance Corporation of India	1,704	8.93%	1,510	7.90%

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

g. Shares reserved for issue under options

For details of shares reserved for issue under the ESOP scheme of the Company, refer note 27.

4. RESERVES AND SURPLUS

	31 March 2014	31 March 2013
Securities premium account		
Balance as per the last financial statements	2,018,757	3,029,271
Less: adjustment pursuant to implementation of Scheme of Arrangement (refer note 24)	-	(1,016,703)
Add: additions on employee stock options exercised	1,415	5,605
Less: adjustment on account of buy back of equity shares (refer note 30)	(10,226)	-
Add: transferred from stock options outstanding	777	584
Closing Balance	**2,010,723**	**2,018,757**
Capital redemption reserve		
Balance as per the last financial statements	-	-

Notes To Consolidated Financial Statements (contd.)

For the year ended 31 March 2014

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

4. RESERVES AND SURPLUS CONTINUED

	31 March 2014	31 March 2013
Add: transferred from general reserve on buy back of equity shares	327	-
Closing Balance	**327**	**-**
Debenture redemption reserve		
Balance as per the last financial statements	-	4,396
Add: amount transferred to surplus balance in the statement of profit and loss	-	(4,396)
Closing Balance	**-**	**-**
Employee stock options outstanding		
Gross employee stock compensation for options granted in earlier years	24,450	2,739
Add: gross compensation for options granted during the year	6,854	2,182
Less: deferred employee stock compensation	(9,723)	(2,625)
Less: transferred to securities premium on exercise of stock options	(777)	(584)
Closing Balance	**20,804**	**1,712**
General reserve		
Balance as per the last financial statements	294,935	-
Less: transferred to capital redemption reserve on account of buy back of equity shares	(327)	-
Add: transferred from surplus balance in the statement of profit and loss	74,543	294,935
Closing Balance	**369,151**	**294,935**
Surplus in the statement of profit and loss		
Balance as perw last financial statements	2,263,515	1,603,702
Profit for the year	1,243,179	1,205,639
Less: Appropriations		
Proposed final equity dividend [amount per share ₹ 6.50 (31 March 2013: ₹ 6.50)]	(123,996)	(124,165)
Tax on proposed final equity dividend	(22,033)	(20,143)
Interim equity dividend [amount per share ₹ 6 (31 March 2013: ₹ 5)]	(114,639)	(95,488)
Tax on interim dividend	(19,482)	(15,491)
Transfer from debenture redemption reserve	-	4,396
Transfer to general reserve	(74,543)	(294,935)
Net surplus in the statement of profit and loss	**3,152,001**	**2,263,515**
Total reserves and surplus	**5,553,006**	**4,578,919**

5. PROVISIONS

	Long-term		Short-term	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
Provision for employee benefits				
Provision for employee stock options (cash settled)**	488	573	290	817
Provision for gratuity (refer note 26)	-	-	1,545	1,323
Provision for compensated absences	-	-	1,595	1,330
	488	**573**	**3,430**	**3,470**
Other provisions				
Provision for site restoration*	310,826	239,833	-	-
Provision for taxation (net of advance tax)	-	-	20,281	26,506
Proposed equity dividend	-	-	123,996	124,165
Provision for tax on proposed equity dividend	-	-	21,073	20,143
	310,826	**239,833**	**165,350**	**170,814**
	311,314	**240,406**	**168,780**	**174,284**

Notes To Consolidated Financial Statements (contd.)

For the year ended 31 March 2014

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

5. PROVISIONS CONTINUED

	31 March 2014	31 March 2013
* Provision for site restoration [refer note 2.1 (d) above]		
Opening balance	239,833	186,765
Additions for the year	70,993	53,068
Closing balance	**310,826**	**239,833**
** Provision for employee stock options (cash settled) [refer note 2.1 (s) above]		
Opening Balance	1,390	1,249
Additions for the year	1,083	1,619
Payments during the year	(853)	(1,076)
Reversed during the year	(842)	(402)
Closing Balance	**778**	**1,390**

6. OTHER CURRENT LIABILITIES

	31 March 2014	31 March 2013
Trade payables	62,077	53,667
Other liabilities		
Others		
Revenue received in excess of entitlement interest	452	9,595
Statutory dues payable	12,961	13,193
Interest accrued on other than borrowings	8,150	7,630
Profit petroleum payable	6,336	2,788
Liabilities for exploration and development activities	181,681	87,115
	209,580	**120,321**
	271,657	**173,988**

7. TANGIBLE ASSETS

	Freehold land	Leasehold land	Buildings	Plant and machinery	Office equipments	Furniture & fixtures	Leasehold improvements	Vehicles	Oil & gas producing facilities	Total
Cost or valuation										
At 1 April 2012	**436**	**13,422**	**90,604**	**609,951**	**7,565**	**1,036**	**2,816**	**714**	**587,474**	**1,314,018**
Additions	2	1,217	29,259	59,368	7,395	1,645	-	97	134,180	233,163
Disposals	-	-	-	-	(31)	-	-	(54)	-	(85)
At 31 March 2013	**438**	**14,639**	**119,863**	**669,319**	**14,929**	**2,681**	**2,816**	**757**	**721,654**	**1,547,096**
Additions	-	566	35,932	48,232	3,733	316	-	39	191,684	280,502
Disposals	(247)	-	-	-	(609)	-	-	(26)	-	(882)
At 31 March 2014	**191**	**15,205**	**155,795**	**717,551**	**18,053**	**2,997**	**2,816**	**770**	**913,338**	**1,826,716**
Depreciation/ Depletion										
At 1 April 2012	**-**	**1,983**	**14,560**	**110,700**	**5,272**	**437**	**2,654**	**222**	**285,408**	**421,236**
Charge for the year	-	1,486	11,940	66,831	2,508	241	161	75	102,587	185,829
Disposals	-	-	-	-	(27)	-	-	(54)	-	(81)
At 31 March 2013	**-**	**3,469**	**26,500**	**177,531**	**7,753**	**678**	**2,815**	**243**	**387,995**	**606,984**
Charge for the year	-	1,598	14,942	71,746	4,247	467	-	88	138,907	231,995
Disposals	-	-	-	-	(602)	-	-	(26)	-	(628)
At 31 March 2014	**-**	**5,067**	**41,442**	**249,277**	**11,398**	**1,145**	**2,815**	**305**	**526,902**	**838,351**
Net Block										
At 31 March 2013	**438**	**11,170**	**93,363**	**491,788**	**7,176**	**2,003**	**1**	**514**	**333,659**	**940,112**
At 31 March 2014	**191**	**10,138**	**114,353**	**468,274**	**6,655**	**1,852**	**1**	**465**	**386,436**	**988,365**

The above gross block includes ₹ 1,811,088 lacs (31 March 2013: ₹ 1,525,661 lacs) jointly owned with the joint venture partners. Accumulated depreciation on these assets is ₹ 826,350 lacs (31 March 2013: ₹ 595,250 lacs) and net book value is ₹ 984,738 lacs (31 March 2013: ₹ 930,411 lacs).

Notes To Consolidated Financial Statements (contd.)

For the year ended 31 March 2014

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

8. INTANGIBLE ASSETS

	Goodwill	Computer Software	Total
Gross block			
At 1 April 2012	**2,531,927**	**9,847**	**2,541,774**
Additions for the year	-	4,347	4,347
Deletions (Refer note 24)	(1,016,703)	-	(1,016,703)
At 31 March 2013	**1,515,224**	**14,194**	**1,529,418**
Additions for the year	-	3,786	3,786
Deletions	-	(349)	(349)
At 31 March 2014	**1,515,224**	**17,631**	**1,532,855**
Amortization			
At 1 April 2012	**-**	**7,628**	**7,628**
Charge for the year	-	2,902	2,902
Deletions	-	-	-
At 31 March 2013	**-**	**10,530**	**10,530**
Charge for the year	-	3,457	3,457
Deletions	-	(349)	(349)
At 31 March 2014	**-**	**13,638**	**13,638**
Net block			
At 31 March 2013	**1,515,224**	**3,664**	**1,518,888**
At 31 March 2014	**1,515,224**	**3,993**	**1,519,217**

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 period-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.

9. DEVELOPMENT CAPITAL WORK IN PROGRESS

	31 March 2014	31 March 2013
Opening balance	320,788	314,942
Add: Additions for the year	235,605	151,741
Add: Additions from exploration intangible assets under development	-	15,131
Less: Transferred to tangible assets	(194,287)	(161,026)
Closing balance *	**362,106**	**320,788**

* represents ₹ 43,194 lacs (31 March 2013: ₹ 61,828 lacs) relating to oil and gas producing facilities and ₹ 318,912 lacs (31 March 2013: ₹ 258,960 lacs) relating to other tangible assets.

10. EXPLORATION INTANGIBLE ASSETS UNDER DEVELOPMENT

	31 March 2014	31 March 2013
Opening balance	117,711	135,073
Add: Additions for the year	131,110	43,257
Less: Transferred to development capital work in progress	-	(15,131)
Less: Exploration costs written off	(41,238)	(45,488)
Closing balance	**207,583**	**117,711**

Notes To Consolidated Financial Statements (contd.)

For the year ended 31 March 2014

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

11. DEFERRED TAX LIABILITIES (NET)

	31 March 2014	31 March 2013
Deferred tax liabilities		
Fixed assets: Impact of difference between tax depreciation and book depreciation and amortization charged for the financial reporting	74,447	47,127
Gross deferred tax liabilities	**74,447**	**47,127**
Deferred tax assets		
Impact of expenditure charged to the statement of profit and loss in the current year but allowed for tax purposes on payment basis	888	719
Gross deferred tax assets	**888**	**719**
Net deferred tax liabilities	**73,559**	**46,408**

In accordance with the provisions of Accounting Standard 22 'Accounting for taxes on income', the Company would have had deferred tax assets of ₹ 16,245 lacs (31 March 2013: ₹ 4,645 lacs) in respect of accumulated long term capital losses and short term capital losses. However, as the management is not virtually certain of subsequent realization of the asset, the same has not been recognized in these financial statements.

12. LOANS AND ADVANCES

	Non-current		Current	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
Unsecured and considered good				
Capital advances	13,335	2,993	-	-
Security deposit	4,377	2,280	1,082	779
Advances recoverable in cash or kind	-	-	70,954	10,031
	17,712	**5,273**	**72,036**	**10,810**
Unsecured and considered doubtful				
Advances recoverable in cash or kind	-	-	53,603	42,783
Less: provision	-	-	(53,603)	(42,783)
	-	**-**	**-**	**-**
Other loans and advances				
(unsecured and considered good)				
Advance income-tax (net of provision)	14,656	14,157	22,969	22,738
Recoverable from statutory authorities	-	-	5,810	-
Deposits with non-banking financial company	-	-	-	70,000
MAT credit entitlement	707,903	467,218	-	-
Fringe benefit tax paid (net of provision)	-	-	17	17
Prepaid expenses	-	-	3,836	3,466
	722,559	**481,375**	**32,632**	**96,221**
	740,271	**486,648**	**104,668**	**107,031**

Recoverable from statutory authorities represents education and secondary and higher education cess paid for the financial year 2013-14, for which Cairn India Group intends to file a claim for refund pursuant to circular no 978/2/2014-CX issued by Central Board of Excise & Customs.

13. TRADE RECEIVABLES AND OTHER ASSETS

13.1. TRADE RECEIVABLES

	Non-current		Current	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
Unsecured and considered good				
Outstanding for a period exceeding six months from the date they are due for payment	-	-	-	-
Other receivables	-	-	251,240	228,519
	-	-	**251,240**	**228,519**

Notes To Consolidated Financial Statements (contd.)

For the year ended 31 March 2014

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

13. TRADE RECEIVABLES AND OTHER ASSETS CONTINUED

13.2. OTHER ASSETS

	Non-current		Current	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
Unsecured and considered good				
Non-current bank balances (refer note 16)	489,086	18,128	-	-
Non-current inventory of stores and spares (refer note 15)	43,544	26,440	-	-
Insurance claim receivable	-	-	3,969	-
Receivable for assignment of participating interest of KG-DWN-98/2 block	-	-	-	17,225
Interest accrued on deposits and investments	5,640	22	11,107	10,000
	538,270	**44,590**	**15,076**	**27,225**

14. CURRENT INVESTMENTS (VALUED AT LOWER OF COST AND FAIR VALUE)

	31 March 2014	31 March 2013
Quoted mutual funds	836,410	276,840
Quoted bonds	436,265	50,000
Unquoted mutual funds	363,709	644,749
Unquoted certificate of deposits	-	66,637
	1,636,384	**1,038,226**
Aggregate amount of quoted investments [Market value: ₹ 1,326,690 lacs (31 March 2013: ₹ 330,837 lacs)]	1,272,675	326,840
Aggregate amount of unquoted investments	363,709	711,386
	1,636,384	**1,038,226**

15. INVENTORIES (VALUED AT LOWER OF COST AND NET REALIZABLE VALUE)

	Non-current		Current	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
Finished goods (crude oil)*	-	-	13,947	12,534
Stores and spares	43,544	26,440	15,758	7,075
	43,544	**26,440**	**29,705**	**19,609**
Less: amount disclosed under other non-current assets	(43,544)	(26,440)	-	-
	-	-	**29,705**	**19,609**

*includes stock in pipeline ₹ 9,741 lacs (31 Mar 2013: ₹ 9,439 lacs).

16. CASH AND BANK BALANCES

	Non-current		Current	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
Cash and cash equivalents				
Balances with banks:				
– Current accounts	-	-	68	331
– Deposits with original maturity of upto 3 months	-	-	8,265	4,302
Cash on hand	-	-	1	1
	-	**-**	**8,334**	**4,634**
Other bank balances				
– Deposits with original maturity for more than 12 months	415,626	7,306	64,711	375,159
– Deposits with original maturity for more than 3 months but upto 12 months	-	-	88,836	175,889
– Margin money deposit (under lien for securing credit facilities)	59,920	-	-	-
– Escrow account (refer note 30)	-	-	14,313	-

Notes To Consolidated Financial Statements (contd.)

For the year ended 31 March 2014

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

16. CASH AND BANK BALANCES CONTINUED

	Non-current		Current	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
– Site restoration fund	13,540	10,822	-	-
	489,086	**18,128**	**167,860**	**551,048**
Less: amount disclosed under other non-current assets	(489,086)	(18,128)	-	-
	-	-	**176,194**	**555,682**

17. REVENUE FROM OPERATIONS

	31 March 2014	31 March 2013
Sale of finished goods		
Crude oil and condensate	2,410,295	2,096,360
Gas	22,102	14,031
Less: Government share of profit petroleum	(559,564)	(359,964)
	1,872,833	**1,750,427**
Sale of services (tolling income)	3,283	1,520
Other operating revenue (income received as operator from joint venture)	54	468
	1,876,170	**1,752,415**

18. OTHER INCOME

	31 March 2014	31 March 2013
Interest income on		
Bank deposits	20,248	26,896
Current investments	16,328	1,585
Others	2,236	597
Dividend income on current investments	452	9,476
Gain on sale of current investments (net)**	36,614	21,765
Exchange differences (net)*	73,904	31,340
Other non-operating income	489	11,965
	150,271	**103,624**

* net of loss on derivative contracts of Nil (31 March 2013: ₹ 563 lacs)

** net of loss on adjustment to carrying value of current investment of ₹ 4,366 lacs (31 March 2013: Nil)

19. CHANGES IN INVENTORIES OF FINISHED GOODS

	31 March 2014	31 March 2013
Inventories at the end of the year	13,947	12,534
Inventories at the beginning of the year	12,534	9,792
	(1,413)	**(2,742)**

20. EMPLOYEE BENEFIT EXPENSES

	31 March 2014	31 March 2013
Salaries, wages and bonus	59,403	45,589
Contribution to provident fund	2,598	2,028
Contribution to superannuation fund	1,498	1,321
Employee stock option scheme (refer note 27)	20,110	2,415
Gratuity expense (refer note 26)	867	1,023
Compensated absences	373	704
Staff welfare expenses	6,943	4,721
	91,792	**57,801**
Less: Cost allocated to joint ventures	(64,380)	(47,476)
	27,412	**10,325**

Notes To Consolidated Financial Statements (contd.)

For the year ended 31 March 2014

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

21. OTHER EXPENSES

	31 March 2014	31 March 2013
Data acquisition and analysis	1,646	874
Arbitration costs	55	65
Royalty	1,749	1,932
Legal and professional fees	22,509	17,719
Donations to political parties	750	-
Auditors' remuneration		
As auditor:		
Fees for audit of standalone and consolidated financial statements	116	145
Fees for limited review of standalone and consolidated quarterly financial results	45	45
Fees for certification and agreed upon procedures	10	9
Fees for audit of the tax financial statements and form 3CD	3	54
Fees for other services	11	11
Reimbursement of expenses	5	9
Travelling and conveyance	6,376	4,985
Commission to independent directors	498	-
Share buy back expenses	375	-
Director's sitting fees	15	14
Contract employee charges	7,089	4,692
Rent	4,773	3,730
Rates and Taxes	3,486	3,209
Insurance	2,182	1,946
Repairs and maintenance		
Buildings	1,038	1,620
Others	5,065	4,444
Miscellaneous expenses	13,129	13,691
	70,925	**59,194**
Less: Cost allocated to joint ventures	(37,838)	(29,046)
	33,087	**30,148**

22. DEPLETION, DEPRECIATION AND AMORTIZATION EXPENSE

	31 March 2014	31 March 2013
Depreciation and depletion of tangible assets	231,995	185,829
Amortization of intangible assets	3,457	2,902
Less: Cost allocated to joint ventures	(5,716)	(4,139)
	229,736	**184,592**

23. FINANCE COSTS

	31 March 2014	31 March 2013
Interest	1,473	6,722
Loan facility and management fees	-	100
Bank charges	42	64
Exchange difference to the extent considered as an adjustment to borrowing cost	2,646	-
	4,161	**6,886**
Less: Cost allocated to joint ventures	(13)	(20)
	4,148	**6,866**

Notes To Consolidated Financial Statements (contd.)

For the year ended 31 March 2014

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

24. 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., had been accounted for in the year ended 31 March 2013.

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 in the year ended 31 March 2013 had adjusted goodwill of ₹ 1,016,703 lacs against the securities premium account which had consequentially been recorded in the consolidated financial statements in the year ended 31 March 2013 as well and as a result both goodwill and securities premium account were stated lower by ₹ 1,016,703 lacs each. This accounting, although different from that prescribed under the Accounting Standards, was in conformity with the accounting principles generally accepted in India, as the same had been approved by the Court and had no impact on the profits for the previous year.

25. EARNINGS PER SHARE (EPS)

The following reflects the profit and share data used in the basic and diluted EPS computations:

	31 March 2014	31 March 2013
Profit for the year as per Statement of Profit & Loss (used for calculation of both basic and diluted EPS)	**1,243,179**	**1,205,639**
	No. lacs	No. lacs
Weighted average number of equity shares in calculating basic EPS	19,101	19,089
Effect of dilution:		
Stock options granted under employee stock options	39	29
Weighted average number of equity shares in calculating diluted EPS	19,140	19,118
Earnings per equity share in ₹ computed on the basis of profit for the year		
Basic	65.08	63.16
Diluted	64.95	63.06

26. 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.

	31 March 2014	31 March 2013
Statement of profit and loss		
Net employee benefit expense recognized in the employee cost		
Current service cost	752	609
Interest cost on benefit obligation	294	216
Expected return on plan assets	(192)	(172)
Net actuarial (gain) / loss recognized in the year	13	370
Net benefit expense	**867**	**1,023**
Actual return on plan assets	197	176
Balance sheet		
Benefit asset/ liability		
Present value of defined benefit obligation	4,503	3,676
Fair value of plan assets	2,958	2,353
Plan asset / (liability)	**(1,545)**	**(1,323)**

Notes To Consolidated Financial Statements (contd.)

For the year ended 31 March 2014

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

26. GRATUITY CONTINUED

	31 March 2014	31 March 2013
Changes in the present value of the defined benefit obligation are as follows		
Opening defined benefit obligation	3,676	2,698
Current service cost	752	609
Interest cost	294	216
Benefits paid	(237)	(221)
Actuarial (gains) / losses on obligation	18	374
Closing defined benefit obligation	**4,503**	**3,676**
Changes in the fair value of plan assets are as follows:		
Opening fair value of plan assets	2,353	1,820
Expected return	192	172
Contributions by employer	645	578
Benefits paid	(237)	(221)
Actuarial gains / (losses)w	5	4
Closing fair value of plan assets	**2,958**	**2,353**

Cairn India Group's expected contribution to the fund in the next year is ₹ 1,054 lacs (31 March 2013: ₹ 939 lacs).

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

	31 March 2014	31 March 2013
Investments with insurer	100%	100%

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

	31 March 2014	31 March 2013
Discount rate	9.00%	8.00%
Future salary increase	12.00%	12.00%
Expected rate of return on assets	9.45%	9.45%
Employee turnover	10.00%	5.00%
Mortality rate	IALM (2006-08)	IALM (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 2014	31 March 2013	31 March 2012	31 March 2011	31 March 2010
Defined benefit obligation	4,503	3,676	2,698	2,000	1,619
Plan assets	2,958	2,353	1,860	1,394	970
Surplus / (deficit)	**(1,545)**	**(1,323)**	**(838)**	**(606)**	**(649)**
Experience adjustments on plan assets	5	4	1	4	4
Experience adjustments on plan liabilities	(396)	(374)	(308)	69	(138)

Cairn India 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.

Notes To Consolidated Financial Statements (contd.)

For the year ended 31 March 2014

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

27. EMPLOYEE STOCK OPTION PLANS

Cairn India Group has provided various share based payment schemes to its employees. During the year ended 31 March 2014, the following schemes were in operation:

Particulars	CIPOP	CIESOP	CIPOP Phantom	CIESOP Phantom
Date of Board Approval	17-Nov-06	17-Nov-06	Not applicable	Not applicable
Date of Shareholder's approval	17-Nov-06	17-Nov-06	Not applicable	Not applicable
Number of options granted till March 2014	12,499,781	30,112,439	4,026,214	758,370
Method of Settlement	Equity	Equity	Cash	Cash
Vesting Period	3 years from grant date	3 years from grant date	3 years from grant date	3 years from grant date
Exercise Period	3 months from vesting date	7 years from vesting date	Immediately upon vesting	Immediately upon vesting

Number of options granted till 31 March 2014

Particulars	CIPOP	CIESOP	CIPOP Phantom	CIESOP Phantom
Date of Grant				
24-Nov-06	-	-	-	-
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
23-Jul-13	3,290,997	-	432,259	-
Total	**12,499,781**	**30,112,439**	**4,026,214**	**758,370**

* includes 169,944 & 260,288 options converted from CIPOP to CIPOP Phantom in 29-Jul-09 & 27-Jul-10 grants respectively during the financial year 2011-12.

The vesting conditions of the above plans are as under:

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.

Notes To Consolidated Financial Statements (contd.)

For the year ended 31 March 2014

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

27. EMPLOYEE STOCK OPTION PLANS CONTINUED

Details of activities under employees stock option plans

CIPOP Plan	31 March 2014		31 March 2013	
	Number of options	Weighted average exercise price in ₹	Number of options	Weighted average exercise price in ₹
Outstanding at the beginning of the year	1,505,363	10.00	1,082,340	10.00
Granted during the year	3,290,997	10.00	890,501	10.00
Expired during the year	Nil	NA	Nil	NA
Exercised during the year	Nil	NA	221,029	10.00
Forfeited / cancelled during the year	357,047	10.00	246,449	10.00
Outstanding at the end of the year	4,439,313	10.00	1,505,363	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 ₹ 265.08 (31 March 2013: ₹ 320.98)

Weighted average share price at the date of exercise of stock options is NA (31 March 2013: ₹ 344.46)

CIESOP Plan	31 March 2014		31 March 2013	
	Number of options	Weighted average exercise price in ₹	Number of options	Weighted average exercise price in ₹
Outstanding at the beginning of the year	13,971,816	298.51	13,963,416	278.49
Granted during the year	Nil	NA	4,153,467	326.85
Expired during the year	Nil	NA	Nil	NA
Exercised during the year	662,266	223.66	2,621,017	223.86
Forfeited / cancelled during the year	786,472	325.70	1,524,050	320.70
Outstanding at the end of the year	12,523,078	300.76	13,971,816	298.51
Exercisable at the end of the year	5,499,118	266.86	4,135,249	228.10

Weighted average fair value of options granted on the date of grant is NA (31 March 2013: ₹ 188.87)

Weighted average share price at the date of exercise of stock options is ₹ 314.11 (31 March 2013: ₹ 331.27)

CIPOP Plan – Phantom options	31 March 2014		31 March 2013	
	Number of options	Weighted average exercise price in ₹	Number of options	Weighted average exercise price in ₹
Outstanding at the beginning of the year	873,689	10.00	1,038,206	10.00
Granted during the year	432,259	10.00	441,624	10.00
Expired during the year	Nil	NA	Nil	NA
Exercised during the year	236,392	10.00	Nil	NA
Forfeited / cancelled during the year	470,782	10.00	606,141	10.00
Outstanding at the end of the year	598,774	10.00	873,689	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 ₹ 280.3 (31 March 2013: ₹ 323.11)
Weighted average share price at the date of exercise of stock options is ₹ 303.45 (31 March 2013: NA)

CIESOP Plan – Phantom options	31 March 2014		31 March 2013	
	Number of options	Weighted average exercise price in ₹	Number of options	Weighted average exercise price in ₹
Outstanding at the beginning of the year	41,975	327.86	263,711	278.79
Granted during the year	Nil	NA	24,495	326.85
Expired during the year	Nil	NA	Nil	NA
Exercised during the year	Nil	NA	Nil	NA

Notes To Consolidated Financial Statements (contd.)

For the year ended 31 March 2014

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

27. EMPLOYEE STOCK OPTION PLANS CONTINUED

CIESOP Plan – Phantom options	31 March 2014		31 March 2013	
	Number of options	Weighted average exercise price in ₹	Number of options	Weighted average exercise price in ₹
Forfeited / cancelled during the year	7,659	331.25	246,231	275.21
Outstanding at the end of the year	34,316	327.11	41,975	327.86
Exercisable at the end of the year	Nil	NA	Nil	NA

Weighted average fair value of options granted on the date of grant is NA (31 March 2013: ₹ 100.84)

The details of exercise price for stock options outstanding as at 31 March 2014 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	4,439,313	1.89	10.00
CIESOP Plan	160-331.25	12,523,078	0.46	300.76
CIPOP Plan – Phantom options	10.00	598,774	1.78	10.00
CIESOP Plan – Phantom options	326.85-327.75	34,316	1.03	327.11

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

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

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 2014	31 March 2013
Total Employee Compensation Cost pertaining to share-based payment plans	20,110	2,415
Compensation Cost pertaining to equity-settled employee share-based payment plan included above	19,868	1,198
Compensation Cost pertaining to cash-settled employee share-based payment plan included above	242	1,217
Equity settled employee stock options outstanding as at year end	20,804	1,712
Liability for cash settled employee stock options outstanding as at year end	778	1,390
Deferred compensation cost of equity settled options	9,723	2,625
Deferred compensation cost of cash settled options	1,052	1,147

Inputs for Fair valuation of Employees Stock Option Plans

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

Variables – CIPOP		
Grant date	23 July 2012	23 July 2013
Stock Price/fair value of the equity shares on the date of grant (₹)	326.85	306.70
Vesting date	23 July 2015	23 July 2016
Vesting %	Refer vesting conditions	Refer vesting conditions
Volatility	44.25%	28.30%
Risk free rate	8.18%	8.47%
Time to maturity (years)	3.12	3.13
Exercise price (₹)	10.00	10.00
Fair Value of the options (₹)	320.98	265.08

Notes To Consolidated Financial Statements (contd.)

For the year ended 31 March 2014

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

27. EMPLOYEE STOCK OPTION PLANS CONTINUED

Variables – CIESOP	
Grant date	23 July 2012
Stock Price/fair value of the equity shares on the date of grant (₹)	326.85
Vesting date	23 July 2015
Vesting %	100.00%
Volatility	44.25%
Risk free rate	8.18%
Time to maturity (years)	6.50
Exercise price (₹)	326.85
Fair Value of the options (₹)	188.87

Note: No options have been granted during the year under CIESOP scheme.

Variables – CIPOP Phantom		
Grant date	23 July 2012	23 July 2013
Stock Price/fair value of the equity shares on the reporting date (₹)	333.00	333.00
Vesting date	23 July 2015	23 July 2016
Vesting %	Refer vesting conditions	Refer vesting conditions
Volatility	23.48%	26.54%
Risk free rate	8.48%	8.65%
Time to maturity (years)	1.31	2.32
Exercise price (₹)	10.00	10.00
Fair Value of the options (₹)	308.05	297.10

Variables – CIESOP Phantom	
Grant date	23 July 2012
Stock Price of the equity shares on the reporting date (₹)	333.00
Vesting date	23 July 2015
Vesting %	Refer vesting conditions
Volatility	23.48%
Risk free rate	8.48%
Time to maturity (years)	1.31
Exercise price (₹)	326.85
Fair Value of the options (₹)	46.32

Note: No options have been granted during the year under CIESOP Phantom scheme.

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 2014	31 March 2013
Profit as reported	1,243,179	1,205,639
Add: Employee stock compensation under intrinsic value method	-	2,415
Less: Employee stock compensation under fair value method	-	(7,246)
Proforma profit	1,243,179	1,200,808

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

27. EMPLOYEE STOCK OPTION PLANS CONTINUED

	31 March 2014	31 March 2013
Earnings Per Share in ₹		
Basic		
- As reported	65.08	63.16
- Proforma	65.08	62.91
Diluted		
- As reported	64.95	63.06
- Proforma	64.95	62.81

28. LEASES

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 2014	31 March 2013
Lease payments made during the year	391	393
Within one year of the balance sheet date	2,593	343
Due in a period between one year and five years	10,930	236
Due after five years	23,979	-

29. RELATED PARTY DISCLOSURES

Names of related parties and related party relationship

Related parties where control exists

Holding / Ultimate holding company	Vedanta Resources Plc.
	Vedanta Resources Holdings Limited
	Volcan Investments Limited
	Sesa Sterlite Limited (formerly Sesa Goa Limited) *

* With effect from 26 August 2013 Sesa Sterlite Limited became the Company's holding company. Prior to that date, it was a fellow subsidiary and also had significant influence over the Company.

Related parties with whom transactions have taken place

Fellow subsidiaries	Twin Star Mauritius Holdings Limited **
	Sterlite Industries (India) Limited (merged into Sesa Sterlite Limited on 17 August 2013)
	Sesa Resources Limited

** also has significant influence over the Company.

Key management personnel	P. Elango, Wholetime Director and Interim Chief Executive Officer (from 1 September 2012)
	Rahul Dhir, Managing Director and Chief Executive Officer (upto 31 August 2012)

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 2014	31 March 2013
Reimbursement of employees benefit expenses	Sterlite Industries (India) Limited	86	150
	Sesa Sterlite Limited	120	-
	Total	**206**	**150**
Interest income on bonds	Vedanta Resources Plc.	901	-
	Total	**901**	**-**

Notes To Consolidated Financial Statements (contd.)

For the year ended 31 March 2014

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

29. RELATED PARTY DISCLOSURES CONTINUED

Nature of the Transactions	Related Party	31 March 2014	31 March 2013
Dividend Paid	Sesa Sterlite Limited	43,893	17,557
	Twin Star Mauritius Holdings Limited	92,359	36,944
	Sesa Resources Limited	4,088	1,635
	P. Elango	22	9
		140,362	**56,145**
Remuneration	Rahul Dhir	-	1,707
	P. Elango	511	116
	Total	**511**	**1,823**

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.

Balances outstanding as at the end of the year:

Nature of the Balance	Related Party	31 March 2014	31 March 2013
Investment in bonds (at carrying value)	Vedanta Resources Plc.	32,174	-
Interest accrued on bonds	Vedanta Resources Plc.	537	-
Other current liabilities including trade payables	Sesa Sterlite Limited	7	14

30. BUY BACK OF EQUITY SHARES:

During the current year, the Company has approved a proposal for buy back of its equity shares at a price not exceeding ₹ 335 per equity share for an aggregate amount not exceeding ₹ 572,500 lacs. The buy back, which commenced on 23 January 2014, is being done from open market other than from promoters and persons in control and is open for a maximum period of six months. During the year, the Company has bought back and extinguished 33 lacs equity shares of face value of ₹ 10/- each for a total consideration of ₹ 10,553 lacs. The Company pursuant to the Securities & Exchange Board of India (Buyback of Securities) Regulations, 1998 (the Regulations) has deposited a sum of ₹ 14,313 lacs, being 2.5% of the maximum buy back size, in an escrow account.

In the event the Company is unable to (i) complete a buyback of atleast ₹ 286,250 lacs, being 50% of the maximum buy back size; and (ii) comply with the conditions specified in regulation 15B(8) of the Regulations, SEBI can forfeit the deposit amount. As the buyback is in progress with 22 July 2014 being the last date and the Company is in compliance with the provisions of the Regulations, no provision is considered necessary towards the amount deposited in the escrow account.

31. CAPITAL AND OTHER COMMITMENTS

Capital commitments (net of advances)

Cairn India Group's share of Joint Ventures' Exploration activities and Development activities – ₹ 186,154 lacs (31 March 2013: – ₹ 21,020 lacs) and ₹ 444,393 lacs (31 March 2013: – ₹ 136,722 lacs) respectively.

Other commitments

Cairn India Group's share of Joint Ventures' minimum exploration commitments as per the production sharing contracts - ₹ 109,534 lacs (31 March 2013: – ₹ 20,285 lacs).

32. 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 2013: 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 appealed before the Court of Appeal against the High Court's order and the same is pending adjudication.

Notes To Consolidated Financial Statements (contd.)

For the year ended 31 March 2014

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

32. CONTINGENT LIABILITIES CONTINUED

b. Service tax

The Company has received six 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 except the last SCN received for the period 1 April 2011 to 31 March 2012 whose reply will be submitted in due course.

These notices cover periods from 1 April 2006 to 31 March 2012. 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 ₹ 11,021 lacs (31 March 2013: ₹ 11,248 lacs) plus potential interest of approximately ₹ 10,235 lacs (31 March 2013: ₹ 9,013 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 ₹ 25,497 lacs (31 March 2013: ₹ 24,317 lacs).

d. Withholding tax on payments made on acquiring a subsidiary

In March 2014, the Company received a show cause notice from the Indian Tax Authorities ("Tax Authorities") for not deducting withholding tax on the payments made to Cairn UK Holdings Limited ("CUHL") UK, for acquiring shares of Cairn India Holdings Limited ("CIHL"). Tax Authorities have stated in the said notice that a short term capital gain of ₹ 2,450,350 lacs accrued to CUHL on transfer of the shares of CIHL to the Company, in financial year 2006-2007,on which tax should have been withheld by the Company. The Company believes that the transaction is not liable for any withholding tax on account of retrospective amendment by insertion of Explanation 5 to Section 9(1)(i) of India Income Tax Act 1961 and the Company intends to defend its position before the Tax Authorities. The Company has, accordingly filed reply to the above notice in April 2014 and is cooperating with the Tax Authorities.

e. Others

i) Pursuant to the provisions of the Rajasthan Entry Tax Act, 1999, an entry tax demand has been raised for ₹ 1,161 Lacs (31 March 2013: ₹ 664 Lacs) plus penalty and interest which Cairn India Group has contested before the Deputy Commissioner. Cairn India Group 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 2013: ₹ 1,500 lacs).

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

33. DERIVATIVE INSTRUMENTS AND UNHEDGED FOREIGN CURRENCY EXPOSURE

Particulars of Unhedged Foreign Currency Exposure at the Balance Sheet date

Particulars	31 March 2014	31 March 2013
Trade receivables	251,260	228,519
Investments	282,767	1,024
Cash and bank balances	634,657	547,879
Loans and advances and other assets	106,703	272,530
Other current liabilities including trade payables	207,216	142,165

Cairn India Group does not have any deriviative instruments outstanding at the end of the year (31 March 2013: Nil).

Notes To Consolidated Financial Statements (contd.)

For the year ended 31 March 2014

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

34. OIL & GAS RESERVES AND RESOURCES

Cairn India Group's gross reserve estimates are updated atleast annually based on the forecast of production profiles, determined on an asset-by-asset basis, using appropriate petroleum engineering techniques. The estimates of reserves and resources have been derived in accordance with the Society for Petroleum Engineers "Petroleum Resources Management System (2007)". The changes to the reserves are generally on account of future development projects, application of technologies such as enhanced oil recovery techniques and true up of the estimates. The management's internal estimates of hydrocarbon reserves and resources at the period end is as follows:

Particulars	Gross proved and probable hydrocarbons initially in place (mmboe)		Gross proved and probable reserves and resources (mmboe)		Net working interest proved and probable reserves and resources (mmboe)	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013	31 March 2014	31 March 2013
Rajasthan MBA Fields	2,208	2,193	594	636	416	445
Rajasthan MBA EOR		-	271	270	190	189
Rajasthan Block Other Fields	2,412	2,005	345	181	241	126
Ravva Fields	667	681	49	50	11	11
CB-OS/2 Fields	217	209	22	20	9	8
Other fields	551	553	127	130	89	93
Total	**6,055**	**5,641**	**1,408**	**1,287**	**956**	**872**

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 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**
Additions / revision during the period	31.41	59.53	34.84	7.95
Production during the period	49.00	6.85	49.00	6.85
Reserves as of 31 March 2014***	**261.98**	**71.26**	**168.22**	**18.27**

* 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)

*** Includes probable oil reserves of 84.23 mmstb (of which 32.08 mmstb is developed) and probable gas reserves of 51.70 bscf (of which 9.15 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

Notes To Consolidated Financial Statements (contd.)

For the year ended 31 March 2014

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

35. 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 ₹ 8,857 lacs (31 March 2013: ₹ 7,267 lacs) incurred in South Africa.

36. 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
Chartered Accountants
ICAI Firm Registration Number : 301003E

per Raj Agrawal
Partner
Membership No.: 82028

Place: Gurgaon
Date: 23 April 2014

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

Financial Information Of Subsidiary Companies

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

The Ministry of Corporate Affairs, Government of India, vide General Circular No. 2 and 3 dated 8 February 2011 and 21 February 2011 respectively has granted a general exemption from compliance with section 212 of the Companies Act, 1956, subject to fulfilment of conditions stipulated in the circular. The Company has satisfied the conditions stipulated in the circular and hence is entitled to the exemption. Necessary information relating to the subsidiaries is given below:

Sr. No.	Name of the Subsidiary Company	Capital	Reserves	Total Assets	Total Liabilities	Investments (excluding Investments in Subsidiaries)	Details of Investment	Turnover	Profit / (Loss) before taxation	Provision for taxation	Profit / (Loss) after taxation	Proposed dividend
1	Cairn India Holdings Limited	355,554	1,264,551	1,597,147	1,597,147	282,392	Mutual Funds/ Bonds	-	517,486	-	517,486	NIL
2	Cairn Energy Gujarat Block 1 Limited	143	739	3	3	-		-	66	-	66	NIL
3	Cairn Exploration (No.7) Limited	183	(174)	10	10	-		-	(20)	-	(20)	NIL
4	Cairn Exploration (No.6) Limited	7	(5)	7	7			-	(1)	-	(1)	NIL
5	Cairn Exploration (No.4) Limited*	-	-	-	-	-		-	(3)	-	(3)	NIL
6	Cairn Exploration (No.2) Limited	364	(379)	3	3	-		-	(40)	-	(40	NIL
7	Cairn Energy Discovery Limited	20	(149)	-	-	-		-	(15)	-	(15)	NIL
8	Cairn Energy Hydrocarbons Limited	213,995	782,271	1,702,744	1,702,744	277	Mutual Funds	883,482	564,732	9,850	554,883	NIL
9	Cairn Energy Petroleum India Limited*	-	-	-	-	-		-	-	-	-	NIL
10	Cairn Energy Holdings Limited	190,268	(191,042)	3,490	3,490	63	Mutual Funds	(64)	(79)	(47)	(32)	NIL
11	Cairn Energy Netherlands Holdings B.V.	535	(512)	32	32	22	Mutual Funds	-	(9)	-	(9)	NIL
12	Cairn Energy Group Holdings B.V.*	-	-	-	-	-		-	12	-	12	NIL
13	Cairn Energy India Holdings B.V.*	-	-	-	-	-		-	2	-	2	NIL
14	Cairn Energy Gujarat Holding B.V.*	-	-	-	-	-		-	-	-	-	NIL
15	Cairn Energy Gujarat B.V.	-	-	-	-	-		-	-	-	-	NIL
16	Cairn Energy India West Holding B.V.*	-	-	-	-	-		-	-	-	-	NIL
17	Cairn Energy India West B.V.	-	-	-	-	-		-	-	-	-	NIL
18	Cairn Energy Cambay Holding B.V.*	-	-	-	-	-		-	-	-	-	NIL
19	Cairn Energy Cambay B.V.	-	-	-	-	-		-	-	-	-	NIL
20	Cairn Energy Australia Pty Limited	369,608	(369,494)	79	79	13	Mutual Funds	-	(30)	(133)	103	NIL
21	CEH Australia Limited	-	-	-	-	-		-	-	-	-	NIL
22	CEH Australia Pty Limited*	-	-	-	-	-		-	-	-	-	NIL
23	Cairn Energy Asia Pty Limited*	-	-	-	-	-		-	(24)	-	(24)	NIL

*Liquidated during the year

Financial Information Of Subsidiary Companies (Contd.)

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

Sr. No.	Name of the Subsidiary Company	Capital	Reserves	Total Assets	Total Liabilities	Investments (excluding Investments in Subsidiaries)	Details of Investment	Turnover	Profit / (Loss) before taxation	Provision for taxation	Profit / (Loss) after taxation	Proposed dividend
24	Wessington Investments Pty. Limited*	-	-	-	-	-		-	-	-	-	NIL
25	Cairn Energy Investments Australia Pty Limited*	-	-	-	-	-		-	-	-	-	NIL
26	Sydney Oil Company Pty. Limited*	-	-	-	-	-		-	-	-	-	NIL
27	Cairn Energy India Pty Limited	-	-	-	-	-		-	-	-	-	NIL
28	Cairn Lanka Private Limited	82,974	(67,174)	52,532	52,532	-		-	(5,845)	-	(5,845)	NIL
29	CIG Mauritius Holding Pvt Limited	94,855	(119)	94,739	94,739	-		-	(12)	-	(12)	NIL
30	CIG Mauritius Private Limited	94,737	1,098	83,004	83,004	-		-	1,167	-	1,167	NIL
31	Cairn South Africa Propreitory Limited	16,031	(16,791)	45	45	-		-	(9,497)	-	(9,497)	NIL

*Liquidated during the year

Exchange rate as on 31 March 2014, 1 USD = INR 59.92

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

Place: Gurgaon
Date: 23 April 2014