

# 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 31 March, 2010 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2 We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3 The attached financial statements include Company's share of net assets, expenses and cash flows aggregating to INR 4,031 thousand, INR 529,058 thousand and INR Nil thousand respectively in the unincorporated joint ventures not operated by the Company or its subsidiaries, the accounts of which have been audited by the auditors of the respective unincorporated joint ventures and relied upon by us.
- 4 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 (ii), (ix)(a), (ix)(b), (ix)(c) and (xxi), our comments are restricted to the operations of the Company and does not cover the unincorporated joint ventures where any third party is the operator.
- 5 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 31 March, 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March, 2010 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 31 March, 2010;
    - b in the case of the profit and loss account, of the loss for the year ended on that date; and
    - c in the case of cash flow statement, of the cash flows for the year ended on that date.

For **S.R. BATLIBOI & ASSOCIATES**

Firm registration number: 101049W

Chartered Accountants

per **Sanjay Vij**, Partner

Membership No.: 95169

Place Gurgaon Date 27 May, 2010

# Auditors' Report

## Annexure referred to in paragraph 4 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) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.  
(b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.  
(c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification carried out at the end of the year.
- (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 inventory, fixed assets and for the sale of services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control system of the Company. Since the Company has not started commercial production in any of its oil and gas blocks, it has not 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) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, income-tax, wealth-tax, service tax, cess and other material statutory dues applicable to it. Further, since the Central Government has till date not prescribed the amount of cess payable under section 441 A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the Company in depositing the same. The provisions relating to employees' state insurance, sales 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, wealth-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, customs duty and excise duty are not applicable to the Company.  
  
(c) According to the information and explanations given to us, there are no dues of income tax, wealth tax, service tax, and cess which have not been deposited on account of any dispute. The provisions relating to sales tax, customs duty and excise duty are not applicable to the Company.

## Auditors' Report

- (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) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution or bank. The Company has not issued any debentures.
- (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) Based on the information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- (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.
- (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 issues is as disclosed in the notes 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**

Firm registration number: 101049W

Chartered Accountants

**per Sanjay Vij**

Partner

Membership No.:95169

Place Gurgaon    Date 27 May, 2010

# Financial Accounts



# Balance Sheet

AS AT MARCH 31, 2010

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

|                                                 | Schedules | As at March 31, 2010 | As at March 31, 2009 |
|-------------------------------------------------|-----------|----------------------|----------------------|
| <b>Sources of Funds</b>                         |           |                      |                      |
| <b>Shareholders' funds</b>                      |           |                      |                      |
| Share capital                                   | 1         | 18,969,741           | 18,966,678           |
| Stock options outstanding                       | 2         | 463,978              | 388,978              |
| Reserves and surplus                            | 3         | 301,161,222          | 301,090,274          |
| <b>Loan funds</b>                               |           |                      |                      |
| Secured loans                                   | 4         | 13,450,000           | -                    |
|                                                 |           | <b>334,044,941</b>   | <b>320,445,930</b>   |
| <b>Application of Funds</b>                     |           |                      |                      |
| <b>Fixed assets</b>                             |           |                      |                      |
| Gross cost                                      | 5         | 1,055                | 974                  |
| Less: Accumulated depreciation / amortisation   |           | 869                  | 365                  |
| <b>Net book value</b>                           |           | <b>186</b>           | <b>609</b>           |
| <b>Exploratory work in progress</b>             | 6         | 242,074              | 540,299              |
| <b>Investments</b>                              | 7         | 331,290,939          | 292,253,966          |
| <b>Current assets, loans and advances</b>       |           |                      |                      |
| Inventories                                     | 8         | 9,831                | -                    |
| Sundry debtors                                  | 9         | 15,728               | 17,942               |
| Cash and bank balances                          | 10        | 1,927,862            | 27,632,762           |
| Other current assets                            | 11        | 12,360               | 633,645              |
| Loans and advances                              | 12        | 829,151              | 220,814              |
|                                                 |           | <b>2,794,932</b>     | <b>28,505,163</b>    |
| <b>Less: Current liabilities and provisions</b> |           |                      |                      |
| Current liabilities                             | 13        | 1,480,662            | 1,076,734            |
| Provisions                                      | 14        | 30,062               | 315,373              |
|                                                 |           | <b>1,510,724</b>     | <b>1,392,107</b>     |
| <b>Net current assets</b>                       |           | <b>1,284,208</b>     | <b>27,113,056</b>    |
| <b>Profit and loss account</b>                  |           | <b>1,227,534</b>     | <b>538,000</b>       |
|                                                 |           | <b>334,044,941</b>   | <b>320,445,930</b>   |
| Notes to accounts                               | 20        |                      |                      |

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**

Firm Registration No.:101049W

Chartered Accountants

per **Sanjay Vij**

Partner

Membership No. 95169

**For and on behalf of the Board of Directors**

**Rahul Dhir** Managing Director and Chief Executive Officer

**Indrajit Banerjee** Executive Director and Chief Financial Officer

**Omkar Goswami** Director

**Neerja Sharma** Company Secretary

Place Gurgaon Date 27 May, 2010

# Profit and Loss Account

FOR THE YEAR ENDED MARCH 31, 2010

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

|                                                               | Schedules | Year ended<br>March 31, 2010 | Fifteen months ended<br>March 31, 2009 |
|---------------------------------------------------------------|-----------|------------------------------|----------------------------------------|
| <b>Income</b>                                                 |           |                              |                                        |
| Revenue from operating activities                             |           | 32,040                       | 37,331                                 |
| Other income                                                  | 15        | 1,601,580                    | 2,943,072                              |
|                                                               |           | <b>1,633,620</b>             | <b>2,980,403</b>                       |
| <b>Expenditure</b>                                            |           |                              |                                        |
| Staff costs                                                   | 16        | 175,929                      | 212,519                                |
| Data acquisition and pre exploration cost                     |           | 33,860                       | 36,235                                 |
| Administrative expenses                                       | 17        | 302,959                      | 793,554                                |
| Unsuccessful exploration costs                                | 6         | 1,191,194                    | 813,568                                |
| Depreciation/Amortisation                                     | 5         | 504                          | 365                                    |
| Finance costs                                                 | 18        | 662,806                      | 3,446                                  |
|                                                               |           | <b>2,367,252</b>             | <b>1,859,687</b>                       |
| <b>Profit/(Loss) before taxation</b>                          |           | <b>(733,632)</b>             | <b>1,120,716</b>                       |
| Current tax                                                   |           | 44,000                       | 543,800                                |
| Fringe benefit tax (refer note no. 14 in schedule 20)         |           | (88,098)                     | 34,509                                 |
| <b>Profit/(Loss) for the year/period</b>                      |           | <b>(689,534)</b>             | <b>542,407</b>                         |
| Add: Accumulated losses at the beginning of the year / period |           | (538,000)                    | (1,080,407)                            |
| <b>Deficit carried forward to balance sheet</b>               |           | <b>(1,227,534)</b>           | <b>(538,000)</b>                       |
| <b>Earnings/(Loss) per share in INR</b>                       |           |                              |                                        |
| Basic                                                         | 19        | (0.36)                       | 0.29                                   |
| Diluted (current year considered anti-dilutive)               |           | (0.36)                       | 0.29                                   |
| [Nominal value of shares INR 10]                              |           |                              |                                        |
| Notes to accounts                                             | 20        |                              |                                        |

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**

Firm Registration No.:101049W

Chartered Accountants

per **Sanjay Vij**

Partner

Membership No. 95169

**For and on behalf of the Board of Directors**

**Rahul Dhir** Managing Director and Chief Executive Officer

**Indrajit Banerjee** Executive Director and Chief Financial Officer

**Omkar Goswami** Director

**Neerja Sharma** Company Secretary

Place Gurgaon Date 27 May, 2010

# Statement of Cash Flows

FOR THE YEAR ENDED MARCH 31, 2010

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

|                                                                                    | Year ended<br>March 31, 2010 | Fifteen months ended<br>March 31, 2009 |
|------------------------------------------------------------------------------------|------------------------------|----------------------------------------|
| <b>Cash flow from operating activities</b>                                         |                              |                                        |
| Profit/ (loss) for the year/period                                                 | (733,632)                    | 1,120,716                              |
| Adjustments for:                                                                   |                              |                                        |
| - Employee compensation expense (stock options) - net of exceptional gains         | 39,385                       | (33,325)                               |
| - Interest income                                                                  | (1,266,573)                  | (1,341,376)                            |
| - Dividend from unquoted current investments                                       | (220,839)                    | (200,225)                              |
| - Depreciation/Amortisation                                                        | 504                          | 365                                    |
| - Profit on sale of unquoted current investments (net)                             | (2,385)                      | (1,245,686)                            |
| - Share issue expenses                                                             | -                            | 208,410                                |
| - Unrealised exchange loss / (gain) on restatement of assets and liabilities (net) | (110,526)                    | 183,896                                |
| - Unsuccessful exploration costs                                                   | 1,191,194                    | 813,568                                |
| - Loan facility and management fees                                                | 59,574                       | -                                      |
| - Balances written back                                                            | (40,653)                     | -                                      |
| - Interest expense                                                                 | 599,810                      | 388                                    |
| <b>Operating (loss) before working capital changes</b>                             | <b>(484,141)</b>             | <b>(493,269)</b>                       |
| Movements in working capital:                                                      |                              |                                        |
| (Increase)/decrease in inventories                                                 | (9,831)                      | -                                      |
| (Increase)/decrease in debtors                                                     | 2,214                        | (5,234)                                |
| (Increase)/decrease in loans and advances                                          | 32,383                       | (212,729)                              |
| Increase/(decrease) in current liabilities and provisions                          | (84,301)                     | 909,781                                |
| <b>Cash generated from / (used in) operations</b>                                  | <b>(543,676)</b>             | <b>198,549</b>                         |
| Direct taxes paid including fringe benefit tax                                     | (248,254)                    | (553,060)                              |
| <b>Net cash (used in) operating activities (A)</b>                                 | <b>(791,930)</b>             | <b>(354,511)</b>                       |
| <b>Cash flow from investing activities</b>                                         |                              |                                        |
| Payments made for exploration, development activities and purchase of fixed assets | (368,982)                    | (1,372,093)                            |
| Long term investments made in subsidiaries                                         | (23,827,569)                 | (1,562,784)                            |
| Fixed deposits made                                                                | (6,083,612)                  | (37,573,811)                           |
| Proceeds from matured fixed deposits                                               | 31,728,811                   | 10,005,000                             |
| Short term investments in mutual funds (net)                                       | (15,207,018)                 | 4,691,789                              |
| Interest received                                                                  | 1,887,858                    | 707,732                                |
| Dividend received from unquoted current investments                                | 220,839                      | 200,225                                |
| <b>Net cash (used in) investing activities (B)</b>                                 | <b>(11,649,673)</b>          | <b>(24,903,942)</b>                    |
| <b>Cash flow from financing activities</b>                                         |                              |                                        |
| Proceeds from issue of equity shares (including securities premium)                | 20,363                       | 25,523,445                             |
| Payment for share issue expenses                                                   | -                            | (208,410)                              |
| Proceeds from long term borrowings                                                 | 13,450,000                   | -                                      |
| Loan facility and management fees paid                                             | (488,651)                    | -                                      |
| Interest paid                                                                      | (599,810)                    | (388)                                  |
| <b>Net cash from financing activities (C)</b>                                      | <b>12,381,902</b>            | <b>25,314,647</b>                      |

## Statement of Cash Flows Continued

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

|                                                                | Year ended<br>March 31, 2010 | Fifteen months ended<br>March 31, 2009 |
|----------------------------------------------------------------|------------------------------|----------------------------------------|
| <b>Net increase in cash and cash equivalents (A+B+C)</b>       | (59,701)                     | 56,194                                 |
| Cash and cash equivalents at the beginning of the year/ period | 63,951                       | 7,757                                  |
| Cash and cash equivalents at the end of the year/ period       | 4,250                        | 63,951                                 |
| <b>Components of cash and cash equivalents as at</b>           | <b>March 31, 2010</b>        | <b>March 31, 2009</b>                  |
| Cash in hand                                                   | 42                           | 15                                     |
| <b>Balances with scheduled banks</b>                           |                              |                                        |
| - on current accounts                                          | 4,208                        | 13,936                                 |
| - on deposit accounts                                          | 1,923,612                    | 27,618,811                             |
| Less: Deposits having maturity of over 90 days                 | (1,923,612)                  | (27,568,811)                           |
|                                                                | <b>4,250</b>                 | <b>63,951</b>                          |

### Notes

- i) The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in Accounting Standard-3 on "Cash flow statements".
- ii) Amounts in bracket indicate a cash outflow or reduction.
- iii) Bank balance in deposit accounts includes INR 1,790,000 thousand, previous period INR 1,530,000 thousand, pledged with the banks.

As per our report of even date

#### For S. R. Batliboi & Associates

Firm Registration No.:101049W

Chartered Accountants

per **Sanjay Vij**

Partner

Membership No. 95169

#### For and on behalf of the Board of Directors

**Rahul Dhir** Managing Director and Chief Executive Officer

**Indrajit Banerjee** Executive Director and Chief Financial Officer

**Omkar Goswami** Director

**Neerja Sharma** Company Secretary

Place Gurgaon Date 27 May, 2010

## Schedules to the Financial Statements

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

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

### Notes

- i) Issued, subscribed and fully paid up share capital includes 1,183,243,791 equity shares (previous period - 1,226,843,791 equity shares) of INR 10 each held by Cairn UK Holdings Limited, the holding company, together with its nominees.
- ii) Shares held by the holding company includes 861,764,893 equity shares (previous period - 861,764,893 equity shares) of INR 10 each, allotted as fully paid up pursuant to contracts for consideration other than cash.
- iii) For stock options outstanding, refer note no. 6 in schedule 20.

|                                                  |                |                |
|--------------------------------------------------|----------------|----------------|
| <b>Schedule 2</b>                                |                |                |
| <b>Stock options outstanding</b>                 |                |                |
| Employee stock options outstanding               | 768,120        | 782,548        |
| Less: Deferred employee compensation outstanding | 304,142        | 393,570        |
| <b>Closing Balance</b>                           | <b>463,978</b> | <b>388,978</b> |

|                                                                           |                    |                    |
|---------------------------------------------------------------------------|--------------------|--------------------|
| <b>Schedule 3</b>                                                         |                    |                    |
| <b>Reserves and surplus</b>                                               |                    |                    |
| Securities premium account                                                |                    |                    |
| Opening balance                                                           | 301,090,274        | 276,084,115        |
| Add: Additions during the year/ period (refer note no. 10 of schedule 20) | 70,948             | 25,006,159         |
| <b>Closing Balance</b>                                                    | <b>301,161,222</b> | <b>301,090,274</b> |

|                               |                   |   |
|-------------------------------|-------------------|---|
| <b>Schedule 4</b>             |                   |   |
| <b>Secured loans</b>          |                   |   |
| Long term loans               |                   |   |
| - from financial institutions | 1,008,750         | - |
| - from banks                  | 12,441,250        | - |
|                               | <b>13,450,000</b> | - |

### Notes

- i) There is no amount repayable within one year.
- ii) Refer note no. 12 in schedule 20.

## Schedules to the Financial Statements Continued

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

### Schedule 5

#### Fixed Assets

| Description                 | Gross Block         |           |                          |                     | Accumulated Depreciation / Amortisation |                         |                          |                     | Net Block           |                     |
|-----------------------------|---------------------|-----------|--------------------------|---------------------|-----------------------------------------|-------------------------|--------------------------|---------------------|---------------------|---------------------|
|                             | As on<br>01.04.2009 | Additions | Deletions/<br>Adjustment | As on<br>31.03.2010 | As on<br>01.04.2009                     | For the<br>year/ period | Deletions/<br>Adjustment | As on<br>31.03.2010 | As on<br>31.03.2010 | As on<br>31.03.2009 |
| <b>A) Tangible Assets</b>   |                     |           |                          |                     |                                         |                         |                          |                     |                     |                     |
| Office equipments           | -                   | 32        | -                        | 32                  | -                                       | 9                       | -                        | 9                   | 23                  | -                   |
| <b>B) Intangible Assets</b> |                     |           |                          |                     |                                         |                         |                          |                     |                     |                     |
| Computer software           | 974                 | 49        | -                        | 1,023               | 365                                     | 495                     | -                        | 860                 | 163                 | 609                 |
| <b>Grand Total</b>          | <b>974</b>          | <b>81</b> | <b>-</b>                 | <b>1,055</b>        | <b>365</b>                              | <b>504</b>              | <b>-</b>                 | <b>869</b>          | <b>186</b>          | <b>609</b>          |
| Previous period             | -                   | 974       | -                        | 974                 | -                                       | 365                     | -                        | 365                 | 609                 | -                   |

|  | As at<br>March 31, 2010 | As at<br>March 31, 2009 |
|--|-------------------------|-------------------------|
|--|-------------------------|-------------------------|

### Schedule 6

#### Exploratory work in progress

|                                                          |                |                |
|----------------------------------------------------------|----------------|----------------|
| Opening Balance                                          | 540,299        | -              |
| Additions during the year/period                         | 892,969        | 1,353,867      |
| Less: Unsuccessful exploration costs for the year/period | 1,191,194      | 813,568        |
|                                                          | <b>242,074</b> | <b>540,299</b> |

### Schedule 7

#### Investments

##### Long term investments in Subsidiary Companies (at cost)

|                                                                                                                            |             |             |
|----------------------------------------------------------------------------------------------------------------------------|-------------|-------------|
| Unquoted, trade and fully paid-up                                                                                          |             |             |
| 420,810,062 equity shares (previous period: 292,929,752 equity shares) of GBP 1 each in Cairn India Holdings Limited, U.K. | 300,424,799 | 290,524,514 |
| 175,560 redeemable preferential shares (previous period: Nil) of GBP 1,000 each in Cairn India Holdings Limited, U.K.      | 13,437,637  | -           |
| 13,159,960 equity shares (previous period: 2,509,960) of USD 1 each in CIG Mauritius Holding Private Limited               | 611,627     | 121,980     |

##### Current Investments (at lower of cost and market value)

|                                                                       |                    |                    |
|-----------------------------------------------------------------------|--------------------|--------------------|
| Unquoted and non trade                                                |                    |                    |
| Mutual Funds (refer note no. 22 in schedule 20 for details)*          | 16,816,876         | 1,607,472          |
|                                                                       | <b>331,290,939</b> | <b>292,253,966</b> |
| Aggregate amount of unquoted investments                              | 331,290,939        | 292,253,966        |
| Repurchase price of mutual fund units, represented by Net Asset Value | 16,816,876         | 1,607,472          |

\* includes unutilized monies of the public issue. (refer note no. 5 in schedule 20)

### Schedule 8

#### Inventories

|                   |              |          |
|-------------------|--------------|----------|
| Stores and spares | 9,831        | -        |
|                   | <b>9,831</b> | <b>-</b> |

## Schedules to the Financial Statements Continued

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

|                                                            | As at<br>March 31, 2010 | As at<br>March 31, 2009 |
|------------------------------------------------------------|-------------------------|-------------------------|
| <b>Schedule 9</b>                                          |                         |                         |
| <b>Sundry Debtors</b>                                      |                         |                         |
| <b>Debts outstanding for a period exceeding six months</b> |                         |                         |
| - Unsecured, considered good                               | 4,039                   | 7,609                   |
| <b>Other debts</b>                                         |                         |                         |
| - Unsecured, considered good                               | 11,689                  | 10,333                  |
|                                                            | <b>15,728</b>           | <b>17,942</b>           |

|                                 |                  |                   |
|---------------------------------|------------------|-------------------|
| <b>Schedule 10</b>              |                  |                   |
| <b>Cash and bank balances</b>   |                  |                   |
| Cash in hand                    | 42               | 15                |
| Balances with scheduled banks * |                  |                   |
| - on current accounts           | 4,208            | 13,936            |
| - on deposit accounts **        | 1,923,612        | 27,618,811        |
|                                 | <b>1,927,862</b> | <b>27,632,762</b> |

\* includes unutilized monies of the public issue (refer note no. 5 in schedule 20)

\*\* Includes INR 1,790,000 thousand, previous period INR 1,530,000 thousand, pledged with the banks

|                                   |               |                |
|-----------------------------------|---------------|----------------|
| <b>Schedule 11</b>                |               |                |
| <b>Other current assets</b>       |               |                |
| Interest accrued on bank deposits | 12,360        | 633,645        |
|                                   | <b>12,360</b> | <b>633,645</b> |

|                                                                                           |                |                |
|-------------------------------------------------------------------------------------------|----------------|----------------|
| <b>Schedule 12</b>                                                                        |                |                |
| <b>Loans and advances</b>                                                                 |                |                |
| Unsecured considered good:                                                                |                |                |
| Advances recoverable in cash or in kind or for value to be received*                      | 582,159        | 12,855         |
| Advances recoverable from subsidiary companies                                            | 242,247        | 192,795        |
| Deposits                                                                                  | 512            | 15,164         |
| Fringe benefit tax paid (Net of provisions INR 266,901 thousand, previous period INR Nil) | 4,233          | -              |
|                                                                                           | <b>829,151</b> | <b>220,814</b> |

\* includes capital advances INR 1,465 thousand (previous period INR Nil)

## Schedules to the Financial Statements Continued

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

|                                                                                               | As at<br>March 31, 2010 | As at<br>March 31, 2009 |
|-----------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| <b>Schedule 13</b>                                                                            |                         |                         |
| <b>Current liabilities</b>                                                                    |                         |                         |
| Sundry Creditors                                                                              |                         |                         |
| - Total outstanding dues to Micro and Small Enterprises<br>(refer note no. 21 in schedule 20) | -                       | 6                       |
| - Total outstanding dues to other than Micro and Small Enterprises                            | 201,178                 | 97,773                  |
| Amounts payable to Cairn Energy Plc., the ultimate holding company                            | -                       | 24,109                  |
| Amounts payable to subsidiary companies                                                       | 672,931                 | 753,778                 |
| Other liabilities                                                                             | 606,553                 | 201,068                 |
|                                                                                               | <b>1,480,662</b>        | <b>1,076,734</b>        |

|                                                                                                              |               |                |
|--------------------------------------------------------------------------------------------------------------|---------------|----------------|
| <b>Schedule 14</b>                                                                                           |               |                |
| <b>Provisions</b>                                                                                            |               |                |
| Provision for taxation (net of advance tax -INR 565,566 thousand, previous period INR 338,382 thousand)      | 22,234        | 205,118        |
| Provision for fringe benefit tax (net of advance tax payments INR Nil, previous period INR 266,883 thousand) | -             | 105,235        |
| Provision for gratuity                                                                                       | 6,647         | 3,994          |
| Provision for leave encashment                                                                               | 1,181         | 1,026          |
|                                                                                                              | <b>30,062</b> | <b>315,373</b> |

|                                                                                                                      | Year ended<br>March 31, 2010 | Fifteen months ended<br>March 31, 2009 |
|----------------------------------------------------------------------------------------------------------------------|------------------------------|----------------------------------------|
| <b>Schedule 15</b>                                                                                                   |                              |                                        |
| <b>Other income</b>                                                                                                  |                              |                                        |
| Interest on bank deposits (Gross, tax deducted at source INR 188,872 thousand, previous period INR 304,879 thousand) | 1,266,573                    | 1,341,377                              |
| Dividend from non-trade current investments                                                                          | 220,839                      | 200,225                                |
| Profit on sale of non-trade current investments (net)                                                                | 2,385                        | 1,245,686                              |
| Miscellaneous income                                                                                                 | -                            | 61                                     |
| Exchange differences (net)                                                                                           | 71,130                       | -                                      |
| Balances written back                                                                                                | 40,653                       | -                                      |
| Exceptional gain (refer note no. 25 in schedule 20)                                                                  | -                            | 155,723                                |
|                                                                                                                      | <b>1,601,580</b>             | <b>2,943,072</b>                       |

|                                               |                |                |
|-----------------------------------------------|----------------|----------------|
| <b>Schedule 16</b>                            |                |                |
| <b>Staff costs</b>                            |                |                |
| Salary, wages and bonus                       | 120,301        | 74,089         |
| Contribution to provident fund                | 5,384          | 3,314          |
| Contribution to superannuation fund           | 3,374          | 1,716          |
| Gratuity expenses                             | 2,653          | 3,720          |
| Compensated absences                          | 285            | 1,103          |
| Staff welfare expenses                        | 4,547          | 6,179          |
| Employee compensation expense (stock options) | 39,385         | 122,398        |
|                                               | <b>175,929</b> | <b>212,519</b> |

## Schedules to the Financial Statements Continued

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

|                                                                                       | Year ended<br>March 31, 2010 | Fifteen months ended<br>March 31, 2009 |
|---------------------------------------------------------------------------------------|------------------------------|----------------------------------------|
| <b>Schedule 17</b>                                                                    |                              |                                        |
| <b>Administrative expenses</b>                                                        |                              |                                        |
| Legal and professional expenses                                                       | 197,777                      | 254,050                                |
| Contract employee charges                                                             | 4,370                        | 4,517                                  |
| Rent                                                                                  | 1,642                        | 1,377                                  |
| Auditor's remuneration                                                                |                              |                                        |
| As Auditors                                                                           |                              |                                        |
| - Fees for statutory audit and consolidated financial statements                      | 4,440                        | 5,314                                  |
| - Fees for tax audit                                                                  | -                            | 828                                    |
| - Fees for limited review                                                             | 5,460                        | 7,595                                  |
| - Fees for statutory reporting for parent companies consolidated financial statements | 2,041                        | 10,566                                 |
| - Other services                                                                      | 2,160                        | 3,503                                  |
| - Out of pocket expenses                                                              | 394                          | 14,495                                 |
| Directors' sitting fees                                                               | 1,160                        | 1,320                                  |
| Advertisement and publicity                                                           | 9,538                        | 14,385                                 |
| Public relation expenses                                                              | 18,248                       | 42,959                                 |
| Sponsorship                                                                           | 11,500                       | 15,666                                 |
| Printing & stationery                                                                 | 3,489                        | 3,157                                  |
| Security Expenses                                                                     | 361                          | 129                                    |
| Repairs and maintenance (others)                                                      | 2,639                        | 303                                    |
| Travelling and conveyance                                                             | 19,358                       | 30,954                                 |
| Insurance expenses                                                                    | 199                          | 197                                    |
| Communication expenses                                                                | 16,104                       | 5,983                                  |
| Share issue expenses                                                                  | -                            | 208,410                                |
| Exchange differences (net)                                                            | -                            | 180,632                                |
| Sundry balances written off                                                           | 824                          | -                                      |
| Miscellaneous expenses                                                                | 1,255                        | 1,266                                  |
|                                                                                       | <b>302,959</b>               | <b>793,554</b>                         |

|                                   |                |              |
|-----------------------------------|----------------|--------------|
| <b>Schedule 18</b>                |                |              |
| <b>Finance costs</b>              |                |              |
| Interest                          |                |              |
| -on term loan                     | 599,684        | -            |
| -others                           | 126            | 388          |
| Loan facility and management fees | 59,574         | -            |
| Bank charges                      | 3,422          | 3,058        |
|                                   | <b>662,806</b> | <b>3,446</b> |

## Schedules to the Financial Statements Continued

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

|                                                                                             | Year ended<br>March 31, 2010 | Fifteen months ended<br>March 31, 2009 |
|---------------------------------------------------------------------------------------------|------------------------------|----------------------------------------|
| <b>Schedule 19</b>                                                                          |                              |                                        |
| <b>Earnings / (Loss) per share</b>                                                          |                              |                                        |
| Profit/(Loss) for the year/ period as per profit and loss account                           | (689,534)                    | 542,407                                |
| Weighted average number of equity shares in calculating basic earnings / (loss) per share   | 1,896,696,475                | 1,866,146,993                          |
| Add: Number of equity shares arising on grant of stock options                              | 8,321,392                    | 10,052,076                             |
| Weighted average number of equity shares in calculating diluted earnings / (loss) per share | 1,905,017,867                | 1,876,199,069                          |
| Earnings/(Loss) per share in INR                                                            |                              |                                        |
| Basic                                                                                       | (0.36)                       | 0.29                                   |
| Diluted (current year considered anti dilutive)                                             | (0.36)                       | 0.29                                   |

# Schedules to the Financial Statements Continued

## SCHEDULE 20-NOTES TO ACCOUNTS

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

### 1. NATURE OF OPERATIONS

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

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

The Company is participant in various Oil and Gas blocks/fields (which are in the nature of jointly controlled assets), 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 & Gas blocks / fields, which are presently under exploration phase:

| Oil & Gas blocks/fields                      | Area                         | Participating Interest |
|----------------------------------------------|------------------------------|------------------------|
| <b>Operated block (through subsidiaries)</b> |                              |                        |
| PR-OSN-2004                                  | Palar Basin offshore         | 25%                    |
| KG-ONN-2003/1                                | Krishna Godavari Onshore     | 25%                    |
| Following block has been relinquished        |                              |                        |
| VN-ONN-2003/1 in Aug 2009                    | Vindhyan Onshore             | 25%                    |
| <b>Non – operated block</b>                  |                              |                        |
| GS-OSN-2003/1                                | Gujarat Saurashtra Onshore   | 49%                    |
| KK-DWN-2004                                  | Kerala Konkan Basin offshore | 40%                    |
| Following blocks have been relinquished      |                              |                        |
| CB-ONN-2002/1 in Jan 2009                    | Cambay Onshore               | 30%                    |
| RJ-ONN-2003/1 in Jan 2010                    | Rajasthan Onshore            | 30%                    |

### 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.

#### (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 & 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 work-in-progress are transferred into a single field cost centre within producing properties, after testing for impairment.

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

Net proceeds from any disposal of an exploration asset within exploratory and development work in progress 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 20–NOTES TO ACCOUNTS

(All amounts are in INR thousand 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 expenses form part of the exploration & development work in progress or cost of producing properties, as the case may be, of the related asset. The amortization of the asset, calculated on a unit of production basis based on proved and developed reserves, is included in the depletion cost in the profit and loss account.

### (E) Impairment

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

### (F) Tangible fixed assets, depreciation and amortization

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

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

|                        |               |
|------------------------|---------------|
| Vehicles               | 2 to 5 years  |
| Freehold buildings     | 10 years      |
| Computers              | 2 to 5 years  |
| Furniture and fixtures | 2 to 5 years  |
| Office equipments      | 2 to 5 years  |
| Plant and Equipment    | 2 to 10 years |
| Leasehold land         | Lease period  |

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

### (G) Intangible fixed assets and amortization

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

|                   |              |
|-------------------|--------------|
| Computer software | 2 to 4 years |
|-------------------|--------------|

### (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. All other investments are classified as long-term investments. Current investments are measured at cost or market value, whichever is lower, determined on an individual investment basis. Long term investments are measured at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

### (J) Joint Ventures

The Company participates in several Joint Ventures involving joint control of assets for carrying out oil and gas exploration, development and producing activities. The Company 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 20-NOTES TO ACCOUNTS

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

### Revenue from operating activities

The Company recognizes parent company overhead 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.

### (N) 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 Indian Income Tax Act. 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 or virtually certain as the case may be, 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.

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

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

#### Employee Stock Compensation Cost

Measurement and disclosure of the employee share-based payment plans is done in accordance with SEBI (Employee Stock Option Scheme and

# Schedules to the Financial Statements Continued

## SCHEDULE 20–NOTES TO ACCOUNTS

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

Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on Accounting for Employee Share-based Payments, issued by ICAI. 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.

### (U) Inventory

Inventories of stores and spares related to exploration, development and production activities are stated at cost, determined on first in first out (FIFO) basis. However, inventories of stores and spares, which are not likely to be consumed, are written down to their net realizable value.

## 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
- ▶ Cairn Energy Plc., UK  
Ultimate holding company

#### Subsidiary companies

- 1 Cairn Energy Australia Pty Limited
- 2 Cairn Energy India Pty Limited
- 3 CEH Australia Pty Limited
- 4 Cairn Energy Asia Pty Limited
- 5 Sydney Oil Company Pty Limited
- 6 Cairn Energy Investments Australia Pty Limited
- 7 Wessington Investments Pty Limited
- 8 CEH Australia Limited
- 9 Cairn India Holdings Limited
- 10 CIG Mauritius Holding Private Limited
- 11 CIG Mauritius Private Limited
- 12 Cairn Energy Holdings Limited
- 13 Cairn Energy Discovery Limited
- 14 Cairn Exploration (No. 2) Limited
- 15 Cairn Exploration (No. 6) Limited
- 16 Cairn Energy Hydrocarbons Limited
- 17 Cairn Petroleum India Limited
- 18 Cairn Energy Gujarat Block 1 Limited
- 19 Cairn Exploration (No. 4) Limited
- 20 Cairn Exploration (No. 7) Limited

# Schedules to the Financial Statements Continued

## SCHEDULE 20-NOTES TO ACCOUNTS

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

- 21 Cairn Energy Development Pte Limited
- 22 Cairn Lanka (Pvt) Limited
- 23 Cairn Energy Group Holdings BV
- 24 Cairn Energy India West BV
- 25 Cairn Energy India West Holding BV
- 26 Cairn Energy Gujarat Holding BV
- 27 Cairn Energy India Holdings BV
- 28 Cairn Energy Netherlands Holdings BV
- 29 Cairn Energy Gujarat BV
- 30 Cairn Energy Cambay BV
- 31 Cairn Energy Cambay Holding BV

### Key Management Personnel

- Rahul Dhir, Managing Director and Chief Executive Officer
- Winston Frederick Bott Jr., Executive Director and Chief Operating Officer (appointed on 29<sup>th</sup> April, 2008)
- Indrajit Banerjee, Executive Director and Chief Financial Officer
- Lawrence Smyth, Executive Director and Chief Operating Officer (resigned on 21<sup>st</sup> January, 2008)

### (B) Transactions during the year/period:

| Nature of the Transactions                                  | Related Party                          | Current year      | Previous period  |
|-------------------------------------------------------------|----------------------------------------|-------------------|------------------|
| Waiver of outstanding balance by the parent company         | Cairn Energy Plc.                      | 24,176            | Nil              |
| Expenses incurred by related party on behalf of the Company | Cairn Energy India Pty Limited         | 15,938            | 93,757           |
|                                                             | Cairn Energy Plc.                      | 8,120             | Nil              |
| <b>Total</b>                                                |                                        | <b>24,058</b>     | <b>93,757</b>    |
| Expenses incurred by the Company on behalf of related party | Cairn Energy India Pty Limited         | 190               | 256,499          |
|                                                             | Cairn Energy Plc                       | Nil               | 854              |
|                                                             | CIG Mauritius Holdings Private Limited | Nil               | 491              |
|                                                             | CIG Mauritius Private Limited          | Nil               | 264              |
|                                                             | Cairn Energy Gujarat Block 1 Limited   | Nil               | 10,648           |
|                                                             | Cairn Exploration (No. 4) Limited      | Nil               | 100              |
|                                                             | Cairn Exploration (No. 7) Limited      | Nil               | 13,668           |
|                                                             | Cairn Lanka Private Limited            | Nil               | 881              |
|                                                             | Cairn Energy Hydrocarbons Limited      | 836               | 30,597           |
|                                                             | Cairn Energy Development Pte Limited   | 694               | Nil              |
| <b>Total</b>                                                |                                        | <b>1,720</b>      | <b>314,002</b>   |
| Equity contributions made during the year/period            | Cairn India Holdings Limited           | 23,337,922        | 1,440,804        |
|                                                             | CIG Mauritius Holding Private Limited  | 489,647           | 121,980          |
|                                                             |                                        | <b>23,827,569</b> | <b>1,562,784</b> |
| Assignment of interest in oil & gas blocks from             | Cairn Energy Gujarat Block 1 Limited   | Nil               | 89,513           |
|                                                             | Cairn Exploration (No. 2) Limited      | Nil               | 302,085          |
|                                                             | Cairn Exploration (No. 4) Limited      | Nil               | 68,462           |
|                                                             | Cairn Exploration (No. 6) Limited      | Nil               | 7,164            |
|                                                             | Cairn Exploration (No. 7) Limited      | Nil               | 160,166          |
| <b>Total</b>                                                |                                        | <b>Nil</b>        | <b>627,390</b>   |
| Guarantees given                                            | Cairn Lanka Private Limited            | Nil               | 1,432,436        |
| Recovery of share option charge                             | Cairn Energy India Pty Limited         | 64,264            | 140,617          |
| Shares issued including premium and stock option charge     | Rahul Dhir                             | Nil               | 716,185          |
|                                                             | Lawrence Smyth                         | Nil               | 126,758          |
| <b>Total</b>                                                |                                        | <b>Nil</b>        | <b>842,943</b>   |
| Remuneration                                                | Rahul Dhir                             | 2,400             | 3,000            |
|                                                             | Winston Frederick Bott Jr.             | 1,200             | 950              |
|                                                             | Indrajit Banerjee                      | 1,800             | 2,250            |
| <b>Total</b>                                                |                                        | <b>5,400</b>      | <b>6,200</b>     |

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

# Schedules to the Financial Statements Continued

## SCHEDULE 20-NOTES TO ACCOUNTS

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

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

| Nature of the Balance | Related Party                          | 31 <sup>st</sup> March 2010 | 31 <sup>st</sup> March 2009 |
|-----------------------|----------------------------------------|-----------------------------|-----------------------------|
| Guarantees given      | Cairn Lanka Private Limited            | 1,267,674                   | 1,432,436                   |
| Accounts receivable   | Cairn Energy India Pty Limited         | 208,512                     | 160,563                     |
|                       | CIG Mauritius Holdings Private Limited | 491                         | 491                         |
|                       | CIG Mauritius Private Limited          | 264                         | 264                         |
|                       | Cairn Lanka Private Limited            | 881                         | 881                         |
|                       | Cairn Energy Hydrocarbons Limited      | 31,432                      | 30,596                      |
|                       | Cairn Energy Development Pte Limited   | 667                         | Nil                         |
| <b>Total</b>          |                                        | <b>242,247</b>              | <b>192,795</b>              |
| Accounts payable      | Cairn Energy Plc                       | Nil                         | 24,109                      |
|                       | Cairn Energy Gujarat Block 1 Limited   | 89,531                      | 102,552                     |
|                       | Cairn Exploration (No. 2) Limited      | 332,327                     | 367,147                     |
|                       | Cairn Exploration (No. 4) Limited      | 77,497                      | 86,635                      |
|                       | Cairn Exploration (No. 6) Limited      | 8,423                       | 9,558                       |
|                       | Cairn Exploration (No. 7) Limited      | 165,153                     | 187,886                     |
| <b>Total</b>          |                                        | <b>672,931</b>              | <b>777,887</b>              |

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

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

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

| Particulars         | 31 <sup>st</sup> March 2010 | 31 <sup>st</sup> March 2009 |
|---------------------|-----------------------------|-----------------------------|
| Mutual funds        | Nil                         | 718,277                     |
| Balances with banks | Nil                         | 4,967,454                   |
| <b>Total</b>        | <b>Nil</b>                  | <b>5,685,731</b>            |

### 6. EMPLOYEES STOCK OPTION PLANS

The Company has provided various share-based payment schemes to its employees. During the year ended 31<sup>st</sup> March 2010, the following schemes were in operation:

| Particulars                               | CISMP                          | CIPOP                      | CIESOP                    |
|-------------------------------------------|--------------------------------|----------------------------|---------------------------|
| Date of Board Approval                    | 17 <sup>th</sup> Nov 2006      | 17 <sup>th</sup> Nov 2006  | 17 <sup>th</sup> Nov 2006 |
| Date of Shareholder's approval            | 17 <sup>th</sup> Nov 2006      | 17 <sup>th</sup> Nov 2006  | 17 <sup>th</sup> Nov 2006 |
| Number of options granted till March 2010 | 8,298,713                      | 6,727,724                  | 18,197,795                |
| 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 date    | 3 months from vesting date | 7 years from vesting date |
| Number of options granted till March 2010 |                                |                            |                           |
| 24 <sup>th</sup> Nov 2006                 | 8,298,713                      | -                          | -                         |
| 1 <sup>st</sup> Jan 2007                  | -                              | 1,708,195                  | 3,467,702                 |
| 20 <sup>th</sup> Sept 2007                | -                              | 3,235,194                  | 5,515,053                 |
| 29 <sup>th</sup> July 2008                | -                              | 789,567                    | 3,773,856                 |
| 10 <sup>th</sup> Dec 2008                 | -                              | -                          | 36,040                    |
| 29 <sup>th</sup> July 2009                | -                              | 994,768                    | 5,405,144                 |
| <b>Total</b>                              | <b>8,298,713</b>               | <b>6,727,724</b>           | <b>18,197,795</b>         |

# Schedules to the Financial Statements Continued

## SCHEDULE 20-NOTES TO ACCOUNTS

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

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:**

- 1/3<sup>rd</sup> 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 9<sup>th</sup> Jan 2007.
- 1/3<sup>rd</sup> of the options will vest 18 months after the admission date.
- 1/3<sup>rd</sup> 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.
- 1/4<sup>th</sup> 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.
- 1/4<sup>th</sup> of the options will vest on achieving 100,000 boepd from the Mangala Field.

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

| CIPOP Plan                               | Current year      |                                        | Previous period   |                                        |
|------------------------------------------|-------------------|----------------------------------------|-------------------|----------------------------------------|
|                                          | Number of options | Weighted average exercise Price in INR | Number of options | Weighted average exercise Price in INR |
| Outstanding at the beginning of the year | 3,200,096         | 10.00                                  | 4,755,244         | 10.00                                  |
| Granted during the year                  | 994,768           | 10.00                                  | 789,567           | 10.00                                  |
| Forfeited during the year                | Nil               | NA                                     | Nil               | NA                                     |
| Exercised during the year                | 190,983           | 10.00                                  | Nil               | NA                                     |
| Expired during the year                  | 1,377,051         | 10.00                                  | 2,344,715         | 10.00                                  |
| Outstanding at the end of the year       | 2,626,830         | 10.00                                  | 3,200,096         | 10.00                                  |
| Exercisable at the end of the year       | 168,382           | 10.00                                  | Nil               | NA                                     |

| CIESOP Plan                                                               | Current year      |                                        | Previous period   |                                        |
|---------------------------------------------------------------------------|-------------------|----------------------------------------|-------------------|----------------------------------------|
|                                                                           | Number of options | Weighted average exercise Price in INR | Number of options | Weighted average exercise Price in INR |
| Outstanding at the beginning of the year                                  | 10,914,244        | 185.39                                 | 8,545,710         | 164.49                                 |
| Granted during the year                                                   | 5,405,144         | 240.05                                 | 3,809,896         | 226.21                                 |
| Forfeited during the year                                                 | Nil               | NA                                     | Nil               | NA                                     |
| Exercised during the year                                                 | 115,333           | 160.00                                 | Nil               | NA                                     |
| Expired during the year                                                   | 1,557,846         | 179.09                                 | 1,441,362         | 169.33                                 |
| Outstanding at the end of the year                                        | 14,646,209        | 206.43                                 | 10,914,244        | 185.39                                 |
| Exercisable at the end of the year                                        | 1,981,770         | 160.00                                 | Nil               | NA                                     |
| Weighted average fair value of options granted on the date of grant (INR) | 107.64            | NA                                     | 101.47            | NA                                     |

# Schedules to the Financial Statements Continued

## SCHEDULE 20-NOTES TO ACCOUNTS

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

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

| Scheme      | Range of exercise price (INR) | No. of options outstanding | Weighted average remaining contractual life of options (in years) | Weighted average exercise price (INR) |
|-------------|-------------------------------|----------------------------|-------------------------------------------------------------------|---------------------------------------|
| CISMP Plan  | 33.70                         | 2,238,077                  | 1.08                                                              | 33.70                                 |
| CIPOP Plan  | 10.00                         | 2,626,830                  | 1.36                                                              | 10.00                                 |
| CIESOP Plan | 143-240                       | 14,646,209                 | 1.28                                                              | 206.43                                |

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

|             |         |            |      |        |
|-------------|---------|------------|------|--------|
| CISMP Plan  | 33.70   | 2,238,077  | 2.08 | 33.70  |
| CIPOP Plan  | 10.00   | 3,200,096  | 1.51 | 10.00  |
| CIESOP Plan | 143-227 | 10,914,244 | 1.60 | 185.39 |

### 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                                                             | 24 <sup>th</sup> Nov 2006 | 24 <sup>th</sup> 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                                                     | A                      | B                        | C                        | D                       | E                         |
|------------------------------------------------------------------------|------------------------|--------------------------|--------------------------|-------------------------|---------------------------|
| Grant date                                                             | 1 <sup>st</sup> Jan'07 | 20 <sup>th</sup> Sept'07 | 29 <sup>th</sup> July'08 | 10 <sup>th</sup> Dec'08 | 29 <sup>th</sup> July'09  |
| Stock Price/fair value of the equity shares on the date of grant (INR) | 160.00                 | 166.95                   | 228.55                   | 150.10                  | 234.75                    |
| Vesting date                                                           | 1 <sup>st</sup> Jan'10 | 20 <sup>th</sup> Sept'10 | 29 <sup>th</sup> Jul'11  | 10 <sup>th</sup> Dec'11 | 29 <sup>th</sup> July' 12 |
| Vesting %                                                              | 100%                   | 100%                     | 100%                     | 100%                    | 100%                      |
| Volatility                                                             | 41.04%                 | 40.24%                   | 39.43%                   | 38.19%                  | 39.97%                    |
| Risk free rate                                                         | 7.50%                  | 7.65%                    | 9.20%                    | 6.94%                   | 6.91%                     |
| Time to maturity (years)                                               | 6.50                   | 6.50                     | 6.50                     | 6.50                    | 6.50                      |
| Exercise price (INR)                                                   | 160.00                 | 166.95                   | 227.00                   | 143.00                  | 240.05                    |
| Fair Value of the options (INR)                                        | 87.30                  | 90.72                    | 130.42                   | 79.80                   | 122.24                    |

| Variables – CIPOP                                                      | A                        | B                        | C                        | D                         |
|------------------------------------------------------------------------|--------------------------|--------------------------|--------------------------|---------------------------|
| Grant date                                                             | 1 <sup>st</sup> Jan'07   | 20 <sup>th</sup> Sept'07 | 29 <sup>th</sup> Jul'08  | 29 <sup>th</sup> Jul'09   |
| Stock Price/fair value of the equity shares on the date of grant (INR) | 160.00                   | 166.95                   | 228.55                   | 234.75                    |
| Vesting date                                                           | 1 <sup>st</sup> Jan'10   | 20 <sup>th</sup> Sept'10 | 29 <sup>th</sup> Jul'11  | 29 <sup>th</sup> July' 12 |
| Vesting %                                                              | Refer vesting conditions | Refer vesting conditions | Refer vesting conditions | Refer vesting conditions  |
| Volatility                                                             | 41.61%                   | 36.40%                   | 37.49%                   | 43.72%                    |
| Risk free rate                                                         | 7.33%                    | 7.23%                    | 9.37%                    | 5.78%                     |
| Time to maturity (years)                                               | 3.12                     | 3.12                     | 3.12                     | 3.13                      |
| Exercise price (INR)                                                   | 10.00                    | 10.00                    | 10.00                    | 10.00                     |
| Fair Value of the options (INR)                                        | 152.05                   | 158.97                   | 221.09                   | 226.40                    |

# Schedules to the Financial Statements Continued

## SCHEDULE 20-NOTES TO ACCOUNTS

(All amounts are in INR thousand 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 year | Previous period |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|-----------------|
| Total Employee Compensation Cost pertaining to equity settled share-based payment plans (net of exceptional gain of INR 155,723 thousand in the previous period) | 39,385       | (33,325)        |
| Liability for employee stock options outstanding as at year/ period end                                                                                          | 463,978      | 388,978         |
| Deferred Compensation Cost                                                                                                                                       | 304,142      | 393,570         |

### 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 year | Previous period |
|---------------------------------------------------------------|--------------|-----------------|
| Profit/(loss) as reported                                     | (689,534)    | 542,407         |
| Add: Employee stock compensation under intrinsic value method | 39,385       | (33,325)        |
| Less: Employee stock compensation under fair value method     | 427,537      | 451,826         |
| Proforma profit/(loss)                                        | (1,077,686)  | 57,256          |
| <b>Earnings Per Share in INR</b>                              |              |                 |
| <b>Basic</b>                                                  |              |                 |
| - As reported                                                 | (0.36)       | 0.29            |
| - Proforma                                                    | (0.57)       | 0.03            |
| <b>Diluted (current year is anti-dilutive)</b>                |              |                 |
| - As reported                                                 | (0.36)       | 0.29            |
| - Proforma                                                    | (0.57)       | 0.03            |

## 7. LEASE OBLIGATIONS DISCLOSURES

### Operating Lease

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

| Particulars                                     | 31 <sup>st</sup> March 2010 | 31 <sup>st</sup> March 2009 |
|-------------------------------------------------|-----------------------------|-----------------------------|
| Lease rentals recognized during the year/period | 2,002                       | 7,255                       |

## 8. DERIVATIVE INSTRUMENTS AND UNHEDGED FOREIGN CURRENCY EXPOSURE

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

| Particulars          | 31 <sup>st</sup> March 2010 | 31 <sup>st</sup> March 2009 |
|----------------------|-----------------------------|-----------------------------|
| Sundry debtors       | 15,728                      | 17,942                      |
| Other current assets | 49,984                      | 16,925                      |
| Current liabilities  | 711,263                     | 785,562                     |

## Schedules to the Financial Statements Continued

### SCHEDULE 20-NOTES TO ACCOUNTS

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

9. 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. 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 staff cost)

| Particulars                                               | 31 <sup>st</sup> March 2010 | 31 <sup>st</sup> March 2009 |
|-----------------------------------------------------------|-----------------------------|-----------------------------|
| Current service cost                                      | 1,605                       | 1,011                       |
| Interest cost on benefit obligation                       | 319                         | 200                         |
| Net actuarial (gain) / loss recognised in the year/period | 729                         | 2,509                       |
| Past service cost                                         | Nil                         | Nil                         |
| Net benefit expense                                       | 2,653                       | 3,720                       |

#### Balance sheet

##### Details of Provision for Gratuity

| Particulars                          | 31 <sup>st</sup> March 2010 | 31 <sup>st</sup> March 2009 |
|--------------------------------------|-----------------------------|-----------------------------|
| Defined benefit obligation           | 6,647                       | 3,994                       |
| Less: Unrecognized past service cost | Nil                         | Nil                         |
| <b>Plan asset / (liability)</b>      | <b>(6,647)</b>              | <b>(3,994)</b>              |

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

|                                          |       |       |
|------------------------------------------|-------|-------|
| Opening defined benefit obligation       | 3,994 | 274   |
| Current service cost                     | 1,605 | 1,011 |
| Interest cost                            | 319   | 200   |
| Benefits paid                            | Nil   | Nil   |
| Actuarial (gains) / losses on obligation | 729   | 2,509 |
| Closing defined benefit obligation       | 6,647 | 3,994 |

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

|                        |                              |                              |
|------------------------|------------------------------|------------------------------|
| Discount rate          | 8.00%                        | 7.00%                        |
| Future salary increase | 10.00%                       | 10.00%                       |
| Employee turnover      | 5.00%                        | 13.13%                       |
| Mortality Rate         | LIC (1994-96) Ultimate Table | LIC (1994-96) Ultimate Table |

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

Gratuity liabilities are as follows:

| Particulars                                              | 31 <sup>st</sup> March 2010 | 31 <sup>st</sup> March 2009 |
|----------------------------------------------------------|-----------------------------|-----------------------------|
| Defined benefit obligation                               | 6,647                       | 3,994                       |
| Surplus / (deficit)                                      | (6,647)                     | (3,994)                     |
| Experience adjustments on plan liabilities (loss) / gain | (583)                       | (45)                        |

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

# Schedules to the Financial Statements Continued

## SCHEDULE 20-NOTES TO ACCOUNTS

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

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

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

11. 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 361,000 thousand (previous period 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.
12. The Company and its wholly owned subsidiary Cairn Energy Hydrocarbons Limited ("CEHyL") have entered into a loan facility for INR 40,000 million (available to the Company) and USD 750 million (available to CEHyL) with a consortium of banks. The purpose of the loan facility is to finance the RJ-ON-90/1 block expenditure and also the repayment of the earlier loan facility of USD 850 million. The main security for the INR loan facility is the hypothecation of the 35% participating interest in RJ-ON-90/1 block held by Cairn Energy India Pty Limited, a wholly owned subsidiary of the Company whereas for the USD loan facility, the entire shares of CEHyL has been provided as the main security.
13. The shareholders of the Company have approved a Scheme of Arrangement between the Company and some of its wholly owned subsidiaries, to be effective from 1<sup>st</sup> January 2010. The Scheme of Arrangement has been approved by the Hon'ble High Court of Madras. However, it is pending for approval from the Hon'ble High Court of Bombay and other regulatory authorities. Pending receipt of such approvals, no accounting impact of the scheme has been given in these financial statements. After the implementation of the scheme, the Company will directly own the Indian businesses, which are currently owned by some of its wholly owned subsidiaries and as contemplated in the scheme, any goodwill arising in the Company pursuant to the scheme, shall be adjusted against the securities premium account.
14. The reversal in fringe benefit tax (FBT) is on account of the abolishment of FBT with effect from 1<sup>st</sup> April 2009, as the Company was accounting for FBT liability on stock options on a pro-rata basis over the vesting period.

### 15. MANAGERIAL REMUNERATION

| Remuneration paid or payable to the Directors | Current year | Previous period |
|-----------------------------------------------|--------------|-----------------|
| Salary                                        | 4,632        | 5,798           |
| Contribution to provident fund                | 768          | 402             |
| <b>Total</b>                                  | <b>5,400</b> | <b>6,200</b>    |

**Note** As the future liability for gratuity and leave benefits is provided on actuarial basis for the Company as a whole, the amount pertaining to the directors is not included above.

# Schedules to the Financial Statements Continued

## SCHEDULE 20-NOTES TO ACCOUNTS

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

### 16. EARNINGS IN FOREIGN CURRENCY (ACCRUAL BASIS)

| Particulars             | Current year  | Previous period |
|-------------------------|---------------|-----------------|
| Parent company overhead | 32,040        | 37,331          |
| Interest                | 8             | 249             |
| <b>Total</b>            | <b>32,048</b> | <b>37,580</b>   |

### 17. EXPENDITURE IN FOREIGN CURRENCY (ACCRUAL BASIS)

| Particulars                                | Current year   | Previous period  |
|--------------------------------------------|----------------|------------------|
| Professional fees                          | 27,409         | 128,251          |
| Exploration cost                           | 154,991        | 279,599          |
| Assignment of interest in oil & gas blocks | Nil            | 627,390          |
| Other expenses                             | 6,428          | 1,072            |
| <b>Total</b>                               | <b>188,828</b> | <b>1,036,312</b> |

### 18. IMPORTED AND INDIGENOUS SPARE AND PARTS CONSUMED IN OIL & GAS EXPLORATION ACTIVITIES

| Particulars  | Percentage of total consumption |                 | Amount        |                 |
|--------------|---------------------------------|-----------------|---------------|-----------------|
|              | Current year                    | Previous period | Current year  | Previous period |
| Imported     | 29.10                           | Nil             | 11,529        | Nil             |
| Indigenous   | 70.90                           | Nil             | 28,083        | Nil             |
| <b>Total</b> | <b>100.00</b>                   | <b>Nil</b>      | <b>39,612</b> | <b>Nil</b>      |

### 19. VALUE OF IMPORTS CALCULATED ON CIF BASIS

| Particulars       | Current year | Previous period |
|-------------------|--------------|-----------------|
| Stores and spares | 12,213       | Nil             |

### 20. CAPITAL COMMITMENTS (NET OF ADVANCES)

| Particulars                                               | Current year | Previous period |
|-----------------------------------------------------------|--------------|-----------------|
| Company's share of Joint Ventures' exploration activities | 1,296,011    | 3,517,376       |

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

| Details of dues to Micro, Small and Medium Enterprises as per MSMED Act, 2006                                                                                                                                                                                                                                                | Current year | Previous period |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|-----------------|
| The principal amount (interest-nil) remaining unpaid to any supplier as at the end of each accounting year                                                                                                                                                                                                                   | Nil          | 6               |
| 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             |

# Schedules to the Financial Statements Continued

## SCHEDULE 20-NOTES TO ACCOUNTS

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

### 22. CURRENT INVESTMENTS - UNQUOTED AND NON TRADE (REFER SCHEDULE-7 OF THE FINANCIAL STATEMENTS):

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

|    |                                                                                                                                                         | 31 <sup>st</sup> March 2010 |
|----|---------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|
| 1  | 24,000,000 units of Birla Sunlife mutual fund under Birla Sun Life Interval Income Fund - Quarterly Plan - Series II - Daily Dividend Reinvestment plan | 241,596                     |
| 2  | 117,443,151 units of Birla Sunlife mutual fund under Birla Sun Life Saving Funds - Daily Dividend Reinvestment plan                                     | 1,175,230                   |
| 3  | 75,161,631 units of Birla Sunlife mutual fund under BSL Floating Rate Fund - Long Term - Daily Dividend Reinvestment plan                               | 753,961                     |
| 4  | 16,155,533 units of Canara Robeco mutual fund under Canara Robeco Treasury Advantage - Daily Dividend Reinvestment plan                                 | 200,443                     |
| 5  | 1,074,176 units of DSP Blackrock mutual fund under DSP Blackrock Floating Rate - Daily Dividend Reinvestment plan                                       | 1,074,762                   |
| 6  | 219,994,508 units of HDFC mutual fund under HDFC Cash Management Fund - Treasury Advantage - Daily Dividend Reinvestment plan                           | 2,206,875                   |
| 7  | 22,933,236 units of ICICI Prudential mutual fund under ICICI Prudential Flexible Income Plan Premium - Daily Dividend Reinvestment plan                 | 2,424,846                   |
| 8  | 20,000,000 units of ICICI Prudential mutual fund under ICICI Prudential Interval Fund II - Daily Dividend Reinvestment plan                             | 200,048                     |
| 9  | 115,624,830 units of IDFC mutual fund under IDFC Money Manager TP Super Institutional - Plan C - Daily Dividend Reinvestment plan                       | 1,156,422                   |
| 10 | 135,776,717 units of Kotak Mahindra mutual fund under Kotak Floater Long Term Fund - Daily Dividend Reinvestment plan                                   | 1,368,602                   |
| 11 | 24,000,000 units of Kotak Mahindra mutual fund under Kotak Quarterly Interval Plan Series 8 - Daily Dividend Reinvestment plan                          | 240,710                     |
| 12 | 22,430,929 units of Reliance mutual fund under Reliance Liquid Fund - Treasury Plan-Institutional Option - Daily Dividend Reinvestment plan             | 342,908                     |
| 13 | 41,040,682 units of Reliance mutual fund under Reliance Medium Term Fund - Daily Dividend Reinvestment plan                                             | 701,627                     |
| 14 | 128,910,540 units of SBI mutual fund under SBI SHF-Ultra Short Term Fund - Daily Dividend Reinvestment plan                                             | 1,289,879                   |
| 15 | 130,570,088 units of Tata mutual fund under Tata Floater Fund - Daily Dividend Reinvestment plan                                                        | 1,310,349                   |
| 16 | 2,128,161 units of UTI mutual fund under UTI Treasury Advantage Fund - Daily Dividend Reinvestment plan                                                 | 2,128,618                   |
|    | <b>Total</b>                                                                                                                                            | <b>16,816,876</b>           |

|   |                                                                                                                                              | 31 <sup>st</sup> March 2009 |
|---|----------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|
| 1 | 63,626,784 units, face value of Rs. 10 each, of Birla Cash Plus - Institutional Premium- Daily Dividend Reinvestment plan                    | 637,509                     |
| 2 | 21,126,235 units, face value of Rs. 10 each, of HDFC Liquid Fund - Premium Plan- Daily Dividend Reinvestment plan                            | 259,003                     |
| 3 | 26,081,126 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 units, face value of Rs. 10 each, of Reliance Liquid Fund - Treasury Plan-Institutional Option - Daily Dividend Reinvestment plan | 236,870                     |
| 5 | 191,352 units, face value of Rs. 1000 each, of Tata Liquid Fund - SHIP- Daily Dividend Reinvestment plan                                     | 213,266                     |
|   | <b>Total</b>                                                                                                                                 | <b>1,607,472</b>            |

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

|    |                                                                                                                                               |
|----|-----------------------------------------------------------------------------------------------------------------------------------------------|
| 1  | 335,214,545 units of Birla Sunlife mutual fund under Birla Cash Plus - Institutional Premium - Daily Dividend Reinvestment                    |
| 2  | 19,920,035 units of Canara Robeco mutual fund under Canara Robeco Liquid Collection - Daily Dividend Reinvestment                             |
| 3  | 1,073,385 units of DSP Blackrock mutual fund under DSP Blackrock Liquidity Fund - Daily Dividend Reinvestment                                 |
| 4  | 332,343,248 units of HDFC mutual fund under HDFC Liquid Fund - Premium Plan - Daily Dividend Reinvestment                                     |
| 5  | 49,198,541 units of ICICI Prudential mutual fund under ICICI Prudential Flexible Income Plan Premium - Daily Dividend Reinvestment            |
| 6  | 368,973,177 units of ICICI Prudential mutual fund under ICICI Prudential Institutional Liquid Plan - Super Inst - Daily Dividend Reinvestment |
| 7  | 115,181,352 units of IDFC mutual fund under IDFC Cash Fund Super Institutional - Plan C - Daily Dividend Reinvestment                         |
| 8  | 8,927,386 units of Kotak Mahindra mutual fund under Kotak Floater Long Term Fund - Daily Dividend Reinvestment                                |
| 9  | 173,076,949 units of Kotak Mahindra mutual fund under Kotak Liquid Fund - Institutional Premium - Daily Dividend Reinvestment                 |
| 10 | 148,837,398 units of Reliance mutual fund under Reliance Liquid Fund - Treasury Plan - Institutional Option - Daily Dividend Reinvestment     |
| 11 | 76,780,784 units of SBI mutual fund under SBI Magnum Insta Cash Fund - Daily Dividend Reinvestment                                            |
| 12 | 39,908,068 units of Tata mutual fund under Tata Floater Fund - Daily Dividend Reinvestment                                                    |

# Schedules to the Financial Statements Continued

## SCHEDULE 20-NOTES TO ACCOUNTS

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

|    |                                                                                                    |
|----|----------------------------------------------------------------------------------------------------|
| 13 | 2,089,903 units of Tata mutual fund under Tata Liquid Fund - SHIP - Daily Dividend Reinvestment    |
| 14 | 4,152,801 units of UTI mutual fund under UTI Liquid Cash Plan - Inst - Daily Dividend Reinvestment |
| 15 | 504,918 units of UTI mutual fund under UTI Treasury Advantage Fund - Daily Dividend Reinvestment   |

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

|    |                                                                                                                                            |
|----|--------------------------------------------------------------------------------------------------------------------------------------------|
| 1  | 288,767,315 units of Birla Sunlife mutual fund under Birla Sunlife Cash Plus - Institutional Premium - Daily Dividend Reinvestment         |
| 2  | 396,375,092 units of Birla Sunlife mutual fund under Birla Sunlife Cash Plus - Institutional Premium – Growth                              |
| 3  | 22,951,572 units of Birla Sunlife mutual fund under Birla Sunlife Interval Income - Institutional - Quarterly - Series 2 – Growth          |
| 4  | 76,578,715 units of Birla Sunlife mutual fund under Birla Sunlife Liquid Plus - Institutional - Daily Dividend Reinvestment                |
| 5  | 185,222,322 units of Birla Sunlife mutual fund under Birla Sunlife Liquid Plus - Institutional – Growth                                    |
| 6  | 15,000,000 units of Canara Robeco mutual fund under Canara Robeco FMP - Series 3 - 90 Days - IP – Growth                                   |
| 7  | 48,919,527 units of Canara Robeco mutual fund under Canara Robeco Liquid Plus Super Institutional - Daily Dividend Reinvestment            |
| 8  | 31,366,504 units of Fidelity mutual fund under Fidelity Cash - SIP – Growth                                                                |
| 9  | 62,263,786 units of Fidelity mutual fund under Fidelity Liquid Plus - SIP - Daily Dividend Reinvestment                                    |
| 10 | 57,042,071 units of Fidelity mutual fund under Fidelity Liquid Plus - SIP - Growth                                                         |
| 11 | 128,735,017 units of HDFC mutual fund under HDFC Cash Mgmt - Savings Plan - Daily Dividend Reinvestment                                    |
| 12 | 193,231,349 units of HDFC mutual fund under HDFC Cash Mgmt - Savings Plus Plan - Wholesale - Daily Dividend Reinvestment                   |
| 13 | 174,864,026 units of HDFC mutual fund under HDFC Cash Mgmt - Savings Plus Plan - Wholesale – Growth                                        |
| 14 | 166,891,418 units of HDFC mutual fund under HDFC Floating Rate Income - Short Term Plan - Wholesale - Daily Dividend Reinvestment          |
| 15 | 193,913,572 units of HDFC mutual fund under HDFC Floating Rate Income - Short Term Plan - Wholesale – Growth                               |
| 16 | 24,000,000 units of HDFC mutual fund under HDFC FMP 90D (VIII)(3) - Wholesale - Growth                                                     |
| 17 | 62,847,681 units of HDFC mutual fund under HDFC Liquid - Premium Plan - Daily Dividend Reinvestment                                        |
| 18 | 303,956,967 units of HDFC mutual fund under HDFC Liquid - Premium Plan – Growth                                                            |
| 19 | 41,003,276 units of HDFC mutual fund under HDFC Liquid - Premium Plus Plan - Weekly Dividend Reinvestment                                  |
| 20 | 23,586,686 units of HDFC mutual fund under HDFC Quarterly Interval -Plan B Wholesale Growth – Growth                                       |
| 21 | 106,509,667 units of HSBC mutual fund under HSBC Cash - Inst Plus - Daily Dividend Reinvestment                                            |
| 22 | 155,825,133 units of HSBC mutual fund under HSBC Cash - Inst Plus - Growth                                                                 |
| 23 | 146,239,354 units of HSBC mutual fund under HSBC Liquid Plus - IP - Daily Dividend Reinvestment                                            |
| 24 | 229,632,812 units of HSBC mutual fund under HSBC Liquid Plus - IP - Growth                                                                 |
| 25 | 150,719,932 units of ICICI Prudential mutual fund under ICICI Prudential Flexible Income Plan - Daily Dividend Reinvestment                |
| 26 | 208,534,658 units of ICICI Prudential mutual fund under ICICI Prudential Flexible Income Plan – Growth                                     |
| 27 | 32,963,479 units of ICICI Prudential mutual fund under ICICI Prudential FRF - Plan D – Growth                                              |
| 28 | 475,076,846 units of ICICI Prudential mutual fund under ICICI Prudential Inst Liquid Plan - Super Inst - Daily Dividend Reinvestment       |
| 29 | 446,678,300 units of ICICI Prudential mutual fund under ICICI Prudential Inst Liquid Plan - Super Inst – Growth                            |
| 30 | 24,485,319 units of ICICI prudential mutual fund under ICICI Prudential Interval II Quarterly Interval Plan B - Retail Cumulative – Growth |
| 31 | 49,165,296 units of IDFC mutual fund under IDFC Cash - Super Institutional Plan C - Daily Dividend Reinvestment                            |
| 32 | 81,765,530 units of IDFC mutual fund under IDFC Floating Rate -LT-Inst Plan B – Growth                                                     |
| 33 | 24,000,000 units of IDFC mutual fund under IDFC FMP Qtr Series 31 - Growth                                                                 |
| 34 | 64,428,611 units of IDFC mutual fund under IDFC Liquid Plus - Investment Plan - Inst Plan B - Daily Dividend Reinvestment                  |
| 35 | 15,341,934 units of IDFC mutual fund under IDFC Quarterly Interval - Plan A - Inst - Daily Dividend Reinvestment                           |
| 36 | 15,984,797 units of IDFC mutual fund under IDFC Quarterly Interval - Plan A - Inst – Growth                                                |
| 37 | 18,000,000 units of ING mutual fund under ING Interval - Quarterly-C-Institutional – Growth                                                |
| 38 | 115,482,014 units of ING mutual fund under ING Liquid Super Institutional – Growth                                                         |
| 39 | 128,337,221 units of ING mutual fund under ING Liquid Plus - Institutional – Growth                                                        |
| 40 | 23,518,230 units of ING mutual fund under ING Vysya Liquid Plus - IP - Growth                                                              |
| 41 | 66,088,565 units of JP Morgan mutual fund under JP Morgan India Liquid Plus – Growth                                                       |
| 42 | 20,913,377 units of Kotak Mahindra mutual fund under Kotak Liquid - Institutional Premium – Growth                                         |
| 43 | 3,165,849 units of Principal mutual fund under Principal Cash Mgmt LO- Institutional Plan – Growth                                         |
| 44 | 50,350,378 units of Principal mutual fund under Principal Cash Mgmt LO- Institutional Premium Plan - Daily Dividend Reinvestment           |
| 45 | 150,114,425 units of Principal mutual fund under Principal Floating Rate - FMP - Institutional - Daily Dividend Reinvestment               |
| 46 | 197,490,161 units of Principal mutual fund under Principal Floating Rate - FMP - Institutional – Growth                                    |

# Schedules to the Financial Statements Continued

## SCHEDULE 20-NOTES TO ACCOUNTS

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

|    |                                                                                                                                   |
|----|-----------------------------------------------------------------------------------------------------------------------------------|
| 47 | 20,583,957 units of Reliance mutual fund under Reliance Liquid - Treasury Plan-Institutional Option - Daily Dividend Reinvestment |
| 48 | 82,564,435 units of Reliance mutual fund under Reliance Liquid - Treasury Plan-Institutional Option – Growth                      |
| 49 | 2,052,210 units of Reliance mutual fund under Reliance Liquid Plus - Institutional - Daily Dividend Reinvestment                  |
| 50 | 2,380,814 units of Reliance mutual fund under Reliance Liquid Plus - Institutional – Growth                                       |
| 51 | 23,091,765 units of Reliance mutual fund under Reliance Liquidity - Daily Dividend Reinvestment                                   |
| 52 | 36,180,905 units of Reliance mutual fund under Reliance Liquidity - Growth                                                        |
| 53 | 158,916,208 units of Reliance mutual fund under Reliance Medium Term - Daily Dividend Reinvestment                                |
| 54 | 21,680,417 units of Reliance mutual fund under Reliance Monthly Interval - Series I Institutional – Growth                        |
| 55 | 23,407,582 units of Reliance mutual fund under Reliance Quarterly Interval - Series II Institutional – Growth                     |
| 56 | 29,168,603 units of SBI mutual fund under SBI Magnum Insta Cash - Daily Dividend Reinvestment                                     |
| 57 | 20,444,600 units of SBI mutual fund under SBI SDFS - 90 Days - Growth                                                             |
| 58 | 98,778,982 units of SBI mutual fund under SBI SHF - Liquid Plus - IP - Daily Dividend Reinvestment                                |
| 59 | 233,026,709 units of SBI mutual fund under SBI SHF - Liquid Plus - IP - Growth                                                    |
| 60 | 859,255 units of Standard Chartered mutual fund under Standard Chartered Liquidity Manager Plus – Growth                          |
| 61 | 259,059,638 units of Tata mutual fund under Tata Floater - Daily Dividend Reinvestment                                            |
| 62 | 206,755,713 units of Tata mutual fund under Tata Floater – Growth                                                                 |
| 63 | 38,774,118 units of Tata mutual fund under Tata Floating Rate – STP - Institutional Plan – Growth                                 |
| 64 | 2,457,011 units of Tata mutual fund under Tata Liquid - SHIP - Daily Dividend Reinvestment                                        |
| 65 | 329,827 units of Tata mutual fund under Tata Liquid – SHIP - Growth                                                               |

23. Balances written back are on account of reconciliation of certain working capital balances pertaining to joint ventures, in which the Company has participating interest.
24. The Company has made equity investments in CIG Mauritius Holding Private Limited ('CMHPL') mainly for funding the expenditure pertaining to block SL 2007-0-001 held by Cairn Lanka (Private) Limited (a wholly owned subsidiary of CMHPL). The said investment is carried at cost, as the block is presently under exploration phase.
25. During the previous period, the Company had decided to retrospectively account for stock options using the Intrinsic Value Method as against the Fair Value Method (Black Scholes) followed till the financial year ended 31<sup>st</sup> December 2007. Accordingly, the excess stock option provision up to 31<sup>st</sup> December 2007 was reversed during the previous period, resulting in an exceptional gain of INR 155,723 thousand.
26. Details of amounts recoverable from subsidiary companies in which directors are interested are same as disclosed in note 4 (c) above. The balance outstanding as at the year / period end is also the maximum amount outstanding during the year/period. No loans have been given to the subsidiaries, associates, firms and companies, in which directors are interested.

### 27. CHANGE IN FINANCIAL YEAR AND PREVIOUS PERIOD COMPARATIVES

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

As per our report of even date

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

Firm Registration No.:101049W

Chartered Accountants

per Sanjay Vij

Partner

Membership No. 95169

**For and on behalf of the Board of Directors**

**Rahul Dhir** Managing Director and Chief Executive Officer

**Indrajit Banerjee** Executive Director and Chief Financial Officer

**Omkar Goswami** Director

**Neerja Sharma** Company Secretary

Place Gurgaon Date 27 May, 2010

# Balance Sheet Abstract and Company's General Business Profile

|             |                                                                                        |                           |
|-------------|----------------------------------------------------------------------------------------|---------------------------|
| <b>I)</b>   | <b>Registration Details</b>                                                            |                           |
|             | Registration No.                                                                       | L11101MH2006PLC163934     |
|             | State Code                                                                             | 11                        |
|             | Balance Sheet Date                                                                     | 31/03/10                  |
| <b>II)</b>  | <b>Capital raised during the year*</b>                                                 | (Amount in Rs. Thousands) |
|             | Public Issue                                                                           | -                         |
|             | Rights Issue                                                                           | -                         |
|             | Bonus Issue                                                                            | -                         |
|             | Private Placement (Includes stock options exercised)                                   | 3,063                     |
|             | *Does not include securities premium                                                   |                           |
| <b>III)</b> | <b>Position of Mobilisation and Deployment of Funds</b>                                | (Amount in Rs. Thousands) |
|             | Total Liabilities                                                                      | 334,328,131               |
|             | Total Assets                                                                           | 334,328,131               |
|             | <b>Source of Funds</b>                                                                 |                           |
|             | Paid up Capital                                                                        | 18,969,741                |
|             | Reserves & Surplus (Includes stock options outstanding)                                | 301,625,200               |
|             | Secured Loans                                                                          | 13,450,000                |
|             | Unsecured Loans                                                                        | Nil                       |
|             | <b>Application of Funds</b>                                                            |                           |
|             | Net Fixed Assets (Includes exploratory work-in-progress)                               | 242,260                   |
|             | Investments                                                                            | 331,290,939               |
|             | Net Current Assets                                                                     | 1,284,208                 |
|             | Miscellaneous Expenditure                                                              | Nil                       |
|             | Accumulated losses                                                                     | 1,227,534                 |
| <b>IV)</b>  | <b>Performance of the Company</b>                                                      | (Amount in Rs. Thousands) |
|             | Turnover (Total Income)                                                                | 1,633,620                 |
|             | Total Expenditure                                                                      | 2,367,252                 |
|             | Profit/(Loss) before tax                                                               | (733,632)                 |
|             | Profit/(Loss) after tax                                                                | (689,534)                 |
|             | Profit per Share in Rs. (Basic & Diluted)                                              | (0.36)                    |
|             | Dividend rate %                                                                        | Nil                       |
| <b>V)</b>   | <b>Generic Names of Principal Products/Services of Company (as per monetary terms)</b> |                           |
|             | 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

**Indrajit Banerjee** Executive Director and Chief Financial Officer

**Omkar Goswami** Director

**Neerja Sharma** Company Secretary

Place Gurgaon Date 27 May, 2010