

Auditors' Report

To

The Members of Cairn India Limited

1. We have audited the accompanying balance sheet of Cairn India Limited ('the Company') as at March 31, 2011 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 accompanying financial statements include Company's share of net assets, expenses and cash flows aggregating to INR 3,864 thousand, INR 193,242 thousand and INR 4,252 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 March 31, 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2011;
 - 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 & Co.

Firm Registration No. : 301003E

Chartered Accountants

per Raj Agrawal

Partner

Membership No.:82028

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 disposal of a substantial part 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) According to the information and explanations given to us, 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. Accordingly, the provisions of clause 4(iii)(a) to (d) of the Order are not applicable to the Company and hence not commented upon.
- (e-g) According to information and explanations given to us, 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. Accordingly, the provisions of clause 4(iii)(e) to (g) of the Order are not applicable to the Company and hence not commented upon.
- (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 and 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 in respect of these areas. Since none of the oil and gas blocks in which the Company has interests has started any commercial production, there has not been any sale of goods.
- (v) (a-b) In our opinion, there are no contracts or arrangements that need to be entered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(v)(b) of the Order is not applicable to the Company and hence not commented upon.
- (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) Since none of the oil and gas blocks in which the Company has interests has started any production, in our opinion, the provisions of clause 4(viii) of the Order are not applicable to the Company.
- (ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, income-tax, service tax, customs duty, wealth 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 and excise duty are not applicable to the Company.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, income-tax, service tax, wealth tax, customs duty, cess and other material 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 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, service tax, wealth tax, customs duty and cess which have not been deposited on account of any dispute. The provisions relating to sales tax 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, bank or debenture holders.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) 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 has unsecured debentures outstanding during the year on which no security or charge is required to be created.
- (xx) The Company neither raised any monies through public issues during the year nor did it have any unutilised amount of monies raised by public issues at the beginning of the year.
- (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 & Co.

Firm Registration No. : 301003E

Chartered Accountants

per Raj Agrawal

Partner

Membership No.:82028

Place Gurgaon Date 25 May, 2011

Balance Sheet

AS AT MARCH 31, 2011

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

	Schedules	As at March 31, 2011	As at March 31, 2010
Sources of Funds			
Shareholders' Funds			
Share capital	1	19,019,171	18,969,741
Stock options outstanding	2	554,722	463,978
Reserves and surplus	3	301,925,982	301,161,222
Loan funds			
Secured loans	4	-	13,450,000
Unsecured loans	5	13,500,000	-
		334,999,875	334,044,941
Application of Funds			
Fixed assets			
Gross cost	6	25,928	1,055
Less: Accumulated depreciation / amortisation		1,173	869
Net book value		24,755	186
Exploratory work in progress	7	218,780	242,074
Investments	8	325,682,519	331,290,939
Current assets, loans and advances			
Inventories	9	28,702	9,831
Sundry debtors	10	1,681	15,728
Cash and bank balances	11	6,529,282	1,927,862
Other current assets	12	205,370	12,360
Loans and advances	13	608,690	344,074
		7,373,725	2,309,855
Less: Current liabilities and provisions			
Current liabilities	14	1,672,584	1,480,662
Provisions	15	9,037	30,062
		1,681,621	1,510,724
Net current assets		5,692,104	799,131
Miscellaneous expenditure to the extent not adjusted (Ancillary costs of loan)		27,462	485,077
Profit and loss account		3,354,255	1,227,534
		334,999,875	334,044,941
Notes to accounts	21		

The schedules referred to above and the notes to accounts are an integral part of the balance sheet.

As per our report of even date

For S. R. Batliboi & Co.

Firm Registration No.: 301003E

Chartered Accountants

per Raj Agrawal

Partner

Membership No. 82028

For and on behalf of the Board of Directors

Rahul Dhir Managing Director and Chief Executive Officer

Indrajit Banerjee Executive Director and Chief Financial Officer

Aman Mehta Director

Neerja Sharma Company Secretary

Place Gurgaon Date 25 May, 2011

Profit and Loss Account

FOR THE YEAR ENDED MARCH 31, 2011

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

	Schedules	Year ended March 31, 2011	Year ended March 31, 2010
Income			
Revenue from operating activities		23,943	32,040
Other income	16	927,078	1,601,580
		951,021	1,633,620
Expenditure			
Staff costs	17	217,021	175,929
Data acquisition and pre exploration cost		19,965	33,860
Administrative expenses	18	290,837	302,959
Unsuccessful exploration costs	7	682,704	1,191,194
Depreciation and amortisation	6	304	504
Finance costs	19	1,866,911	662,806
		3,077,742	2,367,252
(Loss) before taxation		(2,126,721)	(733,632)
Tax expenses			
Current tax		-	44,000
Fringe benefit tax (refer note no. 13 in schedule 21)		-	(88,098)
(Loss) for the year		(2,126,721)	(689,534)
Add: Accumulated losses at the beginning of the year		(1,227,534)	(538,000)
Deficit carried forward to balance sheet		(3,354,255)	(1,227,534)
(Loss) per share in INR			
	20		
Basic		(1.12)	(0.36)
Diluted		(1.12)	(0.36)
(Nominal value of shares in INR 10)			
Notes to accounts	21		

The schedules referred to above and the notes to accounts are an integral part of the profit and loss account.

As per our report of even date

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

per Raj Agrawal
Partner
Membership No. 82028

For and on behalf of the Board of Directors

Rahul Dhir Managing Director and Chief Executive Officer
Indrajit Banerjee Executive Director and Chief Financial Officer
Aman Mehta Director
Neerja Sharma Company Secretary

Place Gurgaon Date 25 May, 2011

Statement of Cash Flows

FOR THE YEAR ENDED MARCH 31, 2011

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

	Year ended March 31, 2011	Year ended March 31, 2010
Cash flow from operating activities		
(Loss) for the year	(2,126,721)	(733,632)
Adjustments for:		
- Employee compensation expense (stock options)	71,453	39,385
- Interest income	(273,992)	(1,266,573)
- Dividend from unquoted current investments	(647,690)	(220,839)
- Depreciation/Amortisation	304	504
- Profit on sale of unquoted current investments (net)	-	(2,385)
- Unrealised exchange (gain) on restatement of assets and liabilities (net)	(5,369)	(110,526)
- Unsuccessful exploration costs	682,704	1,191,194
- Loan facility and management fees	497,219	59,574
- Other finance charges	38,363	-
- Balances written back	-	(40,653)
- Interest expense	1,328,256	599,810
Operating (loss) before working capital changes	(435,473)	(484,141)
Movements in working capital:		
(Increase)/decrease in inventories	(18,871)	(9,831)
(Increase)/decrease in debtors	14,047	2,214
(Increase)/decrease in loans and advances	8,297	32,383
Increase/(decrease) in current liabilities and provisions	(99,054)	(84,301)
Cash (used in) operations	(531,054)	(543,676)
Direct taxes paid	-	(248,254)
Net cash (used in) operating activities (A)	(531,054)	(791,930)
Cash flow from investing activities		
Payments made for exploration, development activities and purchase of fixed assets	(1,076,468)	(368,982)
Long term investments made in subsidiaries	(391,165)	(23,827,569)
Fixed deposits made	(8,806,500)	(6,083,612)
Proceeds from matured fixed deposits	4,723,612	31,728,811
Short term investments in mutual funds (net)	5,999,584	(15,207,018)
Interest received	73,038	1,887,858
Dividend received from unquoted current investments	647,690	220,839
Net cash from / (used in) investing activities (B)	1,169,791	(11,649,673)
Cash flow from financing activities		
Proceeds from issue of equity shares	670,480	20,363
Proceeds from issue of non convertible debentures	13,500,000	-
Proceeds from long term borrowings	500,000	13,450,000
Repayment of long term borrowings	(13,950,000)	-
Loan facility and management fees paid	(39,604)	(488,651)
Interest paid	(801,081)	(599,810)
Net cash from / (used in) financing activities (C)	(120,205)	12,381,902
Net increase in cash and cash equivalents (A+B+C)	518,532	(59,701)
Cash and cash equivalents at the beginning of the year	4,250	63,951
Cash and cash equivalents at the end of the year	522,782	4,250

Statement of Cash Flows Continued

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

	As at March 31, 2011	As at March 31, 2010
Components of cash and cash equivalents		
Cash in hand	35	42
Balances with scheduled banks		
- on current accounts	5,085	4,208
- on deposit accounts	6,524,162	1,923,612
Less: Deposits having maturity of over 90 days	(6,006,500)	(1,923,612)
	522,782	4,250

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 17,662 thousand, previous year INR 1,790,000 thousand, pledged with the banks.

As per our report of even date

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

per Raj Agrawal
Partner
Membership No. 82028

For and on behalf of the Board of Directors

Rahul Dhir Managing Director and Chief Executive Officer
Indrajit Banerjee Executive Director and Chief Financial Officer
Aman Mehta Director
Neerja Sharma Company Secretary

Place Gurgaon Date 25 May, 2011

Schedules to the Financial Statements

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

	As at March 31, 2011	As at March 31, 2010
Schedule 1		
Share capital		
Authorised:		
2,250,000,000 (previous year 2,250,000,000) equity shares of INR 10 each	22,500,000	22,500,000
Issued, subscribed and fully paid up:		
1,901,917,101 (previous year 1,896,974,132) equity shares of INR 10 each	19,019,171	18,969,741
	19,019,171	18,969,741

Notes :

- i) Issued, subscribed and fully paid up share capital includes 1,183,243,791 equity shares (previous year - 1,183,243,791 equity shares) of INR 10 each held by Cairn UK Holdings Limited, the holding company, together with its nominees. Also, refer note no. 24 in schedule 21.
- ii) Shares held by the holding company include 861,764,893 equity shares (previous year - 861,764,893 equity shares) of INR 10 each, allotted as fully paid up pursuant to contracts for consideration other than cash.
- iii) 10,517,681 (previous year 5,574,712) shares have been allotted pursuant to exercise of employee stock option schemes.
- iv) For stock options outstanding, refer note no. 6 in schedule 21.

Schedule 2		
Stock options outstanding		
Employee stock options outstanding	780,026	768,120
Less: Deferred employee compensation outstanding	(225,304)	(304,142)
Closing Balance	554,722	463,978

Schedule 3		
Reserves and surplus		
Securities premium account		
Opening balance	301,161,222	301,090,274
Add: Additions during the year (refer note no. 10 of schedule 21)	764,760	70,948
Closing Balance	301,925,982	301,161,222

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

Note: In the previous year the loans were secured by proposed hypothecation of 35% participating interest in RJ-ON-90/1, oil and gas block, held by Cairn Energy India Pty Limited, a wholly owned subsidiary of the Company.

Schedules to the Financial Statements Continued

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

	As at March 31, 2011	As at March 31, 2010
Schedule 5		
Unsecured loans		
6,250 (previous year Nil) non convertible debentures of INR 1,000,000 each (fully paid up) redeemable at par after 21 months from date of allotment viz. October 12, 2010, issued at a coupon rate of 8.35% (Series A)	6,250,000	-
6,250 (previous year Nil) non convertible debentures of INR 1,000,000 each (fully paid up) redeemable at par after 24 months from date of allotment viz. October 12, 2010, issued at a coupon rate of 8.40% (Series B)	6,250,000	-
10,000 (previous year Nil) non convertible debentures of INR 1,000,000 each (INR 100,000 called-up) redeemable at par after 27 months from date of allotment viz. October 12, 2010, issued at a coupon rate of 8.50 % for the first 12 months & thereafter at market determined floating rate subject to a minimum of 8.50 % (Series C)	1,000,000	-
	13,500,000	-

Notes:

- i) The debenture holders have a negative lien on the assets of Cairn India Limited.
- ii) The Company has an option to prepay the debenture issued under series A and B at the end of 12 months from the date of issue.

Schedule 6										
Fixed Assets										
Description	Gross Block				Accumulated Depreciation / Amortisation				Net Block	
	As on 01.04.2010	Additions	Deletions/ Adjustments	As on 31.03.2011	As on 01.04.2010	For the year	Deletions/ Adjustments	As on 31.03.2011	As on 31.03.2011	As on 31.03.2010
A) Tangible Assets										
Leasehold land	-	23,418	-	23,418	-	-	-	-	23,418	-
Office equipments	32	1,430	-	1,462	9	155	-	164	1,298	23
Furniture & fittings	-	25	-	25	-	2	-	2	23	-
B) Intangible Assets										
Computer software	1,023	-	-	1,023	860	147	-	1,007	16	163
Grand Total	1,055	24,873	-	25,928	869	304	-	1,173	24,755	186
Previous year	974	81	-	1,055	365	504	-	869	186	609

Note: Lease deed for the leasehold land is yet to be executed.

Schedule 7		
Exploratory work in progress		
Opening Balance	242,074	540,299
Additions during the year	659,410	892,969
Less: Unsuccessful exploration costs for the year	(682,704)	(1,191,194)
	218,780	242,074

Schedules to the Financial Statements Continued

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

	As at March 31, 2011	As at March 31, 2010
Schedule 8		
Investments		
Long term investments in Subsidiary Companies (at cost)		
Unquoted, trade and fully paid-up		
420,810,062 equity shares (previous year: 420,810,062) of GBP 1 each in Cairn India Holdings Limited, U.K.	300,424,799	300,424,799
175,560 redeemable preferential shares (previous year: 175,560) of GBP 1,000 each in Cairn India Holdings Limited, U.K.	13,437,637	13,437,637
21,784,960 equity shares (previous year: 13,159,960) of USD 1 each in CIG Mauritius Holding Private Limited	1,002,792	611,627
Current Investments (at lower of cost and market value)		
Unquoted and non trade		
Mutual Funds (refer note no. 22 in schedule 21 for details)	10,817,291	16,816,876
	325,682,519	331,290,939
Aggregate amount of unquoted investments	325,682,519	331,290,939
Repurchase price of mutual fund units, represented by Net Asset Value	10,917,954	16,816,876
Schedule 9		
Inventories		
(At lower of cost and net realisable value)		
Stores and spares	28,702	9,831
	28,702	9,831
Schedule 10		
Sundry Debtors		
Debts outstanding for a period exceeding six months		
- Unsecured, considered good	-	4,039
Other debts		
- Unsecured, considered good	1,681	11,689
	1,681	15,728
Schedule 11		
Cash and bank balances		
Cash in hand	35	42
Balances with scheduled banks		
- on current accounts	5,085	4,208
- on deposit accounts (including deposits with maturity of more than 90 days)*	6,524,162	1,923,612
	6,529,282	1,927,862
* Includes INR 17,662 thousand, previous year INR 1,790,000 thousand, pledged with the banks		
Schedule 12		
Other current assets		
Interest accrued on bank deposits	205,370	12,360
	205,370	12,360

Schedules to the Financial Statements Continued

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

	As at March 31, 2011	As at March 31, 2010
Schedule 13		
Loans and advances		
Unsecured considered good:		
Advances recoverable in cash or in kind or for value to be received*	202,607	97,082
Advances recoverable from subsidiary companies	395,662	242,247
Deposits	1,238	512
Advance tax and tax deducted at source (net of provisions for tax INR 587,800 thousand)	4,950	-
Fringe benefit tax paid (Net of provisions INR 266,901 thousand, previous year INR 266,901 thousand)	4,233	4,233
	608,690	344,074

* includes capital advances INR 2,912 thousand (previous year INR 1,465 thousand)

Schedule 14		
Current liabilities		
Sundry Creditors		
- Total outstanding dues to Micro and Small Enterprises (refer note no. 21 in schedule 21)	-	-
- Total outstanding dues to other than Micro and Small Enterprises	458,843	201,178
Amounts payable to Cairn Energy Plc., the ultimate holding company	5,965	-
Amounts payable to subsidiary companies	638,819	672,931
Interest accrued but not due	527,175	-
Other liabilities	41,782	606,553
	1,672,584	1,480,662

Schedule 15		
Provisions		
Provision for taxation (previous year net of advance tax INR 565,566 thousand)	-	22,234
Provision for gratuity	7,994	6,647
Provision for compensated absences	1,043	1,181
	9,037	30,062

	Year ended March 31, 2011	Year ended March 31, 2010
Schedule 16		
Other income		
Interest on bank deposits (Gross, tax deducted at source INR 27,184 thousand, previous year INR 188,872 thousand)	273,992	1,266,573
Miscellaneous income	382	-
Dividend from non-trade current investments	647,690	220,839
Profit on sale of non-trade current investments (net)	-	2,385
Exchange differences (net)	5,014	71,130
Balances written back	-	40,653
	927,078	1,601,580

Schedules to the Financial Statements Continued

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

	Year ended March 31, 2011	Year ended March 31, 2010
Schedule 17		
Staff costs		
Salary, wages and bonus	127,495	120,301
Contribution to provident fund	4,649	5,384
Contribution to superannuation fund	4,290	3,374
Gratuity expenses	1,347	2,653
Compensated absences	647	285
Staff welfare expenses	7,140	4,547
Employee compensation expense (stock options)	71,453	39,385
	217,021	175,929

Schedule 18		
Administrative expenses		
Legal and professional expenses	158,385	197,777
Contract employee charges	6,601	4,370
Rent	1,994	1,642
Auditor's remuneration		
As Auditors		
- Fees for statutory audit and consolidated financial statements	5,736	4,440
- Fees for audit of interim financial statements	331	-
- Fees for limited review	6,287	5,460
- Fees for statutory reporting for parent companies consolidated financial statements	-	2,041
- Fees for certifications	303	2,160
- Out of pocket expenses	628	394
	13,285	14,495
Directors' sitting fees	820	1,160
Advertisement and publicity	20,880	9,538
Public relation expenses	6,553	18,248
Sponsorship	29,444	11,500
Printing & stationery	1,381	3,489
Security Expenses	157	361
Repairs and maintenance (others)	991	2,639
Travelling and conveyance	35,557	19,358
Insurance expenses	109	199
Communication expenses	7,541	16,104
Rates and taxes	5,081	-
Sundry balances written off	-	824
Miscellaneous expenses	2,058	1,255
	290,837	302,959

Schedule 19		
Finance costs		
Interest		
- on term loan	801,081	599,684
- on debentures	527,175	-
- others	-	126
Other finance charges	38,363	-
Loan facility and management fees	497,219	59,574
Bank charges	3,073	3,422
	1,866,911	662,806

Schedules to the Financial Statements Continued

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

	Year ended March 31, 2011	Year ended March 31, 2010
Schedule 20		
(Loss) per share		
(Loss) for the year as per profit and loss account	(2,126,721)	(689,534)
Weighted average number of equity shares in calculating basic earnings/ (loss) per share	1,898,666,456	1,896,696,475
Add: Number of equity shares arising on grant of stock options	9,039,600	8,321,392
Weighted average number of equity shares in calculating diluted earnings/ (loss) per share	1,907,706,056	1,905,017,867
(Loss) per share in INR		
Basic	(1.12)	(0.36)
Diluted	(1.12)	(0.36)

Note: Potential equity shares are anti-dilutive.

Schedules to the Financial Statements Continued

SCHEDULE 21 – 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
Operated block (through subsidiaries)		
PR-OSN-2004/1	Palar Basin offshore	25%
KG-ONN-2003/1	Krishna Godavari Onshore	25%
KG-OSN-2009/3*	Krishna Godavari Offshore	90%
MB-DWN-2009/1*	Mumbai	90%
*Acquired during the year		
Following block has been relinquished-		
VN-ONN-2003/1 in Aug 2009	Vindhyan Onshore	25%
Non – operated block		
KK-DWN-2004/1	Kerala Konkan Basin offshore	40%
Following blocks have been relinquished-		
RJ-ONN-2003/1 in Jan 2010	Rajasthan Onshore	30%
GS-OSN-2003/1 in Nov 2010	Gujarat Saurashtra Onshore	49%
The participating interests were same in the previous year.		

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 (as amended) under the historical cost convention and on an accrual basis. The accounting policies, in all material respects, have been consistently applied by the Company and are consistent with those used in the previous year.

(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

Schedules to the Financial Statements Continued

SCHEDULE 21 – NOTES TO ACCOUNTS

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

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.

(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

- i The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized where the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessment of the time value of money and risks specific to the asset.
- ii After impairment, depreciation/depletion is provided in subsequent periods on the revised carrying amount of the asset over its remaining useful life.

(F) Tangible fixed assets, depreciation and amortization

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

Depreciation is provided using the Straight Line Method as per the useful lives of the assets estimated by the management stated below, or at the rates prescribed under Schedule XIV of the Companies Act 1956, whichever is higher.

Vehicles	2 to 5 years
Freehold buildings	10 years
Computers	2 to 5 years
Furniture and fixtures	2 to 5 years
Office equipments	2 to 5 years
Plant and Equipment	2 to 10 years
Leasehold 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
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(H) Leases

As lessee

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

Schedules to the Financial Statements Continued

SCHEDULE 21 – NOTES TO ACCOUNTS

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

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.

Revenue from operating activities

As operator from joint venture

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 recognized 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 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 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.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

(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.

Schedules to the Financial Statements Continued

SCHEDULE 21 – NOTES TO ACCOUNTS

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

(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.

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

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

Employee stock compensation cost

Measurement and disclosure of the employee share-based payment plans is done in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on Accounting for Employee Share-based Payments, issued by 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 valued at cost or net realizable value whichever is lower. Cost is determined on first in first out (FIFO) basis. Net realisable value is estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

(V) Deferred revenue expenditure

Costs incurred in raising debts are amortised using the effective interest rate method over the period for which the funds have been acquired.

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

Schedules to the Financial Statements Continued

SCHEDULE 21 – NOTES TO ACCOUNTS

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

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
21	Cairn Energy Development Pte Limited (Liquidated during the year)
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
- Indrajit Banerjee, Executive Director and Chief Financial Officer

(B) Transactions during the year :

Nature of the Transactions	Related Party	Current year	Previous year
Waiver of outstanding balance by the parent company	Cairn Energy Plc.	Nil	24,176
Expenses incurred by related party on behalf of the Company	Cairn Energy India Pty Limited	28,360	15,938
	Cairn Energy Plc.	8,781	8,120
	Total	37,141	24,058
Expenses incurred by the Company on behalf of related party	Cairn Energy India Pty Limited	10,804	190
	Cairn Exploration (No. 2) Limited	27,197	Nil
	Cairn Exploration (No. 6) Limited	560	Nil
	Cairn Energy Hydrocarbons Limited	Nil	836
	Cairn Energy Development Pte Limited	Nil	694
	Total	38,561	1,720
Equity contributions made during the year	Cairn India Holdings Limited	Nil	23,337,922
	CIG Mauritius Holding Private Limited	391,165	489,647
	Total	391,165	23,827,569
Guarantee received back	Cairn Lanka Private Limited	1,267,674	Nil
Recovery of share option charge	Cairn Energy India Pty Limited	163,001	64,264
Shares issued including premium and stock option charge	Indrajit Banerjee	21,074	Nil
Remuneration	Rahul Dhir	2,400	2,400
	Winston Frederick Bott Jr.	1,200	1,200
	Indrajit Banerjee	1,800	1,800
	Total	5,400	5,400

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 21 – NOTES TO ACCOUNTS

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

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

Nature of the Balance	Related Party	31 st March 2011	31 st March 2010
Guarantees given	Cairn Lanka Private Limited	Nil	1,267,674
Accounts receivable	Cairn Energy India Pty Limited	362,648	208,512
	CIG Mauritius Holdings Private Limited	491	491
	CIG Mauritius Private Limited	264	264
	Cairn Lanka Private Limited	827	881
	Cairn Energy Hydrocarbons Limited	31,432	31,432
	Cairn Energy Development Pte Limited	Nil	667
	Total	395,662	242,247
Accounts payable	Cairn Energy Plc	5,965	Nil
	Cairn Energy Gujarat Block 1 Limited	88,554	89,531
	Cairn Exploration (No. 2) Limited	302,518	332,327
	Cairn Exploration (No. 4) Limited	76,568	77,497
	Cairn Exploration (No. 6) Limited	7,733	8,423
	Cairn Exploration (No. 7) Limited	163,446	165,153
	Total	644,784	672,931

5. Debenture redemption reserve aggregating to INR 831,913 thousand (previous year Nil) has not been created due to inadequacy of profits.

6. EMPLOYEES STOCK OPTION PLANS

The Company has provided various share-based payment schemes to its employees. During the year ended 31st March 2011, the following schemes were in operation:

Particulars	CISMP	CIPOP	CIESOP
Date of Board Approval	17 th Nov 2006	17 th Nov 2006	17 th Nov 2006
Date of Shareholder's approval	17 th Nov 2006	17 th Nov 2006	17 th Nov 2006
Number of options granted till March 2011	8,298,713	7,311,868	21,225,258
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 2011			
Date of grant			
24 th Nov 2006	8,298,713	-	-
1 st Jan 2007	-	1,708,195	3,467,702
20 th Sept 2007	-	3,235,194	5,515,053
29 th July 2008	-	789,567	3,773,856
10 th Dec 2008	-	-	36,040
29 th July 2009	-	994,768	5,405,144
27 th July 2010	-	584,144	3,027,463
Total	8,298,713	7,311,868	21,225,258

The vesting conditions of the above plans are as under:

CISMP plan

(A) 6,714,233 options are to be vested in the following manner:

- 1/3rd of the options will vest on the day following the date on which the equity shares have been admitted to listing on the Stock Exchanges ('admission date'). Listing date was 9th Jan 2007.
- 1/3rd of the options will vest 18 months after the admission date.
- 1/3rd of the options will vest on achieving 30 days' consecutive production of over 150,000 bopd from the Rajasthan Block.

(B) 1,584,480 options are to be vested in the following manner:

- 1/2 of the options will vest on the day following the date on which the equity shares have been admitted to listing on the Stock Exchanges.
- 1/4th of the options will vest on the date on which all major equipment for the start-up of the Mangala field is delivered to site.
- 1/4th of the options will vest on achieving 100,000 bopd from the Mangala Field.

Schedules to the Financial Statements Continued

SCHEDULE 21 – NOTES TO ACCOUNTS

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

CIPOP plan

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

CIESOP plan

There are no specific vesting conditions under CIESOP plan other than completion of the minimum service period.

Details of activities under employees stock option plans

CISMP Plan	Current year		Previous year	
	Number of options	Weighted average exercise price in INR	Number of options	Weighted average exercise price in INR
Outstanding at the beginning of the year	2,238,077	33.70	2,238,077	33.70
Granted during the year	Nil	NA	Nil	NA
Expired during the year	Nil	NA	Nil	NA
Exercised during the year	Nil	NA	Nil	NA
Forfeited / cancelled during the year	Nil	NA	Nil	NA
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 is INR 131.50 (previous year INR 131.50)

CIPOP Plan	Current year		Previous year	
	Number of options	Weighted average exercise price in INR	Number of options	Weighted average exercise price in INR
Outstanding at the beginning of the year	2,626,830	10.00	3,200,096	10.00
Granted during the year	584,144	10.00	994,768	10.00
Expired during the year	Nil	NA	Nil	NA
Exercised during the year	922,043	10.00	190,983	10.00
Forfeited / cancelled during the year	141,268	10.00	1,377,051	10.00
Outstanding at the end of the year	2,147,663	10.00	2,626,830	10.00
Exercisable at the end of the year	Nil	NA	168,382	10.00

Weighted average fair value of options granted on the date of grant is INR 186.37 (previous year INR 174.47)

Weighted average share price at the date of exercise of stock options is INR 323.30 (previous year INR 272.22)

CIESOP Plan	Current year		Previous year	
	Number of options	Weighted average exercise price in INR	Number of options	Weighted average exercise price in INR
Outstanding at the beginning of the year	14,646,209	206.43	10,914,244	185.39
Granted during the year	3,027,463	331.25	5,405,144	240.05
Expired during the year	Nil	NA	Nil	NA
Exercised during the year	4,020,926	164.45	115,333	160.00
Forfeited / cancelled during the year	922,020	253.08	1,557,846	179.09
Outstanding at the end of the year	12,730,726	246.00	14,646,209	206.43
Exercisable at the end of the year	1,864,110	164.94	1,981,770	160.00

Weighted average fair value of options granted on the date of grant is INR 112.48 (previous year INR 107.64)

Weighted average share price at the date of exercise of stock options is INR 328.61 (previous year INR 274.23)

Schedules to the Financial Statements Continued

SCHEDULE 21 – 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, 2011 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	0.08	33.70
CIPOP Plan	10.00	2,147,663	1.25	10.00
CIESOP Plan	143-331.25	12,730,726	1.10	246.00

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

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

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 th Nov 2006	24 th 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 – CIPOP	1 st Jan 2007	20 th Sept 2007	29 th July 2008	29 th July 2009	27 th July 2010
Grant date	1 st Jan 2007	20 th Sept 2007	29 th July 2008	29 th July 2009	27 th July 2010
Stock price/fair value of the equity shares on the date of grant (INR)	160.00	166.95	228.55	234.75	331.50
Vesting date	1 st Jan 2010	20 th Sept 2010	29 th July 2011	29 th July 2012	27 th July 2013
Vesting %	Refer vesting conditions	Refer vesting conditions	Refer vesting conditions	Refer vesting conditions	Refer vesting conditions
Volatility	41.61%	36.40%	37.49%	43.72%	53.73%
Risk free rate	7.33%	7.23%	9.37%	5.78%	6.99%
Time to maturity (years)	3.12	3.12	3.12	3.13	3.00
Exercise price (INR)	10.00	10.00	10.00	10.00	10.00
Fair Value of the options (INR)	152.05	158.97	221.09	226.40	323.39

Variables – CIESOP	1 st Jan 2007	20 th Sept 2007	29 th July 2008	10 th Dec 2008	29 th July 2009	27 th July 2010
Grant date	1 st Jan 2007	20 th Sept 2007	29 th July 2008	10 th Dec 2008	29 th July 2009	27 th July 2010
Stock price/fair value of the equity shares on the date of grant (INR)	160.00	166.95	228.55	150.10	234.75	331.50
Vesting date	1 st Jan 2010	20 th Sept 2010	29 th July 2011	10 th Dec 2011	29 th July 2012	27 th July 2013
Vesting %	100%	100%	100%	100%	100%	100%
Volatility	41.04%	40.24%	39.43%	38.19%	39.97%	53.73%
Risk free rate	7.50%	7.65%	9.20%	6.94%	6.91%	6.99%
Time to maturity (years)	6.50	6.50	6.50	6.50	6.50	6.50
Exercise price (INR)	160.00	166.95	227.00	143.00	240.05	331.25
Fair Value of the options (INR)	87.30	90.72	130.42	79.80	122.24	141.56

Schedules to the Financial Statements Continued

SCHEDULE 21 – 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 year
Total Employee Compensation Cost pertaining to equity settled share-based payment plans	71,453	39,385
Employee stock options outstanding as at year end	554,722	463,978
Deferred Compensation Cost	225,304	304,142

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 loss and loss per share would be as follows:

Particulars	Current year	Previous year
(Loss) as reported	(2,126,721)	(689,534)
Add: Employee stock compensation under intrinsic value method	71,453	39,385
Less: Employee stock compensation under fair value method	(528,203)	(427,537)
Proforma (loss)	(2,583,471)	(1,077,686)
(Loss) per share in INR		
Basic		
- As reported	(1.12)	(0.36)
- Proforma	(1.36)	(0.57)
Diluted		
- As reported	(1.12)	(0.36)
- Proforma	(1.36)	(0.57)

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 st March 2011	31 st March 2010
Lease rentals recognized during the year	5,248	2,002

8. DERIVATIVE INSTRUMENTS AND UNHEDGED FOREIGN CURRENCY EXPOSURE

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

Particulars	31 st March 2011	31 st March 2010
Sundry debtors	1,681	15,728
Loans and advances	51,743	49,984
Current liabilities	693,467	711,263

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.

Schedules to the Financial Statements Continued

SCHEDULE 21 – NOTES TO ACCOUNTS

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

Profit and Loss account

Net employee benefit expense (recognised in staff cost)

Particulars	31 st March 2011	31 st March 2010
Current service cost	1,474	1,605
Interest cost on benefit obligation	532	319
Net actuarial (gain) / loss recognised in the year	(659)	729
Past service cost	Nil	Nil
Net benefit expense	1,347	2,653

Balance sheet

Details of Provision for Gratuity

Particulars	31 st March 2011	31 st March 2010
Defined benefit obligation	7,994	6,647
Less: Unrecognized past service cost	Nil	Nil
Plan asset / (liability)	(7,994)	(6,647)

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

Opening defined benefit obligation	6,647	3,994
Current service cost	1,474	1,605
Interest cost	532	319
Benefits paid	Nil	Nil
Actuarial (gains) / losses on obligation	(659)	729
Closing defined benefit obligation	7,994	6,647

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

Discount rate	8.00%	8.00%
Future salary increase	10.00%	10.00%
Employee turnover	5.00%	5.00%
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 st March 2011	31 st March 2010	31 st March 2009
Defined benefit obligation	7,994	6,647	3,994
Surplus / (deficit)	(7,994)	(6,647)	(3,994)
Experience adjustments on plan liabilities (loss) / gain	512	(583)	(45)

Note : The Company had adopted AS-15 Employee Benefits for the first time during the period ended March 31, 2009. Disclosures required by paragraph 120 (n) of AS-15 are required to be furnished prospectively from the date of transition and hence have been furnished for year / period ended March 31, 2009 onwards.

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
Balance as on 1st April 2009	1,896,667,816		18,966,678	301,090,274
Exercise of share options-CIPOP	190,983	10.00	1,910	Nil
Exercise of share options -CIESOP	115,333	160.00	1,153	17,300
Share options liability transferred to securities premium upon exercise of the options				28,648
Waiver of parent company outstanding balance, pertaining to share issue expenses paid by parent company, which had earlier been adjusted from securities premium				25,000

Schedules to the Financial Statements Continued

SCHEDULE 21 – NOTES TO ACCOUNTS

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

Description	No. of equity shares	Issue price in INR	Share capital	Securities premium
Balance as on 31st March 2010	1,896,974,132		18,969,741	301,161,222
Exercise of share options-CIPOP	922,043	10.00	9,220	Nil
Exercise of share options-CIESOP	1,443,752	160.00	14,438	216,563
Exercise of share options-CIESOP	2,577,174	166.95	25,772	404,487
Share options liability transferred to securities premium upon exercise of the options				143,710
Balance as on 31st March 2011	1,901,917,101		19,019,171	301,925,982

11. In accordance with the provisions of Accounting Standard 22 'Accounting for taxes on income', the Company would have had deferred tax assets of INR 811,000 thousand (previous year INR 361,000 thousand) and INR 393,000 thousand (previous year INR 224,720 thousand) in respect of accumulated tax losses and differences in block of fixed assets/exploration assets as per tax books and financial books respectively. However, as the management is not virtually certain of subsequent realization of the asset, the same has not been recognized in these financial statements.
12. The shareholders of the Company have approved a Scheme of Arrangement between the Company and some of its wholly owned subsidiaries, to be effective from 1st January 2010. The Scheme of Arrangement has been approved by the Hon'ble High Court of Madras and the Hon'ble High Court of Bombay. However, it is pending for approval from 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.
13. The reversal in fringe benefit tax (FBT) in the previous year is on account of the abolishment of FBT with effect from 1st April 2009, as the Company was accounting for FBT liability on stock options on a pro-rata basis over the vesting period.

14. MANAGERIAL REMUNERATION

Remuneration paid or payable to the Directors	Current year	Previous year
Salary	4,632	4,632
Contribution to provident fund	768	768
Total	5,400	5,400

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.

15. EARNINGS IN FOREIGN CURRENCY (ACCRUAL BASIS)

Particulars	Current year	Previous year
Parent company overhead	23,943	32,040
Interest	-	8
Total	23,943	32,048

16. EXPENDITURE IN FOREIGN CURRENCY (ACCRUAL BASIS)

Particulars	Current year	Previous year
Professional fees	45,740	27,409
Exploration cost	286,352	154,991
Other expenses	13,669	6,428
Total	345,761	188,828

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

Particulars	Percentage of total consumption		Amount	
	Current year	Previous year	Current year	Previous year
Imported	97.23	29.10	27,911	11,529
Indigenous	2.77	70.90	784	28,083
Total	100.00	100.00	28,695	39,612

Schedules to the Financial Statements Continued

SCHEDULE 21 – NOTES TO ACCOUNTS

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

18. VALUE OF IMPORTS CALCULATED ON CIF BASIS

Particulars	Current year	Previous year
Stores and spares	45,392	12,213

19. CAPITAL COMMITMENTS (NET OF ADVANCES)

Particulars	Current year	Previous year
Company's share of Joint Ventures' exploration activities	6,012,841	1,296,011

20. Details of amounts recoverable from subsidiary companies in which directors are interested are the same as disclosed in note 4 (c) above. The balance outstanding as at the year end is also the maximum amount outstanding during the year. No loans have been given to the subsidiaries, associates, firms and companies, in which directors are interested.

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

22. CURRENT INVESTMENTS (REFER SCHEDULE-8 OF THE FINANCIAL STATEMENTS):

		31 st March 2011
The details of investments in mutual fund units are as follows:		
1	70,000,000 units of Birla Sun Life Fixed Term Plan - Series CI under Birla Sun Life Mutual Fund - Growth plan	700,000
2	50,000,000 units of Birla Sun Life Short term FMP – Series 4 - Dividend Payout under Birla Sun Life Mutual Fund - Daily Dividend Reinvestment plan	500,000
3	25,000,000 units of DSP Blackrock FMP 12M Series 10 under DSP Blackrock mutual fund - Growth plan	250,000
4	20,000,000 units of DSP Blackrock FMP 12M Series 9 under DSP Blackrock mutual fund - Growth plan	200,000
5	37,197,823 units of DSP Blackrock FMP 3M Series 28 - Dividend Payout under DSP Blackrock mutual fund - Daily Dividend Reinvestment plan	371,978
6	30,000,000 units of Fidelity Fixed Maturity Plan Series 4 - Plan E under Fidelity Mutual Fund - Growth plan	300,000
7	25,029,920 units of ICICI Prudential FMP Series 53 - 1 Year Plan-C under ICICI Prudential mutual fund - Growth plan	250,299
8	35,000,000 units of ICICI Prudential FMP Series 56 - 1 Year Plan B under ICICI Prudential mutual fund - Growth plan	350,000
9	18,300,000 units of IDFC FMP - 100 Days Series 3 under IDFC mutual fund - Daily Dividend Reinvestment plan	183,000
10	24,000,000 units of Kotak FMP Series 40 under Kotak Mahindra mutual fund - Growth plan	240,000
11	25,000,000 units of Reliance Fixed Horizon Fund - XIX - Series 9 under Reliance mutual fund - Growth plan	250,000
12	55,000,000 units of Reliance Fixed Horizon Fund - XVI - Series 2 under Reliance mutual fund - Growth plan	550,000
13	30,000,000 units of Reliance Fixed Horizon Fund - XVI - Series 3 under Reliance mutual fund - Growth plan	300,000
14	35,000,000 units of Reliance Fixed Horizon Fund - XVII - Series 1 under Reliance mutual fund - Growth plan	350,000
15	24,343,676 units of SBI Debt Fund Series- 90 Days-41 under SBI mutual fund - Daily Dividend Reinvestment plan	243,437
16	40,000,000 units of SBI SDFS 370 days-8 under SBI mutual fund - Growth plan	400,000
17	24,829,499 units of BSL Interval Income Fund - INSTL - Quaterly - Series 1 under Birla Sun Life Mutual Fund - Daily Dividend Reinvestment plan	248,298

Schedules to the Financial Statements Continued

SCHEDULE 21 – NOTES TO ACCOUNTS

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

		31st March 2011
18	20,439,166 units of ICICI Prudential Half Yearly Interval Plan-II under ICICI Prudential mutual fund - Daily Dividend Reinvestment plan	204,412
19	24,653,922 units of ICICI Prudential Interval Fund - Half Yearly Interval Plan I under ICICI Prudential mutual fund - Daily Dividend Reinvestment plan	246,568
20	20,718,173 units of ICICI Prudential Interval Fund II Quarterly Plan D under ICICI Prudential mutual fund - Daily Dividend Reinvestment plan	207,182
21	25,153,906 units of ICICI Prudential Interval Fund-Quarterly Interval Plan II under ICICI Prudential mutual fund - Daily Dividend Reinvestment plan	251,539
22	25,173,767 units of Kotak Quarterly Interval Plan Series 7 under Kotak Mahindra mutual fund - Daily Dividend Reinvestment plan	251,752
23	25,069,513 units of Reliance Quarterly Interval Fund Series III under Reliance mutual fund - Daily Dividend Reinvestment plan	250,787
24	25,146,884 units of UTI Fixed Income Interval Fund-Quarterly Interval Plan Series I-Institutional under UTI mutual fund - Daily Dividend Reinvestment plan	251,469
25	82,129 units of Templeton India TMA SIP under Templeton mutual fund - Daily Dividend Reinvestment plan	82,184
26	7,197,007 units of BSL Floating Rate Fund - Long Term under Birla Sun Life Mutual Fund - Daily Dividend Reinvestment plan	71,970
27	27,076,512 units of Canara Robeco Treasury Advantage under Canara Robeco mutual fund - Daily Dividend Reinvestment plan	335,941
28	14,201,065 units of IDFC Money Manager TP Super Institutional - Plan C under IDFC mutual fund - Daily Dividend Reinvestment plan	142,032
29	93,704,231 units of SBI SHF-Ultra Short Term Fund under SBI mutual fund - Daily Dividend Reinvestment plan	937,605
30	148,769,211 units of Tata Floater Fund under Tata mutual fund - Daily Dividend Reinvestment plan	1,492,987
31	403,540 units of UTI Floating Rate Fund - Short Term Plan under UTI mutual fund - Daily Dividend Reinvestment plan	403,851
Total		10,817,291

		31st 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

Schedules to the Financial Statements Continued

SCHEDULE 21 – NOTES TO ACCOUNTS

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

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
Total		16,816,876

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

1	184,963,305 units of Birla Sun Life Cash Manager Fund-IP under Birla Sun Life Mutual Fund - Daily Dividend Reinvestment plan
2	236,722,187 units of Birla Sun Life Cash Plus Fund under Birla Sun Life Mutual Fund - Daily Dividend Reinvestment plan
3	281,914 units of Birla Sun Life Interval Income Fund - Quarterly Plan - Series II under Birla Sun Life Mutual Fund - Daily Dividend Reinvestment plan
4	127,772,229 units of Birla Sun Life Saving Funds under Birla Sun Life Mutual Fund - Daily Dividend Reinvestment plan
5	50,247,291 units of BSL Floating Rate Fund - Long Term under Birla Sun Life Mutual Fund - Daily Dividend Reinvestment plan
6	126,271,819 units of BSL Floating Rate Fund - Long Term under Birla Sun Life Mutual Fund - Weekly Dividend Reinvestment plan
7	8,454,757 units of Canara Robeco Liquid Fund under Canara Robeco mutual fund - Daily Dividend Reinvestment plan
8	388,635 units of Canara Robeco Treasury Advantage under Canara Robeco mutual fund - Daily Dividend Reinvestment plan
9	706,513 units of DSP Blackrock Floating Rate Fund - Institutional Plan under DSP Blackrock mutual fund - Daily Dividend Reinvestment plan
10	24,381,382 units of DSP Blackrock FMP 3M Series 22 under DSP Blackrock mutual fund - Daily Dividend Reinvestment plan
11	1,849,130 units of DSP Blackrock Liquidity Fund under DSP Blackrock mutual fund - Daily Dividend Reinvestment plan
12	1,926,786 units of DSP Blackrock Money Manager Fund - Institutional Plan under DSP Blackrock mutual fund - Daily Dividend Reinvestment plan
13	24,362,246 units of Fidelity FMP Series 3 Plan C under Fidelity Mutual Fund - Daily Dividend Reinvestment plan
14	24,802,039 units of Fidelity FMP Series 4 Plan C under Fidelity Mutual Fund - Daily Dividend Reinvestment plan
15	24,282,241 units of Fidelity FMP Series II under Fidelity Mutual Fund - Daily Dividend Reinvestment plan
16	173,096,552 units of HDFC Cash Management Fund - Treasury Advantage under HDFC mutual fund - Daily Dividend Reinvestment plan
17	220,207,149 units of HDFC Floating Rate Income Fund - Short Term Plan under HDFC mutual fund - Daily Dividend Reinvestment plan
18	24,296,400 units of HDFC FMP 90D June 2010 under HDFC mutual fund - Daily Dividend Reinvestment plan
19	301,769,796 units of HDFC Liquid Fund-Premium Plan under HDFC mutual fund - Daily Dividend Reinvestment plan
20	18,850,890 units of ICICI Prudential Flexible Income Plan Premium under ICICI Prudential mutual fund - Daily Dividend Reinvestment plan
21	221,758 units of ICICI Prudential Interval Fund II - Quarterly Interval Plan F - Inst under ICICI Prudential mutual fund - Daily Dividend Reinvestment plan
22	20,763,421 units of ICICI Prudential Liquid - Super Institutional Plan under ICICI Prudential mutual fund - Daily Dividend Reinvestment plan
23	136,984,419 units of IDFC Cash Fund Super Institutional - Plan C under IDFC mutual fund - Daily Dividend Reinvestment plan
24	118,771,342 units of IDFC Money Manager TP Super Institutional - Plan C under IDFC mutual fund - Daily Dividend Reinvestment plan
25	796,806 units of IDFC Savings Advantage Fund - Plan A under IDFC mutual fund - Daily Dividend Reinvestment plan
26	239,265,718 units of J P Morgan India Liquid Fund-SIP under JP Morgan Mutual Fund - Daily Dividend Reinvestment plan
27	189,953,998 units of J P Morgan India Treasury Fund-SIP under JP Morgan Mutual Fund - Daily Dividend Reinvestment plan
28	1,280,012 units of Kotak Floater Long Term Fund under Kotak Mahindra mutual fund - Daily Dividend Reinvestment plan
29	18,809,661 units of Kotak Quarterly Interval Plan Series 2 under Kotak Mahindra mutual fund - Daily Dividend Reinvestment plan
30	25,051,285 units of Kotak Quarterly Interval Plan Series 4 under Kotak Mahindra mutual fund - Daily Dividend Reinvestment plan
31	1,410,241 units of Kotak Quarterly Interval Plan Series 8 under Kotak Mahindra mutual fund - Daily Dividend Reinvestment plan
32	25,092,032 units of Kotak Quarterly Interval Plan Series I under Kotak Mahindra mutual fund - Daily Dividend Reinvestment plan
33	122,753,371 units of LIC Liquid Fund under LIC Mutual fund - Daily Dividend Reinvestment plan
34	31,801,852 units of Reliance Liquid Fund - Treasury Plan-Institutional Option under Reliance mutual fund - Daily Dividend Reinvestment plan
35	179,945,819 units of Reliance Liquidity Fund under Reliance mutual fund - Daily Dividend Reinvestment plan
36	40,219,549 units of Reliance Medium Term Fund under Reliance mutual fund - Daily Dividend Reinvestment plan
37	1,050,788 units of Reliance Money Manager Fund-SIP under Reliance mutual fund - Daily Dividend Reinvestment plan
38	24,082,199 units of Reliance Monthly Interval Fund Series II under Reliance mutual fund - Daily Dividend Reinvestment plan
39	24,287,212 units of Reliance Quarterly Interval Fund Series I under Reliance mutual fund - Daily Dividend Reinvestment plan
40	24,347,016 units of SBI Debt Fund Series- 90 Days-34 under SBI mutual fund - Daily Dividend Reinvestment plan
41	24,778,941 units of SBI Debt Fund Series- 90 Days-36 under SBI mutual fund - Daily Dividend Reinvestment plan
42	137,890,165 units of SBI Magnum Insta Cash Fund under SBI mutual fund - Daily Dividend Reinvestment plan
43	144,379,793 units of SBI SHF-Ultra Short Term Fund under SBI mutual fund - Daily Dividend Reinvestment plan

Schedules to the Financial Statements Continued

SCHEDULE 21 – NOTES TO ACCOUNTS

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

44	25,024,858 units of Sundaram BNP Paribas Ultra Short Term Fund under Sundaram mutual fund - Daily Dividend Reinvestment plan
45	24,318,720 units of Tata Fixed Income Portfolio Fund -Scheme B3 Inst Quarterly under Tata mutual fund - Daily Dividend Reinvestment plan
46	214,272,371 units of Tata Floater Fund under Tata mutual fund - Daily Dividend Reinvestment plan
47	2,990,099 units of Tata Liquid Super High Investment Fund under Tata mutual fund - Daily Dividend Reinvestment plan
48	75,273,993 units of Templeton Floating Rate Income Fund - Long term under Templeton mutual fund - Daily Dividend Reinvestment plan
49	3,009,852 units of Templeton India TMA SIP under Templeton mutual fund - Daily Dividend Reinvestment plan
50	180,580,544 units of Templeton India Ultra Short Bond Fund - SIP under Templeton mutual fund - Daily Dividend Reinvestment plan
51	24,614,737 units of UTI Fixed Income Interval Fund -Half Yearly Interval Plan Series-I under UTI mutual fund - Daily Dividend Reinvestment plan
52	24,634,922 units of UTI Fixed Income Interval Fund-Half Yearly Interval Plan - II under UTI mutual fund - Daily Dividend Reinvestment plan
53	24,308,749 units of UTI Fixed Income Interval Fund-Series II-Quarterly Interval Plan - VI under UTI mutual fund - Daily Dividend Reinvestment plan
54	1,743,314 units of UTI Floating Rate Fund - Short Term Plan under UTI mutual fund - Daily Dividend Reinvestment plan
55	2,737,336 units of UTI Liquid Cash Plan - Institutional under UTI mutual fund - Daily Dividend Reinvestment plan
56	2,544,695 units of UTI Treasury Advantage Fund under UTI mutual fund - Daily Dividend Reinvestment plan

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

23. 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). As the block is presently under exploration phase, no diminution in value of the said investments exists at the balance sheet date.
24. The holding company of Cairn India Limited, Cairn UK Holdings Limited, along with its holding company, Cairn Energy Plc. (Company's ultimate holding company) has agreed to sell a substantial portion of its investment in the Company to Twin Star Holdings Ltd. and Vedanta Resources Plc. This transaction has been approved by shareholders of both Cairn Energy Plc. and Vedanta Resources Plc. However, pending receipt of certain regulatory approvals, Cairn Energy Plc. continues to be treated as the promoter of the Company.
25. Previous year'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 & Co.

Firm Registration No.: 301003E

Chartered Accountants

per Raj Agrawal

Partner

Membership No. 82028

For and on behalf of the Board of Directors

Rahul Dhir Managing Director and Chief Executive Officer

Indrajit Banerjee Executive Director and Chief Financial Officer

Aman Mehta Director

Neerja Sharma Company Secretary

Balance Sheet Abstract and Company's General Business Profile

I)	Registration Details	
	Registration No.	L11101MH2006PLC163934
	State Code	11
	Balance Sheet Date	31/03/2011
II)	Capital raised during the year*	(Amount in INR thousands)
	Public Issue	0
	Rights Issue	0
	Bonus Issue	0
	Private Placement (includes stock options exercised)	49,430
	* Does not include share premium	
III)	Position of Mobilisation and Deployment of Funds	(Amount in INR thousands)
	Total Liabilities	333,327,241
	Total Assets	333,327,241
	Sources of Funds	
	Paid up Capital	19,019,171
	Reserves & Surplus (including stock options outstanding)	302,480,704
	Secured Loans	-
	Unsecured Loans	13,500,000
	Application of Funds	
	Net Fixed Assets	243,535
	Investments	325,682,519
	Net Current Assets	5,692,104
	Miscellaneous Expenditure	27,462
	Accumulated losses	3,354,255
IV)	Performance of the Company	(Amount in INR thousands)
	Turnover (Total Income)	951,021
	Total Expenditure	3,077,742
	Profit/ (Loss) before tax	(2,126,721)
	Profit/ (Loss) after tax	(2,126,721)
	Loss per Share in INR (Basic & Diluted)	(1.12)
	Dividend rate %	0
V)	Generic Names of Principal Products/ Services of Company (as per monetary terms)	
	Item Code No. (ITC Code)	27090000
	Product Description	Crude Oil
	Item Code No. (ITC Code)	27112100
	Product Description	Natural Gas

For and on behalf of the Board of Directors

Rahul Dhir Managing Director and Chief Executive Officer
Indrajit Banerjee Executive Director and Chief Financial Officer
Aman Mehta Director
Neerja Sharma Company Secretary

Place Gurgaon Date 25 May, 2011