

Auditors' Report

TO THE MEMBERS OF CAIRN INDIA LIMITED

1. We have audited the attached balance sheet of Cairn India Limited ('the Company') as at March 31, 2009 and also the profit and loss account and the cash flow statement for the fifteen months period ended on that date annexed thereto, which include the Company's share of net liabilities, expenses and cash outflows aggregating to Rs. 44,467 thousand, Rs. 213,225 thousand and Rs. 20,344 thousand, respectively in the unincorporated joint ventures ('JVs') not operated by the Company or its subsidiaries, the accounts of which have been audited by the auditors of the respective JVs and further include the Company's share of net assets, expenses and cash flows aggregating to Rs. 1,871 thousand, Rs. 137,193 thousand and Rs. Nil, respectively in certain JVs, the accounts of which have been certified by the operators of the respective JVs (for which, as informed to us, the audits are in progress) and relied upon by us. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) ('the Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order. In respect of clauses (ix)(a), (ix)(b), (ix)(c) and (xxi), our comments are restricted to the operations of the Company and the JV's where the Company is the operator and does not cover the JV's where any third party is the operator.
4. Further to our comments in the Annexure referred to above, we report that:
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - iv. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - v. On the basis of the written representations received from the directors, as on March 31, 2009, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2009;
 - b) in the case of the profit and loss account, of the profit for the fifteen months period ended on that date; and
 - c) in the case of cash flow statement, of the cash flows for the fifteen months period ended on that date.

For **S. R. Batliboi & Associates**
Chartered Accountants

per Raj Agrawal
Partner
Membership No.: 82028

Place : Gurgaon
Date : 27th May, 2009

Auditors' Report

Annexure referred to in paragraph 3 of our report of even date

Re: Cairn India Limited ('the Company')

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.
- (c) There was no substantial disposal of fixed assets during the year.
- (ii) The Company has not started commercial production in any of its oil and gas blocks and has not purchased any inventories. Therefore the provisions of clause 4(ii) of the Order are not applicable to the Company.
- (iii) (a-d) As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Therefore the provisions of clause 4(iii) (b), (c) and (d) of the Order are not applicable to the Company.
- (e-g) As informed, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Therefore the provisions of clause 4(iii) (f) and (g) of the Order are not applicable to the Company.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and for the sale services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas. Since the Company has not started commercial production in any of its oil and gas blocks, it has neither purchased any inventories nor sold any goods.
- (v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 that need to be entered into the register maintained under section 301 have been so entered.
- (b) In respect of transactions made in pursuance of such contracts or arrangements exceeding the value of Rupees five lakhs entered into during the financial year, because of the unique and specialized nature of the items involved and absence of any comparable prices, we are unable to comment whether the transactions were made at prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) The Company has not commenced commercial production in any of its oil and gas blocks. Accordingly, the provisions of clause 4(viii) of the Order are not applicable to the Company.
- (ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, income-tax, service tax, cess have generally been regularly deposited with the appropriate authorities. The provisions relating to employees' state insurance, sales tax, wealth tax, customs duty and excise duty are not applicable to the Company.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, income-tax, service tax, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable. The provisions relating to employees' state insurance, sales tax, wealth tax, customs duty and excise duty are not applicable to the Company.
- (c) According to the information and explanation given to us, there are no dues of income tax and cess which have not been deposited on account of any dispute. The provisions relating to sales tax, wealth tax, customs duty and excise duty are not applicable to the Company.
- (x) The Company has been registered for a period of less than five years and hence we are not required to comment on whether or not the accumulated losses at the end of the financial year is fifty per cent or more of its net worth and whether it has incurred cash losses in such financial year and in the immediately preceding financial year.
- (xi) The Company has no outstanding dues in respect of a financial institution, bank or debenture holders.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) The Company did not have any term loans outstanding during the period.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.

Auditors' Report

- (xix) The Company did not have any outstanding debentures during the year.
- (xx) We have verified that the end use of money raised by public issue is as disclosed in the note no. 5 of schedule 18 to the financial statements.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For **S. R. Batliboi & Associates**
Chartered Accountants

per Raj Agrawal
Partner
Membership No.: 82028

Place : Gurgaon
Date : 27th May, 2009

Balance Sheet

AS AT MARCH 31, 2009

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

	Schedules	As at March 31, 2009	As at December 31, 2007
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	18,966,678	17,783,994
Stock options outstanding	2	388,978	947,084
Reserves and surplus	3	301,090,274	276,084,115
		320,445,930	294,815,193
APPLICATION OF FUNDS			
Fixed assets			
Gross cost	4	974	–
Less: Accumulated amortisation		365	–
Net book value		609	–
Exploratory work in progress	5	540,299	–
Investments	6	292,253,966	294,137,285
Current assets, loans and advances			
Sundry debtors	7	17,942	12,708
Cash and bank balances	8	27,632,762	7,757
Other current assets	9	633,645	–
Loans and advances	10	220,814	35,950
		28,505,163	56,415
Less: Current liabilities and provisions			
Current liabilities	11	1,076,734	138,410
Provisions	12	315,373	320,504
		1,392,107	458,914
Net current assets		27,113,056	(402,499)
Profit and loss account		538,000	1,080,407
		320,445,930	294,815,193
Notes to accounts	18		

The schedules referred to above and the notes to accounts form an integral part of the balance sheet.
As per our report of even date

For S. R. Batliboi & Associates

Chartered Accountants

per **Raj Agrawal**

Partner

Membership No.: 82028

For and on behalf of the Board of Directors

Rahul Dhir Managing Director and Chief Executive Officer

Aman Mehta Director

Indrajit Banerjee Executive Director and Chief Financial Officer

Neerja Sharma Company Secretary

Place : Gurgaon

Date : 27th May, 2009

Profit and Loss Account

FOR THE PERIOD ENDED MARCH 31, 2009

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

	Schedules	Fifteen months ended March 31, 2009	Twelve months ended December 31, 2007
INCOME			
Revenue from operating activities		37,331	12,708
Other income	13	2,943,072	326,915
		<u>2,980,403</u>	<u>339,623</u>
EXPENDITURE			
Staff costs	14	212,519	623,374
Data acquisition and pre exploration cost		36,235	–
Administrative expenses	15	793,554	174,838
Unsuccessful exploration costs	5	813,568	8,879
Amortisation	4	365	–
Finance costs	16	3,446	209
		<u>1,859,687</u>	<u>807,300</u>
Profit/(Loss) before taxation		1,120,716	(467,677)
Current tax		543,800	–
Fringe Benefit Tax		34,509	320,489
Profit/(Loss) for the period / year		542,407	(788,166)
Add: Accumulated losses at the beginning of the period / year		(1,080,407)	(292,241)
Deficit carried forward to balance sheet		(538,000)	(1,080,407)
Earnings/(Loss) per share in INR	17		
Basic		0.29	(0.44)
Diluted (previous year considered anti-dilutive)		0.29	(0.44)
[Nominal value of shares Rs. 10]			
Notes to accounts	18		

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

For S. R. Batliboi & Associates

Chartered Accountants

per **Raj Agrawal**

Partner

Membership No.: 82028

For and on behalf of the Board of Directors

Rahul Dhir Managing Director and Chief Executive Officer

Aman Mehta Director

Indrajit Banerjee Executive Director and Chief Financial Officer

Neerja Sharma Company Secretary

Place : Gurgaon

Date : 27th May, 2009

Statement of Cash Flows

FOR THE PERIOD ENDED MARCH 31, 2009

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

Particulars	Fifteen months ended March 31, 2009	Twelve months ended December 31, 2007
Cash flow from operating activities		
Profit / (loss) before taxation for the period / year	1,120,716	(467,677)
Adjustments for:		
- Employee compensation expense (stock options) - net of exceptional gains	(33,325)	602,025
- Interest income	(1,341,376)	(96,166)
- Dividend from unquoted current investments	(200,225)	(203,117)
- Depreciation, depletion and site restoration costs	365	-
- Profit on sale of unquoted current investments (net)	(1,245,686)	(27,632)
- Share issue expenses	208,410	-
- Unrealised exchange loss / (gain) on restatement of assets and liabilities (net)	183,896	-
- Unsuccessful exploration cost	813,568	-
- Interest expense	388	209
Operating (loss) before working capital changes	(493,269)	(192,358)
Movements in working capital:		
(Increase)/decrease in debtors	(5,234)	(12,708)
(Increase)/decrease in loans and advances and other current assets	(212,729)	(16,395)
Increase/(decrease) in current liabilities and provisions	909,781	125,944
Cash generated from / (used in) operations	198,549	(95,517)
Direct taxes paid including fringe benefit tax	(553,060)	(24,488)
Net cash (used in) operating activities (A)	(354,511)	(120,005)
Cash flow from investing activities		
Payment made for exploration and development activities	(1,371,119)	-
Long term investments made in subsidiaries during the period	(1,562,784)	(55,028,070)
Payment for purchase of fixed assets	(974)	-
Fixed deposits made	(37,573,811)	-
Proceeds from matured fixed deposits	10,005,000	-
Current, unquoted investments made during the period	(43,293,242)	(13,297,748)
Interest received	707,732	107,819
Dividend received from unquoted current investments	200,225	203,117
Proceeds from sale of unquoted current investments	47,985,031	8,271,805
Net cash (used in) investing activities (B)	(24,903,942)	(59,743,077)
Cash flow from financing activities		
Proceeds from issue of equity shares (including securities premium)	25,523,445	2,093,607
Payment for share issue expenses	(208,410)	(1,422,257)
Unsecured loans repaid	-	(204,708)
Security deposit recovered from / (paid) to a stock exchange	-	30,000
Interest paid	(388)	(209)
Net cash from financing activities (C)	25,314,647	496,433
Net increase in cash and cash equivalents (A+B+C)	56,194	(59,366,649)
Cash and cash equivalents at the beginning of the period / year	7,757	59,374,406
Cash and cash equivalents at the end of the period / year	63,951	7,757
Components of cash and cash equivalents as at	March 31, 2009	December 31, 2007
Cash in hand	15	-
Balances with scheduled banks		
- on current accounts	13,936	7,757
- on deposit accounts	27,618,811	-
Less: Deposits having maturity of over 90 days	(27,568,811)	-
	63,951	7,757

Notes:

- 1) The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in Accounting Standard-3 on "Cash flow statements".
- 2) Amounts in bracket indicate a cash outflow or reduction.
- 3) Bank balance in deposit accounts includes INR 1,530,000 thousand, previous year Nil, pledged with the banks.

As per our report of even date

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

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

Place : Gurgaon
Date : 27th May, 2009

Schedules to the Financial Statements

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

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

Note:

- 1) Issued, subscribed and fully paid up share capital includes 1,226,843,791 equity shares (previous year - 1,226,843,791 equity shares) of INR 10 each held by Cairn UK Holdings Limited, the holding company together with its nominees.
- 2) Shares held by the holding company includes 861,764,893 equity shares (previous year - 861,764,893 equity shares) of INR 10 each, allotted as fully paid up pursuant to contracts for consideration other than cash.
- 3) For stock options outstanding refer note no. 6 in schedule 18.

SCHEDULE - 2

Stock options outstanding

Employee stock options outstanding	782,548	2,496,095
Less: Deferred employee compensation outstanding	393,570	1,549,011
	388,978	947,084

SCHEDULE - 3

Reserves and surplus

Securities premium account

Opening balance	276,084,115	275,017,837
Add: Additions during the period / year	25,006,159	1,962,756
Less: Adjustment against share issue expenses	-	896,478
Closing Balance	301,090,274	276,084,115

SCHEDULE - 4

Fixed assets

Intangible Assets - Computer Software

Gross Block

Additions during the period / year	974	-
Closing balance	974	-

Accumulated amortisation

For the period / year	365	-
Closing balance	365	-
Net Block	609	-

Schedules to the Financial Statements Continued

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

	As at March 31, 2009	As at December 31, 2007
SCHEDULE - 5		
Exploratory work in progress		
Additions during the period / year	1,353,867	8,879
Less: Unsuccessful exploration costs for the period / year	813,568	8,879
	540,299	-

SCHEDULE - 6		
Investments		
Long term investments in Subsidiary Companies (at cost)		
Unquoted, trade and fully paid-up		
292,929,752 equity shares (previous year: 272,389,192 equity shares) of GBP 1 each in Cairn India Holdings Limited, U.K.	290,524,514	289,083,710
2,509,960 equity shares (previous year: Nil) of USD 1 each in CIG Mauritius Holding Pvt Limited	121,980	-
Current Investments (at lower of cost and market value)		
Unquoted and non trade		
Mutual Funds (Refer note no. 21 in Schedule 18 for details) *	1,607,472	5,053,575
	292,253,966	294,137,285
Aggregate amount of unquoted investments	292,253,966	294,137,285
Repurchase price of mutual fund units, represented by Net Asset Value	1,607,472	5,114,006

* Includes unutilized monies of the public issue. (Refer note no. 5 in Schedule 18)

SCHEDULE - 7		
Sundry Debtors		
Debts outstanding for a period exceeding six months		
- Unsecured, considered good	7,609	8,587
Other debts		
- Unsecured, considered good	10,333	4,121
	17,942	12,708

SCHEDULE - 8		
Cash and bank balances		
Cash in hand	15	-
Balances with scheduled banks *		
- on current accounts	13,936	7,757
- on deposit accounts **	27,618,811	-
	27,632,762	7,757

* Includes unutilized monies of the public issue (refer note no.5 in Schedule 18)

** Includes INR 1,530,000 thousand, previous year Nil, pledged with the banks

Schedules to the Financial Statements Continued

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

	As at March 31, 2009	As at December 31, 2007
SCHEDULE - 9		
Other current assets		
Interest accrued on bank deposits	633,645	-
	633,645	-
SCHEDULE - 10		
Loans and advances		
Unsecured considered good:		
Advances recoverable in cash or in kind or for value to be received	12,855	417
Advances recoverable from subsidiary companies	192,795	663
Deposits	15,164	-
Advance income tax / tax deducted at source (Net of provisions Nil, previous year Nil)	-	34,870
	220,814	35,950
SCHEDULE - 11		
Current liabilities		
Sundry Creditors		
- Total outstanding dues to Micro and Small Enterprises (refer note no. 20 in schedule 18)	6	-
- Total outstanding dues to other than Micro and Small Enterprises	97,773	111,964
Amounts payable to Cairn Energy Plc., the ultimate holding company	24,109	25,000
Amounts payable to subsidiary companies	753,778	-
Other liabilities	201,068	1,446
	1,076,734	138,410
SCHEDULE - 12		
Provisions		
Provision for taxation (net of advance tax -INR 338,382 thousand, previous year Nil)	205,118	-
Provision for fringe benefit tax (net of advance tax payments INR 266,883 thousand, previous year - INR 258 thousand)	105,235	320,231
Provision for gratuity	3,994	233
Provision for leave encashment	1,026	40
	315,373	320,504

Schedules to the Financial Statements Continued

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

	Fifteen months ended March 31, 2009	Twelve months ended December 31, 2007
SCHEDULE - 13		
Other income		
Interest on bank deposits (Gross, tax deducted at source INR 304,879 thousand, previous year INR 23,103 thousand)	1,341,377	96,166
Dividend from non-trade current investments	200,225	203,117
Profit on sale of non-trade current investments (net)	1,245,686	27,632
Miscellaneous income	61	-
Exceptional gain (refer note no. 8 in schedule 18)	155,723	-
	2,943,072	326,915

SCHEDULE - 14

Staff costs

Salary, wages and bonus	74,089	19,904
Contribution to provident fund	3,314	349
Contribution to superannuation fund	1,716	904
Gratuity expenses	3,720	192
Leave encashment expenses	1,103	-
Staff welfare expenses	6,179	-
Employee compensation expense (stock options)	122,398	602,025
	212,519	623,374

Schedules to the Financial Statements Continued

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

	Fifteen months ended March 31, 2009	Twelve months ended December 31, 2007
SCHEDULE - 15		
Administrative expenses		
Legal and professional expenses	254,050	109,461
Contract employee charges	4,517	–
Rent	1,377	–
Auditor's remuneration		
As Auditors		
– Fees for statutory audit and consolidated financial statements	5,314	2,921
– Fees for tax audit	828	563
– Fees for limited review	7,595	1,014
– Fees for certification	506	–
– Fees for statutory reporting for parent companies consolidated financial statements	10,566	13,847
– Other services	2,997	10,637
– Out of pocket expenses	443	552
Directors' sitting fees	1,320	700
Advertisement and publicity	14,385	14,321
Public relation expenses	42,959	14,329
Sponsorship	15,666	–
Repairs and maintenance (others)	303	140
Travel expenses	30,954	1,308
Insurance expenses	197	–
Communication expenses	5,983	4,777
Share issue expenses (refer note no. 13 in schedule 18)	208,410	–
Exchange differences (net)	180,632	–
Miscellaneous expenses	4,552	268
	793,554	174,838

SCHEDULE - 16

Finance costs

Interest on bank overdraft	–	200
Other interest	388	–
Bank charges	3,058	9
	3,446	209

SCHEDULE - 17

Earnings / (Loss) per share

Profit/(Loss) for the period / year as per profit and loss account	542,407	(788,166)
Weighted average number of equity shares in calculating basic earning / (loss) per share	1,866,146,993	1,777,001,292
Add: Number of equity shares arising on grant of stock options	10,052,076	11,017,256
Weighted average number of equity shares in calculating diluted earning / (loss) per share	1,876,199,069	1,788,018,548
Earning/(Loss) per share in INR		
Basic	0.29	(0.44)
Diluted (previous year considered as anti-dilutive)	0.29	(0.44)

Schedules to the Financial Statements Continued

SCHEDULE 18 - NOTES TO ACCOUNTS

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

1. NATURE OF OPERATIONS

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

The Company is primarily engaged in the business of surveying, prospecting, drilling, exploring, acquiring, developing, producing, maintaining, refining, storing, trading, supplying, transporting, marketing, distributing, importing, exporting and generally dealing in minerals, oils, petroleum, gas and related by-products and other activities incidental to the above. As part of its business activities, the Company also holds interests in its subsidiary companies which have been granted rights to explore and develop oil exploration blocks in the Indian sub-continent.

The Company is participant in various Oil and Gas blocks/fields granted by the Government of India through Production Sharing Contracts ('PSC') entered into between the Company and Government of India and other venture partners. The Company has interest in the following Oil and Gas blocks/fields-

Oil and Gas blocks/fields	Area	Participating Interest
Operated block (through subsidiaries)		
1 VN-ONN-2003/1*	Vindhyan Onshore	25%
2 PR-OSN-2004	Palar Basin Offshore	25%
3 KG-ONN-2003/1*	Krishna Godavari Onshore	25%
Non – operated block		
4 RJ-ONN-2003/1*	Rajasthan Onshore	30%
5 GS-OSN-2003/1*	Gujarat Saurashtra Onshore	49%
6 KK-DWN-2004	Kerala Konkan Basin Offshore	40%
7 CB-ONN-2002/1* (proposed to be relinquished)	Cambay Onshore	30%

*Acquired during current period through assignment of interest from subsidiary companies

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

(b) Oil and gas assets

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

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

Exploration expenditure incurred in the process of determining exploration targets which cannot be directly related to individual exploration wells, is expensed in the period in which it is incurred. Exploration/appraisal drilling costs are initially capitalised within exploratory and development work in progress on a well by well basis until the success or otherwise of the well has been established. The success or failure of each exploration/appraisal effort is judged on a well by well basis. Drilling costs are written off on completion of a well unless the results indicate that oil and gas reserves exist and there is a reasonable prospect that these reserves are commercial.

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

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

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

Schedules to the Financial Statements Continued

SCHEDULE 18 - NOTES TO ACCOUNTS

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

(c) Depletion

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

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

(d) Site restoration costs

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

(e) Impairment

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

(f) Other tangible fixed assets, depreciation and amortization

Tangible assets, other than oil and gas assets, are stated at cost, less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets which take a substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use. Depreciation is provided using the Straight Line Method as per the useful lives of the assets estimated by the management, or at the rates prescribed under Schedule XIV of the Companies Act 1956, whichever is higher. The expected useful economic lives are as follows:

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

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

(g) Intangible fixed assets and amortization

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

Computer software	2 to 4 years
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Goodwill arising on acquisition is capitalized and is subject to review for impairment.

(h) Leases

Finance leases, which effectively transfer substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalised.

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

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

(i) Investments

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

(j) Joint Ventures

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

(k) Revenue recognition

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

Schedules to the Financial Statements Continued

SCHEDULE 18 - NOTES TO ACCOUNTS

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

Revenue from operating activities

The Company recognizes operators fees as revenue from joint ventures (in which its foreign subsidiaries are participants) based on the provisions of respective PSCs.

Interest income

Interest income is recognised on a time proportion basis.

(l) Borrowing costs

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

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

(m) Foreign currency transactions and translations

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

Exchange differences arising on the settlement of monetary items or on reporting the Company's monetary items at rates different from those at which they were initially recorded during the period, 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 Company itself. In translating the financial statements of a non-integral foreign operation for incorporating in the Company's financial statements, the Company 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.

(n) Income taxes

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

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

(o) Earnings Per Share

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

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

(p) Provisions

A provision is recognised when the Company 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.

(q) Cash and Cash equivalents

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

(r) Employee Benefits

Retirement and Gratuity benefits

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

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

Schedules to the Financial Statements Continued

SCHEDULE 18 - NOTES TO ACCOUNTS

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

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

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

Employee Stock Compensation Cost

Measurement and disclosure of the employee share-based payment plans is done in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India. The Company measures compensation cost relating to employee stock options using the intrinsic value method. Compensation expense is amortized over the vesting period of the option on a straight line basis.

(s) 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.

(t) Segment Reporting Policies

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

3. SEGMENTAL REPORTING

Business segments

The primary reporting of the Company has been prepared on the basis of business segments. The Company 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 Company's single business segment.

Geographical segments

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

4. RELATED PARTY TRANSACTIONS

(a) Names of related parties:

Companies having control

- Cairn UK Holdings Limited, UK Holding Company

Subsidiary companies

- Cairn Energy Australia Pty Limited
- CEH Australia Pty Limited
- Sydney Oil Company Pty Limited
- Wessington Investments Pty Limited
- Cairn India Holdings Limited ('CIHL')
- CIG Mauritius Private Limited – with effect from 1st July 2008
- Cairn Energy Holdings Limited
- Cairn Exploration (No. 2) Limited
- Cairn Energy Hydrocarbons Limited
- Cairn Energy Gujarat Block 1 Limited
- Cairn Exploration (No. 7) Limited
- Cairn Lanka Private Limited – with effect from 3rd July 2008
- Cairn Energy Group Holdings BV
- Cairn Energy India West Holding BV
- Cairn Energy India Holdings BV
- Cairn Energy Gujarat BV
- Cairn Energy Cambay Holding BV

Key Managerial Personnel

- Rahul Dhir
Managing Director and Chief Executive Officer
- Indrajit Banerjee
Executive Director and Chief Financial Officer
(Appointed on 1st March 2007)

- Cairn Energy Plc., UK
Ultimate holding company

- Cairn Energy India Pty Limited
- Cairn Energy Asia Pty Limited
- Cairn Energy Investments Australia Pty Limited
- CEH Australia Limited
- CIG Mauritius Holding Private Limited ('CMHPL') – with effect from 1st July 2008
- Cairn Energy Discovery Limited
- Cairn Exploration (No. 6) Limited
- Cairn Petroleum India Limited
- Cairn Exploration (No. 4) Limited
- Cairn Energy Development Pte Limited – with effect from 16th July 2008
- Cairn Energy India West BV
- Cairn Energy Gujarat Holding BV
- Cairn Energy Netherlands Holdings BV
- Cairn Energy Cambay BV

- Winston Frederick Bott Jr. Executive Director and Chief Operating Officer (Appointed on 29th April 2008)
- Lawrence Smyth
Executive Director and Chief Operating Officer (Appointed on 1st March 2007 and resigned on 21st January 2008)

Schedules to the Financial Statements Continued

SCHEDULE 18 - NOTES TO ACCOUNTS

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

(b) Transactions during the period/year:

Nature of the Transactions	Related Party	Current period	Previous year
Expenses incurred by related party on behalf of the Company	Cairn Energy India Pty Limited	93,757	858
Expenses incurred by the Company on behalf of related party	Cairn Energy India Pty Limited	256,499	1,100
	Cairn Energy Plc.	854	Nil
	CIG Mauritius Holding Private Limited	491	Nil
	CIG Mauritius Private Limited	264	Nil
	Cairn Energy Gujarat Block 1 Limited	10,648	Nil
	Cairn Exploration (No. 4) Limited	100	Nil
	Cairn Exploration (No. 7) Limited	13,668	Nil
	Cairn Lanka Private Limited	881	Nil
	Cairn Energy Hydrocarbons Limited	30,597	Nil
	Total	314,002	1,100
Equity contributions made during the period	Cairn India Holdings Limited	1,440,804	22,265,000
	CIG Mauritius Holding Private Limited	121,980	Nil
	Total	1,562,784	22,265,000
Assignment of interest in oil & gas blocks from	Cairn Energy Gujarat Block 1 Limited	89,513	Nil
	Cairn Exploration (No. 2) Limited	302,085	Nil
	Cairn Exploration (No. 4) Limited	68,462	Nil
	Cairn Exploration (No. 6) Limited	7,164	Nil
	Cairn Exploration (No. 7) Limited	160,166	Nil
	Total	627,390	Nil
Recovery of share option charge	Cairn Energy India Pty Limited	140,617	Nil
Shares issued including premium and stock option charge	Cairn UK Holding Ltd	Nil	2,093,607
	Rahul Dhir	716,185	Nil
	Lawrence Smyth	126,758	Nil
	Total	842,943	2,093,607
Remuneration	Rahul Dhir	3,000	2,400
	Winston Frederick Bott Jr.	950	Nil
	Indrajit Banerjee	2,250	1,500
	Lawrence Smyth	Nil	1,800
	Total	6,200	5,700

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

Nature of the Balance	Related Party	31 st March 2009	31 st December 2007
Accounts receivable	Cairn Energy India Pty Limited	160,563	663
	CIG Mauritius Holding Private Limited	491	Nil
	CIG Mauritius Private Limited	264	Nil
	Cairn Lanka Private Limited	881	Nil
	Cairn Energy Hydrocarbons Limited	30,596	Nil
	Total	192,795	663
Accounts payable	Cairn Energy Plc.	24,109	25,000
	Cairn Energy Gujarat Block 1 Limited	102,552	Nil
	Cairn Exploration (No. 2) Limited	367,147	Nil
	Cairn Exploration (No. 4) Limited	86,635	Nil
	Cairn Exploration (No. 6) Limited	9,558	Nil
	Cairn Exploration (No. 7) Limited	187,886	Nil
	Total	777,887	25,000

Schedules to the Financial Statements Continued

SCHEDULE 18 - NOTES TO ACCOUNTS

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

Nature of the Balance	Related Party	31 st March 2009	31 st December 2007
Remuneration payable	Rahul Dhir	Nil	3,261
	Winston Frederick Bott Jr.	Nil	Nil
	Indrajit Banerjee	Nil	1,500
	Lawrence Smyth	Nil	1,800
	Total	Nil	6,561

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

5. As at 31st March 2009, the Company and its subsidiaries together have utilized INR 82,563,170 thousand (previous year – 71,682,135 thousand) for the purposes listed in the prospectus issued for the Initial Public Offer. The details of utilization of funds is as follows-

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

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

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

6. EMPLOYEES STOCK OPTION PLANS

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

Particulars	CISMP	CIPOP	CIESOP
Date of Board Approval	17th Nov 2006	17th Nov 2006	17th Nov 2006
Date of Shareholder's approval	17th Nov 2006	17th Nov 2006	17th Nov 2006
Number of options granted till March 2009	8,298,713	5,732,956	12,792,651
Method of Settlement	Equity	Equity	Equity
Vesting Period	Refer vesting conditions below	3 years from grant date	3 years from grant date
Exercise Period	18 months from vesting	3 months from vesting date	7 years from vesting date
Number of options granted till March 2009			
24th Nov 2006	8,298,713	-	-
1st Jan 2007	-	1,708,195	3,467,702
20th Sept 2007	-	3,235,194	5,515,053
29th July 2008	-	789,567	3,773,856
10th Dec 2008	-	-	36,040
Total	8,298,713	5,732,956	12,792,651

The vesting conditions of the above plans are as under-

CISMP plan

- (a) 6,714,233 options are to be vested in the following manner-
- 1/3rd of the options will vest on the day following the date on which the equity shares have been admitted to listing on the Stock Exchanges ('admission date'). Listing date was 9th Jan 2007.
 - 1/3rd of the options will vest 18 months after the admission date.
 - 1/3rd of the options will vest on achieving 30 days' consecutive production of over 150,000 bopd from the Rajasthan Block.
- (b) 1,584,480 options are to be vested in the following manner-
- 1/2 of the options will vest on the day following the date on which the equity shares have been admitted to listing on the Stock Exchanges.
 - 1/4th of the options will vest on the date on which all major equipment for the start-up of the Mangala field is delivered to site.
 - 1/4th of the options will vest on achieving 100,000 boepd from the Mangala Field.

Schedules to the Financial Statements Continued

SCHEDULE 18 - NOTES TO ACCOUNTS

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

CIPOP plan

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

CIESOP plan

There are no specific vesting conditions under CIESOP plan.

Details of activities under Employees Stock Option Plans

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

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

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

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

Schedules to the Financial Statements Continued

SCHEDULE 18 - NOTES TO ACCOUNTS

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

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

Scheme	Range of exercise price (INR)	No. of options outstanding	Weighted average remaining contractual life of options (in years)	Weighted average exercise price (INR)
CISMP Plan	33.70	2,238,077	2.08	33.70
CIPOP Plan	10.00	3,200,096	1.51	10.00
CIESOP Plan	143-227	10,914,244	1.60	185.39

The details of exercise price for stock options outstanding as at December 31, 2007 are:

CISMP Plan	33.70	8,298,713	1.04	33.70
CIPOP Plan	10.00	4,755,244	2.49	10.00
CIESOP Plan	160-166.95	8,545,710	2.47	164.49

Inputs for Fair valuation of Employees Stock Option Plans

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

Variables - CISMP	A		B	
Grant date	24th Nov 2006		24th Nov 2006	
Stock Price/fair value of the equity shares on the date of grant (INR)	160.00		160.00	
Vesting date	Refer vesting conditions		Refer vesting conditions	
Vesting %	Refer vesting conditions		Refer vesting conditions	
Volatility (Weighted average)	44.08%		46.59%	
Risk free rate (Weighted average)	7.05%		6.94%	
Time to maturity in years (Weighted average)	2.45		2.00	
Exercise price - INR	33.70		33.70	
Fair Value of the options (Weighted average) - INR	131.69		130.69	
Variables - CIESOP				
Grant date	1st Jan 2007	20th Sept 2007	29th July 2008	10th Dec 2008
Stock Price/fair value of the equity shares on the date of grant (INR)	160.00	166.95	228.55	150.10
Vesting date	1st Jan 2010	20th Sept 2010	29th July 2011	10th Dec 2011
Vesting %	100%	100%	100%	100%
Volatility	41.04%	40.24%	39.43%	38.19%
Risk free rate	7.50%	7.65%	9.20%	6.94%
Time to maturity (years)	6.50	6.50	6.50	6.50
Exercise price (INR)	160.00	166.95	227.00	143.00
Fair Value of the options (INR)	87.30	90.72	130.42	79.80
Variables - CIPOP				
Grant date	1st Jan 2007	20th Sept 2007	29th July 2008	
Stock Price/fair value of the equity shares on the date of grant (INR)	160.00	166.95		228.55
Vesting date	1st Jan 2010	20th Sept 2010	29th July 2011	
Vesting %	Refer vesting conditions	Refer vesting conditions		Refer vesting conditions
Volatility	41.61%	36.40%		37.49%
Risk free rate	7.33%	7.23%		9.37%
Time to maturity (years)	3.12	3.12		3.12
Exercise price (INR)	10.00	10.00		10.00
Fair Value of the options (INR)	152.05	158.97		221.09

Schedules to the Financial Statements Continued

SCHEDULE 18 - NOTES TO ACCOUNTS

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

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

Effect of Employees Stock Option Plans on Financial Position

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

Particulars	Current Period	Previous Year
Total Employee Compensation Cost pertaining to equity settled share-based payment plans (including exceptional gain of INR 155,723 thousand in the current period-refer note no. 8 below)	(33,325)	602,025
Liability for employee stock options outstanding as at period / year end	388,978	947,084
Deferred Compensation Cost	393,570	1,549,011

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:

Particulars	Current Period
Profit as reported	542,407
Add: Employee stock compensation under intrinsic value method (net of exceptional gain of INR 155,723 thousand-refer note no. 8 below)	(33,325)
Less: Employee stock compensation under fair value method	451,826
Proforma profit	57,256

Earnings Per Share in INR

Basic

- As reported	0.29
- Proforma	0.03

Diluted

- As reported	0.29
- Proforma	0.03

- The Company has offered certain share options to some of the employees of one of its subsidiary companies and it was bearing the charge in its profit and loss account till 31st March 2008. With effect from 1st April 2008, the management decided that this charge would be borne by the immediate employer company of those employees. Accordingly, the stock option charge for the current period is lower and the profit after tax is higher by INR 140,617 thousand.
- During the current period, the Company decided to retrospectively account for stock options using the Intrinsic Value Method as against the Fair Value Method (Black Scholes) followed till the financial year ended 31st December 2007. Accordingly, the excess stock option provision up to 31st December 2007 was reversed during the current period ended 31st March 2009, resulting in an exceptional gain of INR 155,723 thousand. Further, the stock option charge for the current period is lower and the profit after tax is higher by INR 485,151 thousand (including exceptional gain of INR 155,723 thousand) due to this change.

9. LEASE OBLIGATIONS DISCLOSURES

Operating Lease

The Joint Ventures, in which the Company has participating interest, have entered into operating lease for equipments. All such leases are cancellable in nature. There are neither escalation clauses nor any restrictions in the lease agreements. There are no subleases.

Particulars	31st March 2009	31st December 2007
Lease rentals recognized during the period	7,255	Nil

Schedules to the Financial Statements Continued

SCHEDULE 18 - NOTES TO ACCOUNTS

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

10. DERIVATIVE INSTRUMENTS AND UNHEDGED FOREIGN CURRENCY EXPOSURE

The Company did not take any derivative instruments during the current period / previous year. Particulars of unhedged foreign currency exposures are as follows-

Particulars	31st March 2009	31st December 2007
Sundry debtors	17,942	12,708
Current assets	16,925	Nil
Current liabilities	785,562	25,000

11. The Company has a gratuity plan, wherein every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The gratuity plan of the Company is an unfunded scheme. However, one of the subsidiary companies has taken an insurance policy with the Life Insurance Corporation of India to cover the gratuity liability of the entire group. The following tables summarize the components of net benefit expense recognised in the profit and loss account and the amounts recognised in the balance sheet for the gratuity plans.

Profit and Loss account

Net employee benefit expense (recognised in Employee Cost)

Particulars	31st March 2009
Current service cost	1,011
Interest cost on benefit obligation	200
Net actuarial (gain) / loss recognised in the year	2,509
Past service cost	Nil
Net benefit expense	3,720

Balance sheet

Details of Provision for Gratuity

Particulars	31st March 2009
Defined benefit obligation	3,994
Less: Unrecognized past service cost	Nil
Plan asset / (liability)	(3,994)

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

Particulars	31st March 2009
Opening defined benefit obligation	274
Current service cost	1,011
Interest cost	200
Benefits paid	Nil
Actuarial (gains) / losses on obligation	2,509
Closing defined benefit obligation	3,994

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

Particulars	31st March 2009
Discount rate	7.00 %
Future salary increase	10.00 %
Employee turnover	13.13 %
Mortality Rate	LIC (1994-96) Ultimate Table

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

Gratuity liabilities for the current period are as follows:

Particulars	31st March 2009
Defined benefit obligation	3,994
Surplus / (deficit)	(3,994)
Experience adjustments on plan liabilities (loss) / gain	(45)

Note - The Company has adopted AS-15 (Revised 2005) Employee Benefits for the first time during the current period, as the liability as at 31st December 2007 was not material. Disclosures required by paragraph 120 (n) of AS-15 (Revised 2005) are required to be furnished prospectively from the date of transition and hence have been furnished for the current period only.

Schedules to the Financial Statements Continued

SCHEDULE 18 - NOTES TO ACCOUNTS

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

12. DETAILS OF MOVEMENT IN SHARE CAPITAL IS AS UNDER

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

13. Share issue expenses of INR 208,410 thousand incurred on the preferential allotment of 113,000,000 equity shares have been charged to the profit and loss account and not adjusted from the securities premium account on conservative basis.
14. In accordance with the provisions of Accounting Standard 22 'Accounting for taxes on income', the Company would have had deferred tax assets of approximately INR 511,000 thousand, primarily comprising of accumulated tax losses and unamortized issue expenses. However, as the management is not virtually certain of subsequent realization of the asset, no deferred tax asset has been computed or recognized in these financial statements.

15. MANAGERIAL REMUNERATION

Remuneration paid or payable to the Directors	Current period	Previous year
Salary and other benefits	6,200	5,700
Sitting fees	1,320	700
Total	7,520	6,400

Note - As the future liability for gratuity and leave encashment is provided on actuarial basis for the Company, the amount pertaining to the directors is not ascertainable and therefore, not included above.

16. EARNINGS IN FOREIGN CURRENCY (ACCRUAL BASIS)

Particulars	Current period	Previous year
Parent company overhead	37,331	12,708
Interest	249	Nil
Total	37,580	12,708

17. EXPENDITURE IN FOREIGN CURRENCY (ACCRUAL BASIS)

Particulars	Current period	Previous year
Professional fees	128,251	26,776
Exploration cost	279,599	Nil
Assignment of interest in oil and gas blocks	627,390	Nil
Other expenses	1,072	Nil
Total	1,036,312	26,776

Schedules to the Financial Statements Continued

SCHEDULE 18 - NOTES TO ACCOUNTS

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

18. The Company has neither imported any goods nor consumed any stores and spares during the current period/previous year. Further, none of the joint ventures where the Company has participating interest has commenced commercial production. Accordingly, no additional disclosures, other than those furnished, are required in terms of paragraphs 3, 4C and 4D of Part-II of Schedule-VI to the Companies Act, 1956.

19. CAPITAL COMMITMENTS (NET OF ADVANCES)

Particulars	31st March 2009	31st December 2007
Company's share of Joint Ventures' Exploration and Development activities	3,517,376	Nil

20. DETAILS OF DUES TO MICRO, SMALL AND MEDIUM ENTERPRISES AS PER MSMED ACT, 2006

	31st March 2009	31st December 2007
The principal amount (interest-nil) remaining unpaid to any supplier as at the end of each accounting year	6	Nil
The amount of interest paid by the buyer in terms of section 16, of the Micro Small and Medium Enterprise Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	Nil	Nil
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro Small and Medium Enterprise Development Act, 2006.	Nil	Nil
The amount of interest accrued and remaining unpaid at the end of each accounting year; and	Nil	Nil
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Micro Small and Medium Enterprise Development Act, 2006	Nil	Nil

21. CURRENT INVESTMENTS - UNQUOTED AND NON TRADE:

The details of investments in mutual fund units are as tabulated under:

	31st March 2009
1 63,626,783.898 units, face value of Rs.10 each, of Birla Cash Plus - Institutional Premium-Daily Dividend Reinvestment plan	637,509
2 21,126,234.606 units, face value of Rs.10 each, of HDFC Liquid Fund - Premium Plan-Daily Dividend Reinvestment plan	259,003
3 26,081,125.863 units, face value of Rs.10 each, of ICICI Prudential Institutional Liquid Plan - Super Inst- Daily Dividend Reinvestment plan	260,824
4 15,494,677.273 units, face value of Rs.10 each, of Reliance Liquid Fund - Treasury Plan-Institutional Option- Daily Dividend Reinvestment plan	236,870
5 191,352.168 units, face value of Rs.1000 each, of Tata Liquid Fund - SHIP- Daily Dividend Reinvestment plan	213,266
Total	1,607,472

	31st December 2007
1 20,594,145.28 units, face value Rs 10 each, of ABN AMRO Mutual Fund of ABN AMRO Money Plus Fund-Institutional Plan-Growth Option	238,367
2 51,971,029.11 units, face value Rs 10 each, of Birla Sun Life Mutual Fund under Birla Sun Life Liquid Plus-Institutional Plan - Growth Option	763,907
3 225,723.55 units, face value Rs 1,000 each, of DSP Merrill Lynch Mutual Fund under DSP Merrill Lynch Liquid Plus Fund - Institutional Plan - Growth Option	250,000
4 28,699,826.62 units, face value Rs 10 each, of HDFC Mutual Fund under HDFC Floating Rate Income Fund-Short Term Plan - Wholesale Option - Growth	380,692
5 17,009,296.46 units, face value Rs 10 each, of HDFC Mutual Fund under HDFC Cash Management Savings Plus - Wholesale Plan Growth Option	290,000
6 23,353,354.94 units, face value Rs 10 each, of HDFC Mutual Fund under HDFC Quarterly Interval Fund-Plan A Wholesale Growth	250,000

Schedules to the Financial Statements Continued

SCHEDULE 18 - NOTES TO ACCOUNTS

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

		31st December 2007
7	43,733,776.21 units, face value Rs 10 each, of ICICI Prudential Mutual Fund under ICICI Prudential Floating Plan D - Growth	502,628
8	19,998,847.30 units, face value Rs 10 each, of ICICI Prudential Mutual Fund under ICICI Prudential Flexible Income Plan - Growth	290,047
9	47,430,680.06 units, face value Rs 10 each, of ING Mutual Fund under ING Liquid Plus Fund - Institutional Growth Option	500,000
10	242,823.20 units, face value Rs 10 each, of Reliance Mutual Fund under Reliance Liquid Plus Fund - Institutional Option - Growth Plan	255,450
11	23,960,359.98 units, face value Rs 10 each, of Reliance Mutual Fund under Reliance Quarterly Interval Fund-Series III -Institutional Growth Plan	250,000
12	20,000,000.00 units, face value Rs 10 each, of SBI Mutual Fund under SBI Debt Fund Series - 90 Days - November 2007 - Growth	200,000
13	55,482,327.99 units, face value Rs 10 each, of Tata Mutual Fund under Tata Floater Fund - Growth	639,784
14	20,898,812.55 units, face value Rs 10 each, of Franklin Templeton Mutual Fund under Templeton Floating Rate Income Fund Short Term Plan Institutional Option - Growth	242,700
TOTAL		5,053,575

The following mutual fund units were purchased and sold during the current period :-

1	288,767,315.348 units of Birla Sunlife mutual fund under Birla Sunlife Cash Plus - Institutional Premium - Daily Dividend Reinvestment
2	396,375,092.433 units of Birla Sunlife mutual fund under Birla Sunlife Cash Plus - Institutional Premium - Growth
3	22,951,572.183 units of Birla Sunlife mutual fund under Birla Sunlife Interval Income - Institutional - Quarterly - Series 2 - Growth
4	76,578,714.912 units of Birla Sunlife mutual fund under Birla Sunlife Liquid Plus - Institutional - Daily Dividend Reinvestment
5	185,222,322.210 units of Birla Sunlife mutual fund under Birla Sunlife Liquid Plus - Institutional - Growth
6	15,000,000.000 units of Canara Robeco mutual fund under Canara Robeco FMP - Series 3 - 90 Days - IP - Growth
7	48,919,527.434 units of Canara Robeco mutual fund under Canara Robeco Liquid Plus Super Institutional - Daily Dividend Reinvestment
8	31,366,504.158 units of Fidelity mutual fund under Fidelity Cash - SIP - Growth
9	62,263,785.752 units of Fidelity mutual fund under Fidelity Liquid Plus - SIP - Daily Dividend Reinvestment
10	57,042,071.083 units of Fidelity mutual fund under Fidelity Liquid Plus - SIP - Growth
11	128,735,016.559 units of HDFC mutual fund under HDFC Cash Mgmt - Savings Plan - Daily Dividend Reinvestment
12	193,231,349.459 units of HDFC mutual fund under HDFC Cash Mgmt - Savings Plus Plan - Wholesale - Daily Dividend Reinvestment
13	174,864,026.065 units of HDFC mutual fund under HDFC Cash Mgmt - Savings Plus Plan - Wholesale - Growth
14	166,891,417.599 units of HDFC mutual fund under HDFC Floating Rate Income - Short Term Plan - Wholesale - Daily Dividend Reinvestment
15	193,913,572.172 units of HDFC mutual fund under HDFC Floating Rate Income - Short Term Plan - Wholesale - Growth
16	24,000,000.000 units of HDFC mutual fund under HDFC FMP 90D (VIII)(3) - Wholesale - Growth
17	62,847,681.039 units of HDFC mutual fund under HDFC Liquid - Premium Plan - Daily Dividend Reinvestment
18	303,956,967.062 units of HDFC mutual fund under HDFC Liquid - Premium Plan - Growth
19	41,003,275.892 units of HDFC mutual fund under HDFC Liquid - Premium Plus Plan - Weekly Dividend Reinvestment
20	23,586,685.788 units of HDFC mutual fund under HDFC Quarterly Interval -Plan B Wholesale Growth - Growth
21	106,509,667.336 units of HSBC mutual fund under HSBC Cash - Inst Plus - Daily Dividend Reinvestment
22	155,825,133.036 units of HSBC mutual fund under HSBC Cash - Inst Plus - Growth
23	146,239,354.262 units of HSBC mutual fund under HSBC Liquid Plus - IP - Daily Dividend Reinvestment

Schedules to the Financial Statements Continued

SCHEDULE 18 - NOTES TO ACCOUNTS

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

24	229,632,812.180 units of HSBC mutual fund under HSBC Liquid Plus - IP - Growth
25	150,719,932.352 units of ICICI Prudential mutual fund under ICICI Prudential Flexible Income Plan - Daily Dividend Reinvestment
26	208,534,658.087 units of ICICI Prudential mutual fund under ICICI Prudential Flexible Income Plan - Growth
27	32,963,478.576 units of ICICI Prudential mutual fund under ICICI Prudential FRF - Plan D - Growth
28	475,076,846.158 units of ICICI Prudential mutual fund under ICICI Prudential Inst Liquid Plan - Super linst - Daily Dividend Reinvestment
29	446,678,299.784 units of ICICI Prudential mutual fund under ICICI Prudential Inst Liquid Plan - Super linst - Growth
30	24,485,318.603 units of ICICI prudential mutual fund under ICICI Prudential Interval II Quarterly Interval Plan B - Retail Cumulative - Growth
31	49,165,295.525 units of IDFC mutual fund under IDFC Cash - Super Institutional Plan C - Daily Dividend Reinvestment
32	81,765,529.637 units of IDFC mutual fund under IDFC Floating Rate -LT-Inst Plan B - Growth
33	24,000,000.000 units of IDFC mutual fund under IDFC FMP Qtr Series 31 - Growth
34	64,428,611.450 units of IDFC mutual fund under IDFC Liquid Plus - Investment Plan - Inst Plan B - Daily Dividend Reinvestment
35	15,341,933.611 units of IDFC mutual fund under IDFC Quarterly Interval - Plan A - Inst - Daily Dividend Reinvestment
36	15,984,796.682 units of IDFC mutual fund under IDFC Quarterly Interval - Plan A - Inst - Growth
37	18,000,000.000 units of ING mutual fund under ING Interval - Quarterly-C-Institutional - Growth
38	115,482,013.676 units of ING mutual fund under ING Liquid Super Institutional - Growth
39	128,337,221.108 units of ING mutual fund under ING Liquid Plus - Institutional - Growth
40	23,518,230.356 units of ING mutual fund under ING Vysya Liquid Plus - IP - Growth
41	66,088,564.716 units of JP Morgan mutual fund under JP Morgan India Liquid Plus - Growth
42	20,913,376.793 units of Kotak Mahindra mutual fund under Kotak Liquid - Institutional Premium - Growth
43	3,165,848.830 units of Principal mutual fund under Principal Cash Mgmt LO- Institutional Plan - Growth
44	50,350,377.553 units of Principal mutual fund under Principal Cash Mgmt LO- Institutional Premium Plan - Daily Dividend Reinvestment
45	150,114,424.840 units of Principal mutual fund under Principal Floating Rate - FMP - Institutional - Daily Dividend Reinvestment
46	197,490,161.056 units of Principal mutual fund under Principal Floating Rate - FMP - Institutional - Growth
47	20,583,956.929 units of Reliance mutual fund under Reliance Liquid - Treasury Plan-Institutional Option - Daily Dividend Reinvestment
48	82,564,434.800 units of Reliance mutual fund under Reliance Liquid - Treasury Plan-Institutional Option - Growth
49	2,052,210.472 units of Reliance mutual fund under Reliance Liquid Plus - Institutional - Daily Dividend Reinvestment
50	2,380,813.521 units of Reliance mutual fund under Reliance Liquid Plus - Institutional - Growth
51	23,091,764.916 units of Reliance mutual fund under Reliance Liquidity - Daily Dividend Reinvestment
52	36,180,904.523 units of Reliance mutual fund under Reliance Liquidity - Growth
53	158,916,208.254 units of Reliance mutual fund under Reliance Medium Term - Daily Dividend Reinvestment
54	21,680,412.651 units of Reliance mutual fund under Reliance Monthly Interval - Series I Institutional - Growth
55	23,407,582.184 units of Reliance mutual fund under Reliance Quarterly Interval - Series II Institutional - Growth
56	29,168,603.376 units of SBI mutual fund under SBI Magnum Insta Cash - Daily Dividend Reinvestment
57	20,444,600.000 units of SBI mutual fund under SBI SDFS - 90 Days - Growth
58	98,778,981.505 units of SBI mutual fund under SBI SHF - Liquid Plus - IP - Daily Dividend Reinvestment
59	233,026,708.605 units of SBI mutual fund under SBI SHF - Liquid Plus - IP - Growth
60	859,254.684 units of Standard Chartered mutual fund under Standard Chartered Liquidity Manager Plus - Growth
61	259,059,637.734 units of Tata mutual fund under Tata Floater - Daily Dividend Reinvestment
62	206,755,712.884 units of Tata mutual fund under Tata Floater - Growth
63	38,774,117.501 units of Tata mutual fund under Tata Floating Rate - STP - Institutional Plan - Growth
64	2,457,011.120 units of Tata mutual fund under Tata Liquid - SHIP - Daily Dividend Reinvestment
65	329,826.757 units of Tata mutual fund under Tata Liquid - SHIP - Growth

Schedules to the Financial Statements Continued

SCHEDULE 18 - NOTES TO ACCOUNTS

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

The following mutual fund units were purchased and sold during the previous year:-

1	18,535,141.015 units of ABN AMRO Mutual Fund under ABN AMRO Cash Fund - Institutional Plus Plan - Daily Dividend Reinvestment Option
2	50,701,760.398 units of ABN AMRO Mutual Fund under ABN AMRO Money Plus Fund-Institutional Plan- Daily Dividend Option
3	22,604,265.015 units of ABN AMRO Mutual Fund under ABN AMRO Money Plus Fund-Institutional Plan-Growth Option
4	51,286,477.010 units of Birla Sun Life Mutual Fund under Birla Cash Plus-Institutional Premium Plan - Daily Dividend
5	51,393,934.559 units of Birla Sun Life Mutual Fund under Birla Floating Rate Fund-Long Term Plan-Weekly Dividend
6	1,175,375.415 units of Birla Sun Life Mutual Fund under Birla Cash Plus-Institutional (Growth)
7	62,395,963.596 units of Birla Sun Life Mutual Fund under Birla Sunlife Liquid Plus Fund - Institutional - Daily Dividend
8	1,055,356.222 units of Birla Sun Life Mutual Fund under Birla Sunlife Liquid Plus Fund - Institutional - Growth
9	799,966.925 units of DSP Merrill Lynch Mutual Fund under DSP Merrill Lynch Liquid Fund - Institutional Plan - Daily Dividend Reinvestment Option
10	810,376.138 units of DSP Merrill Lynch Mutual Fund under DSP Merrill Lynch Liquid Plus Fund - Institutional Plan - Daily Dividend Reinvestment Option
11	30,429,402.715 units of Standard Chartered Mutual Fund under Grindlays Floating Rate Fund - Long Term - Institutional Plan B - Daily Dividend Reinvestment Option
12	25,141,266.651 units of Standard Chartered Mutual Fund under Grindlays Floating Rate Fund - Long Term - Institutional Plan B - Growth
13	74,125,061.345 units of HDFC Mutual Fund under HDFC Cash Management Fund - Savings Plan - Daily Dividend Reinvestment Option
14	79,686,483.778 units of HDFC Mutual Fund under HDFC Cash Management Fund - Savings Plus Plan - Wholesale - Daily Dividend Reinvestment Option
15	32,404,919.325 units of HDFC Mutual Fund under HDFC Floating Rate Income Fund - Short Term Plan - Retail Option Dividend Reinvestment - Daily
16	24,820,364.948 units of HDFC Mutual Fund under HDFC Floating Rate Income Fund - Short Term Plan - Retail Option - Growth
17	18,698,998.482 units of HDFC Mutual Fund under HDFC Floating Rate Income Fund - Short Term Plan - Wholesale - Growth
18	59,976,612.345 units of HSBC Mutual Fund under HSBC Cash Fund - Institutional Plus - Daily Dividend Reinvestment Option
19	62,786,020.733 units of HSBC Mutual Fund under HSBC Liquid Plus Fund - Institutional Plus - Daily Dividend Reinvestment Option
20	57,943,951.333 units of HSBC Mutual Fund under HSBC Liquid Plus Fund - Institutional Plus - Growth
21	686,242.889 units of ICICI Prudential Mutual Fund under ICICI Prudential Flexible Income Plan - Growth
22	100,777,456.602 units of ICICI Prudential Mutual Fund under ICICI Prudential Floating Rate Plan D - Daily Dividend - Reinvest Dividend
23	131,634,015.968 units of ICICI Prudential Mutual Fund under ICICI Prudential Liquid Plan - Super Institutional Dividend Daily
24	61,166,842.849 units of ING Mutual Fund under ING Liquid Plus Fund - Institutional Daily Dividend Option
25	58,606,580.178 units of ING Mutual Fund under ING Liquid Plus Fund - Institutional Growth Option
26	32,523,815.818 units of Kotak Mahindra Mutual Fund under Kotak Flexi Debt Fund - Daily Dividend
27	40,671,100.686 units of PRINCIPAL Mutual Fund under Principal Cash Management-Liquid Option-Institutional Premium - Daily Dividend
28	40,602,212.009 units of PRINCIPAL Mutual Fund under Principal Floating Rate Fund - SMP - Institutional - Growth
29	502,053.962 units of Reliance Mutual Fund under Reliance Liquid Plus Fund - Institutional Option - Daily Dividend Plan
30	234,933.967 units of Reliance Mutual Fund under Reliance Liquid Plus Fund - Institutional Option - Growth Plan
31	406,648.782 units of Standard Chartered Mutual Fund under Standard Chartered Liquidity Manager Plus-A-Dividend Daily
32	60,938,518.404 units of Sundaram BNP Paribas Mutual Fund under Sundaram BNP Paribas Liquid Plus Super Institutional Daily Dividend
33	58,603,615.153 units of Sundaram BNP Paribas Mutual Fund under Sundaram BNP Paribas Liquid Plus Super Institutional Growth
34	64,847,479.846 units of Tata Mutual Fund under Tata Floater Fund Growth
35	594,550.430 units of Tata Mutual Fund under Tata Liquid Super High Investment Plan - Daily
36	808,048.384 units of Franklin Templeton Mutual Fund under Templeton India Treasury Management Account-Super Institutional Plan - Daily Dividend

Schedules to the Financial Statements Continued

SCHEDULE 18 - NOTES TO ACCOUNTS

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

22. Details of outstanding advances given to subsidiary companies in which directors are interested are same as disclosed in note 4 (c) above. The balance outstanding as at the period/year end is also the maximum amount outstanding during the period/year.

23. Change in financial year and prior year comparatives

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

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

As per our report of even date

For S. R. Batliboi & Associates

Chartered Accountants

per Raj Agrawal

Partner

Membership No. 82028

For and on behalf of the Board of Directors

Rahul Dhir Managing Director and Chief Executive Officer

Aman Mehta Director

Indrajit Banerjee Executive Director and Chief Financial Officer

Neerja Sharma Company Secretary

Place : Gurgaon

Date : 27th May, 2009

Balance Sheet Abstract and Company's General Business Profile

i) Registration Details	
Registration No.	L11101MH2006PLC163934
State Code	11
Balance Sheet Date	31/03/2009
ii) Capital raised during the year*	(Amount in INR Thousands)
Public Issue	-
Rights Issue	-
Bonus Issue	-
Private Placement (Includes stock options exercised)	1,182,684
*Does not include securities premium	
iii) Position of Mobilisation and Deployment of Funds	(Amount in INR Thousands)
Total Liabilities	321,300,037
Total Assets	321,300,037
Source of Funds	
Paid up Capital	18,966,678
Reserves & Surplus (Includes stock options outstanding)	301,479,252
Secured Loans	Nil
Unsecured Loans	Nil
Application of Funds	
Net Fixed Assets (Includes exploratory work-in-progress)	540,908
Investments	292,253,966
Net Current Assets	27,113,056
Miscellaneous Expenditure	Nil
Accumulated losses	538,000
iv) Performance of the Company	(Amount in INR Thousands)
Turnover (Total Income)	2,980,403
Total Expenditure	1,859,687
Profit/(Loss) before tax	1,120,716
Profit/(Loss) after tax	542,407
Profit per Share in Rs. (Basic & Diluted)	0.29
Dividend rate %	Nil
v) Generic Names of Principal Products/Services of Company (as per monetary terms)	
Item Code No. (ITC Code)	27090000
Product Description	Crude Oil
Item Code No. (ITC Code)	27112100
Product Description	Natural Gas

For and on behalf of the Board of Directors

Rahul Dhir Managing Director and Chief Executive Officer

Aman Mehta Director

Indrajit Banerjee Executive Director and Chief Financial Officer

Neerja Sharma Company Secretary

Place : Gurgaon

Date : 27th May, 2009