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**AUDITED
FINANCIAL
STATEMENTS**

Auditors' Report

To
The Members of Cairn India Limited

1. We have audited the attached balance sheet of Cairn India Limited ('the Company') as at March 31, 2012 and also the statement of profit and loss 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. 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. Our comments in the said Annexure are restricted to the operations of the Company and do not cover the unincorporated joint ventures where any third party is the operator.
4. Further to our comments in the Annexure referred to above, we report that:
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - iii. The balance sheet, statement of profit and loss and cash flow statement dealt with by this report are in agreement with the books of account;
 - iv. In our opinion, the balance sheet, statement of profit and loss 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, 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2012 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, 2012;
 - b) in the case of the statement of profit and loss, of the profit 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 number: 301003E
Chartered Accountants

per Raj Agrawal

Partner
Membership No.: 82028

Place: Gurgaon
Date: April 20, 2012

Auditors' Report

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

Re: Cairn India Limited ('the Company')

- (i)
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.
 - (c) There was no 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.
- (iii)
 - (a) 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.
 - (b) 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, we have not observed any major weakness or continuing failure to correct any major weakness in the 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) 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 of the Company and the 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, wealth-tax, service tax, customs duty, cess and other material statutory dues applicable to it. 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, wealth-tax, service 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, wealth tax, service 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's accumulated losses at the end of the financial year are less than fifty per cent of its net worth and it has not incurred cash losses in the current financial year. *In the immediately preceding financial year, the Company had incurred cash losses.*
- (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 debenture holders. The Company did not have any outstanding dues in respect of a financial institution or bank during the year.
- (xii) According to the information and explanations given to us and based on the documents and records produced before 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 Companies (Auditor's Report) Order, 2003 (as amended) 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 Companies (Auditor's Report) Order, 2003 (as amended) 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 has neither raised any money by way of public issue of shares/debentures during the current year nor did it have any amount of unutilized money raised by way of public issue of shares/debentures at the beginning of the current 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 year.

For S.R. BATLIBOI & CO.

Chartered Accountants
Firm Registration Number : 301003E

per Raj Agrawal

Partner
Membership Number : 82028

Place: Gurgaon
Date: April 20, 2012

Balance Sheet

AS AT 31 MARCH 2012

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

	Notes	31 March 2012	31 March 2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	19,073,961	19,019,171
Reserves and surplus	4	300,122,235	299,126,449
		319,196,196	318,145,620
Non-current liabilities			
Long-term borrowings	5	-	13,500,000
Long-term provisions	6	12,365	7,994
		12,365	13,507,994
Current liabilities			
Trade payables	7	132,125	118,102
Other current liabilities	7	13,309,914	14,19,891
Short-term provisions	6	5,990	1,043
		13,448,029	1,539,036
TOTAL		332,656,590	333,192,650
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	8	25,655	24,739
Intangible assets	9	-	16
Exploratory work in progress	10	540,318	218,780
Non-current investments	11	308,534,591	314,865,228
Long-term loans and advances	12	1,542	4,082
Other non-current assets	13.2	35,378	38,351
		309,137,484	315,151,196
Current assets			
Current investments	14	18,213,411	10,817,291
Trade receivables	13.1	4,721	1,681
Cash and bank balances	16	4,600,004	6,529,282
Short-term loans and advances	12	588,620	470,017
Other current assets	13.2	112,350	223,183
		23,519,106	18,041,454
TOTAL		332,656,590	333,192,650
Summary of significant accounting policies	2.1		

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

As per our report of even date

For S. R. Batliboi & Co.

Firm Registration No.:301003E
Chartered Accountants

per Raj Agrawal

Partner
Membership No. 82028

Place: Gurgaon
Date: 20 April 2012

For and on behalf of the Board of Directors

Navin Agarwal
Chairman

Rahul Dhir
Managing Director and
Chief Executive Officer

Aman Mehta
Director

Sunil Bohra
Deputy Chief Financial Officer

Neerja Sharma
Company Secretary



Statement of Profit and Loss

FOR THE YEAR ENDED 31 MARCH 2012

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

	Notes	31 March 2012	31 March 2011
Income			
Revenue from operations	17	87,961	23,943
Other income	18	2,401,358	927,078
Total revenue		2,489,319	951,021
Expenses			
Data acquisition and analysis		46,767	19,965
Employee benefit expenses	19	153,757	217,021
Other expenses	20	520,129	290,837
Depreciation and amortization expense	21	388	304
Finance costs	22	1,114,492	1,866,911
Unsuccessful exploration costs	10	178,778	682,704
Profit/(loss) before tax		475,008	(2,126,721)
Tax expenses			
Current tax		35,391	-
Total tax expense		35,391	-
Profit/(loss) for the year		439,617	(2,126,721)
Earnings/ (loss) per equity share in INR computed on the basis of profit/ (loss) for the year [nominal value of share INR 10 (31 March 2011: INR 10)]			
Basic	23	0.23	(1.12)
Diluted		0.23	(1.12)
Summary of significant accounting policies	2.1		

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

As per our report of even date

For S. R. Batliboi & Co.Firm Registration No.:301003E
Chartered Accountants**per Raj Agrawal**Partner
Membership No. 82028**Navin Agarwal**
Chairman**Rahul Dhir**
Managing Director and
Chief Executive Officer**Aman Mehta**
DirectorPlace: Gurgaon
Date: 20 April 2012**Sunil Bohra**
Deputy Chief Financial Officer**Neerja Sharma**
Company Secretary**For and on behalf of the Board of Directors**

Cash Flow Statement

FOR THE YEAR ENDED 31 MARCH 2012

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

	31 March 2012	31 March 2011
Cash flow from operating activities		
Profit/(loss) before tax	475,008	(2,126,721)
Adjustments for:		
Depreciation/amortization	388	304
Unsuccessful exploration costs	178,778	682,704
Employee stock compensation expense	16,547	71,453
Unrealized foreign exchange loss/(gain) (net)	83,191	(5,369)
Gain on sale of long term investments (net)	(990,950)	-
Gain on sale of current investments (net)	(626,474)	-
Other finance charges	-	38,363
Other non-operating income	(33,132)	-
Interest expense	1,095,487	1,328,256
Loan facility and management fees	17,813	497,219
Interest income	(450,533)	(273,992)
Dividend income	(300,122)	(647,690)
Operating loss before working capital changes	(533,999)	(435,473)
Movements in working capital :		
Increase/(decrease) in trade payables, other liabilities and provisions	(689,790)	(99,054)
Decrease /(increase) in trade receivables	3,040	14,047
Decrease /(increase) in inventories	(6,677)	(18,871)
Decrease /(increase) in loans and advances and other assets	50,866	8,297
Cash generated used in operations	(1,176,560)	(531,054)
Direct taxes paid (net of refunds)	(34,109)	-
Net cash flow used in operating activities (A)	(1,210,669)	(531,054)
Cash flows from investing activities		
Purchase of fixed assets (including CWIP and capital advances)	(557,183)	(1,076,468)
Short term investments (net)	(6,769,645)	5,999,584
Long term investments sold	14,428,587	-
Long term investments made	(7,107,000)	(391,165)
Investments in bank deposits (having original maturity of more than 3 months)	(4,542,265)	(8,806,500)
Redemption/maturity of bank deposits (having original maturity of more than 3 months)	6,784,299	4,723,612
Interest received	553,556	73,038
Dividend received	300,122	647,690
Net cash flow from investing activities (B)	3,090,471	1,169,791
Cash flows from financing activities		
Proceeds from issuance of equity share capital (including securities premium)	565,513	670,480
Proceeds from long-term borrowings	-	14,000,000
Repayment of long-term borrowings	(1,000,000)	(13,950,000)
Interest paid	(1,132,559)	(801,081)
Payment of borrowing costs (other than interest)	-	(39,604)
Net cash flow used in financing activities (C)	(1,567,046)	(120,205)
Net increase in cash and cash equivalents (A + B + C)	312,756	518,532

Statement of Cash Flow Continued

FOR THE YEAR ENDED 31 MARCH 2012

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

	31 March 2012	31 March 2011
Cash and cash equivalents at the beginning of the year	522,782	4,250
Cash and cash equivalents at the end of the year	835,538	522,782
Components of cash and cash equivalents		
Cash on hand	41	35
With banks		
- on current accounts	5,497	5,085
- on deposit account	830,000	517,662
Total cash and cash equivalents (note 16)	835,538	522,782

Notes:

- 1) The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in Accounting Standard-3 on "Cash flow statements".
- 2) Amounts in bracket indicate a cash outflow or reduction.

As per our report of even date

For S. R. Batliboi & Co.

Firm Registration No.:301003E
Chartered Accountants

For and on behalf of the Board of Directors

per Raj Agrawal

Partner
Membership No. 82028

Navin Agarwal

Chairman

Rahul Dhir

Managing Director and
Chief Executive Officer

Aman Mehta

Director

Place: Gurgaon

Date: 20 April 2012

Sunil Bohra

Deputy Chief Financial Officer

Neerja Sharma

Company Secretary

Notes to Financial Statements

FOR THE YEAR ENDED 31 MARCH 2012

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

1. NATURE OF OPERATIONS

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

The Company is primarily engaged in the business of surveying, prospecting, drilling, exploring, acquiring, developing, producing, maintaining, refining, storing, trading, supplying, transporting, marketing, distributing, importing, exporting and generally dealing in minerals, oils, petroleum, gas and related by-products and other activities incidental to the above. As part of its business activities, the Company also holds interests in its subsidiary companies which have been granted rights to explore and develop oil exploration blocks 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 blocks (through subsidiaries)		
PR-OSN-2004/1	Palar Basin Offshore	25.00%
KG-ONN-2003/1	Krishna Godavari Onshore	25.00%
KG-OSN-2009/3	Krishna Godavari Offshore	90.00%
MB-DWN-2009/1	Mumbai	90.00%
Following blocks have been relinquished		
Non-operated blocks		
KK-DWN-2004/1 in Mar 2012	Kerala Konkan Basin Offshore	40.00%
GS-OSN-2003/1 in Nov 2010	Gujarat Saurashtra Onshore	49.00%

The participating interests were same in the previous year.

2. BASIS OF PREPARATION

The financial statements have been prepared to comply in all material respects with the accounting principles generally accepted in India, including mandatory Accounting Standards notified under the Companies (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 except for changes in the presentation and disclosures of the financial statements as described in note no. 41 below.

2.1 Summary of significant accounting policies

a) 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 work in progress until the exploration phase relating to the license area is complete or commercial oil and gas reserves have been discovered.

Exploration expenditure incurred in the process of determining exploration targets which cannot be directly related to individual exploration wells is expensed in the period in which it is incurred.

Exploration/appraisal drilling costs are initially capitalised within exploratory and development work in progress on a well by well basis until the success or otherwise of the well has been established. The success or failure of each exploration/appraisal effort is judged on a well by well basis. Drilling costs are written off on completion of a well unless the results indicate that oil and gas reserves exist and there is a reasonable prospect that these reserves are commercial.

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

Notes to Financial Statements Continued

FOR THE YEAR ENDED 31 MARCH 2012

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

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

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

b) Depletion

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

Depletion is charged on a unit of production basis, based on proved reserves for acquisition costs and proved and developed reserves for other costs. Reserves for this purpose are considered on working interest basis which are reassessed atleast annually. Impact of changes to reserves are accounted for prospectively.

c) Site restoration costs

At the end of the producing life of a field, costs are incurred in restoring the site of production facilities. Cairn India Limited recognizes the full cost of site restoration as a liability when the obligation to rectify environmental damage arises. The site restoration expenses form part of the exploration & development work in progress or cost of producing properties, as the case may be, of the related asset. The amortization of the asset, calculated on a unit of production basis based on proved and developed reserves, is included in the depletion cost in the statement of profit and loss.

d) Impairment

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

After impairment, depreciation/depletion is provided in subsequent periods on the revised carrying amount of the asset over its remaining useful life.

e) Tangible fixed assets, depreciation and amortization

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

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

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

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

Notes to Financial Statements Continued

FOR THE YEAR ENDED 31 MARCH 2012

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

f) 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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g) Leases

As lessee

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

If there is no reasonable certainty that 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 statement of profit and loss on a straight-line basis over the lease term.

h) Investments

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

i) 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.

j) 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 the joint venture

The Company recognizes revenue from joint ventures for services rendered in the form of parent company overhead based on the provisions of respective PSCs.

Interest income

Interest income is recognised on a time proportion basis.

Dividend income

Revenue is recognized when the instrument/unit holders' right to receive payment is established by the balance sheet date.

k) Borrowing costs

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

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

Notes to Financial Statements Continued

FOR THE YEAR ENDED 31 MARCH 2012

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

l) 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.

m) 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 period.

Deferred tax assets and liabilities are measured, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax assets 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.

n) Earnings Per Share

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

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

o) 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.

p) Cash and Cash equivalents

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

q) 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 statement of profit and loss 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 on projected unit credit method.

Notes to Financial Statements Continued

FOR THE YEAR ENDED 31 MARCH 2012

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

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

Employee Stock Compensation Cost

Measurement and disclosure of the employee share-based payment plans is done in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on Accounting for Employee Share-based Payments, issued by the ICAI. 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.

r) 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.

s) 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.

t) 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.

3. SHARE CAPITAL		
	31 March 2012	31 March 2011
Authorised shares (No. in thousand)		
2,250,000 (31 March 2011: 2,250,000) equity shares of INR 10 each	22,500,000	22,500,000
Issued, subscribed and fully paid up shares (No. in thousand)		
1,907,396 (31 March 2011: 1,901,917) equity shares of INR 10 each	19,073,961	19,019,171
Total issued, subscribed and fully paid-up share capital	19,073,961	19,019,171

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

	31 March 2012		31 March 2011	
	No. thousand	INR thousand	No. thousand	INR thousand
At the beginning of the period	1,901,917	19,019,171	1,896,974	18,969,741
Issued during the period – ESOP	5,479	54,790	4,943	49,430
Outstanding at the end of the period	1,907,396	19,073,961	1,901,917	19,019,171

(b) Terms/ rights attached to equity shares

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

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



Notes to Financial Statements Continued

FOR THE YEAR ENDED 31 MARCH 2012

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

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

	31 March 2012	31 March 2011
Subsidiaries of Vedanta Resources Plc., the holding company*		
Twin Star Mauritius Holdings Limited	7,388,736	-
738,874 thousand (31 March 2011: Nil) equity shares of INR 10 each fully paid		
Sesa Goa Limited	3,511,404	-
351,140 thousand (31 March 2011: Nil) equity shares of INR 10 each fully paid		
Sesa Resources Limited	327,000	-
32,700 thousand (31 March 2011: Nil) equity shares of INR 10 each fully paid		
	31 March 2012	31 March 2011
Cairn UK Holdings Limited, the erstwhile holding company*		
415,563 thousand (31st March 2011: 1,183,244 thousand) equity shares of INR 10 each fully paid	4,155,630	11,832,438

* Also refer note 37 below.

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

	31 March 2012	31 March 2011
	No. thousand	No. thousand
Equity shares allotted as fully paid-up pursuant to contracts for consideration other than cash	-	861,765
In addition, the Company has issued total 15,997 thousand equity shares (31 March 2011: 10,518 thousand equity shares) during the period of five years immediately preceding the reporting date on exercise of options granted under the employee stock option plan (ESOP scheme) wherein part consideration was received in form of employee services.		

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

	31 March 2012		31 March 2011	
	No. thousand	% holding in the class	No. thousand	% holding in the class
Equity shares of INR 10 each fully paid				
Twin Star Mauritius Holdings Limited	738,874	38.74%	-	-
Cairn UK Holdings Ltd	415,563	21.79%	1,183,244	62.21%
Sesa Goa Ltd	351,140	18.41%	-	-
Petronas International Corporation Limited	-	-	283,431	14.90%

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

(f) Shares reserved for issue under options

For details of shares reserved for issue under the ESOP scheme of the Company refer note 25.

4. RESERVES AND SURPLUS

	31 March 2012	31 March 2011
Securities premium account		
Balance as per the last financial statements	301,925,982	301,161,222
Add: additions on employee stock options exercised	510,723	621,050
Add: transferred from stock options outstanding	490,382	143,710
Closing Balance	302,927,087	301,925,982
Debenture redemption reserve*		
Balance as per the last financial statements	-	-
Add: amount transferred from surplus balance in the statement of profit and loss	439,617	-
Closing Balance	439,617	-
Employee stock options outstanding		
Gross employee stock compensation for options granted in earlier years	544,385	770,973
Add: gross compensation for options granted during the year	245,756	152,763

Notes to Financial Statements Continued

FOR THE YEAR ENDED 31 MARCH 2012

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

4. RESERVES AND SURPLUS CONTINUED

	31 March 2012	31 March 2011
Less: deferred employee stock compensation	(189,973)	(225,304)
Less: transferred to securities premium on exercise of stock options	(490,382)	(143,710)
Closing Balance	109,786	554,722
Surplus/ (deficit) in the statement of profit and loss		
Balance as per last financial statements	(3,354,255)	(1,227,534)
Profit/ (Loss) for the year	439,617	(2,126,721)
Less: Transfer to debenture redemption reserve	(439,617)	-
Net (deficit) in the statement of profit and loss	(3,354,255)	(3,354,255)
Total reserves and surplus	300,122,235	299,126,449

*Debenture redemption reserve of INR 1,851,765 thousand (31 March 2011: INR 831,913 thousand) has not been created due to inadequacy of profits.

5. LONG-TERM BORROWINGS

	Non-current portion		Current maturities	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
Debentures (Unsecured)				
Series C - Nil (31 March 2011: 10 thousand) 8.50% non convertible debentures of INR 1,000 thousand each (INR 100 thousand called-up)	-	1,000,000	-	-
Series B - 6.25 thousand (31 March 2011: 6.25 thousand) 8.40% non convertible debentures of INR 1,000 thousand each (fully paid up)	-	6,250,000	6,250,000	-
Series A - 6.25 thousand (31 March 2011: 6.25 thousand) 8.35% non convertible debentures of INR 1,000 thousand each (fully paid up)	-	6,250,000	6,250,000	-
	-	13,500,000	12,500,000	-
Amount disclosed under the head "other current liabilities" (note 7)	-	-	(12,500,000)	-
Net amount	-	13,500,000	-	-

- a. Series A debentures are redeemable at par after 21 months from date of allotment viz. 12 October 2010. Series B debentures are redeemable at par after 24 months from date of allotment viz. 12 October 2010. Series C debentures were redeemable at par after 27 months from date of allotment viz. 12 October 2010 on which a coupon rate of 8.50 % was applicable for the first 12 months and thereafter a market determined floating rate subject to a minimum of 8.50 %. The Company during the current year bought back the debentures issued under Series C, after their offer of buy back was accepted by the debenture holders.
- b. The debenture holders have a negative lien on the assets of the Company. The Company had the option to prepay the debentures issued under series A and B at the end of 12 months from the date of issue.

6. PROVISIONS

	Long-term		Short-term	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
Provision for employee benefits				
Provision for employee stock options (cash settled)*	2,044	-	3,028	-
Provision for gratuity (note 24)	10,321	7,994	-	-
Provision for compensated absences	-	-	2,962	1,043
Other provisions				
Provision for taxation (net of advance tax)	-	-	-	-
	12,365	7,994	5,990	1,043

* Provision for employee stock options (cash settled) (refer note 2.1 (q) above)

	31 March 2012	31 March 2011
Opening Balance	-	-
Additions for the year	8,596	-
Reversed during the year	(3,524)	-
Closing Balance	5,072	-



Notes to Financial Statements Continued

FOR THE YEAR ENDED 31 MARCH 2012

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

7. OTHER CURRENT LIABILITIES		
	31 March 2012	31 March 2011
Trade payables (refer note 31 for details of dues to micro and small enterprises)	132,125	1,18,102
Other liabilities		
Current maturities of long-term borrowings (note 5)	12,500,000	
Amounts payable to subsidiary companies	-	638,819
Interest accrued but not due on borrowings	490,454	527,175
Others		
Statutory dues payable	11,379	3,200
Liabilities for exploration activities	308,081	250,697
	13,309,914	1,419,891
	13,442,039	1,537,993

8. TANGIBLE ASSETS				
	Leasehold land	Office equipments	Furniture & fixtures	Total
Cost or valuation				
At 1 April 2010	-	32	-	32
Additions	23,418	1,430	25	24,873
At 31 March 2011	23,418	1,462	25	24,905
Additions	1,288	-	-	1,288
At 31 March 2012	24,706	1,462	25	26,193
Depreciation				
At 1 April 2010	-	9	-	9
Charge for the year	-	155	2	157
At 31 March 2011	-	164	2	166
Charge for the year	-	366	6	372
At 31 March 2012	-	530	8	538
Net Block				
At 31 March 2011	23,418	1,298	23	24,739
At 31 March 2012	24,706	932	17	25,655

9. INTANGIBLE ASSETS		
	Computer Software	Total
Gross block		
At 1 April 2010	1,023	1,023
At 31 March 2011	1,023	1,023
At 31st March 2012	1,023	1,023
Amortization		
At 1 April 2010	860	860
Charge for the year	147	147
At 31 March 2011	1,007	1,007
Charge for the year	16	16
At 31 March 2012	1,023	1,023
Net block		
At 31 March 2011	16	16
At 31 March 2012	-	-

Notes to Financial Statements Continued

FOR THE YEAR ENDED 31 MARCH 2012

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

10. EXPLORATORY WORK IN PROGRESS		
	31 March 2012	31 March 2011
Opening balance	218,780	242,074
Add: Additions	500,316	659,410
Less: Unsuccessful exploration costs	(178,778)	(682,704)
Closing balance	540,318	218,780

11. NON-CURRENT INVESTMENTS		
	31 March 2012	31 March 2011
Trade investments (valued at cost unless stated otherwise)		
<i>Unquoted instruments</i>		
Investment in subsidiaries		
420,810 thousand (31 March 2011: 420,810 thousand) Equity shares of GBP 1 each fully paid-up in Cairn India Holdings Limited, U.K.	300,424,799	300,424,799
Nil (31 March 2011: 176 thousand) redeemable preference shares of GBP 1,000 each fully paid-up in Cairn India Holdings Limited, U.K.	-	13,437,637
167,000 thousand (31 March 2011: 21,785 thousand) Equity shares of USD 1 each fully paid-up in CIG Mauritius Holding Private Limited	8,109,792	1,002,792
	308,534,591	314,865,228
Aggregate amount of quoted investments	-	-
Aggregate amount of unquoted investments	308,534,591	314,865,228

a. 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.

b. Cairn India Holdings Limited, U.K. has redeemed its preference shares during the year at par.

12. LOANS AND ADVANCES				
	Non-current		Current	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
Unsecured and considered good				
Capital advances	372	2,912	-	-
Security deposit	1,170	1,170	594	68
Loan and advances to related parties (note 27)	-	-	385,309	395,662
Advances recoverable in cash or kind	-	-	192,303	65,080
	1,542	4,082	578,206	460,810
Other loans and advances				
Advance income-tax (net of provision)	-	-	3,668	4,950
Fringe benefit tax paid (net of provision)	-	-	4,233	4,233
Prepaid expenses	-	-	2,513	24
	-	-	10,414	9,207
	1,542	4,082	588,620	470,017

Notes to Financial Statements Continued

FOR THE YEAR ENDED 31 MARCH 2012

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

13. TRADE RECEIVABLES AND OTHER ASSETS

13.1. TRADE RECEIVABLES

	Non-current		Current	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
Unsecured, considered good				
Outstanding for a period exceeding six months from the date they are due for payment	-	-	-	-
Other receivables	-	-	4,721	1,681
	-	-	4,721	1,681

13.2. OTHER ASSETS

	Non-current		Current	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
Unsecured, considered good				
Non-current inventory of stores and spares (note 15)	35,378	28,702	-	-
Ancillary cost of arranging the borrowings	-	9,649	10,002	17,813
Interest accrued on deposits and investments	-	-	102,348	205,370
	35,378	38,351	112,350	223,183

14. CURRENT INVESTMENTS (Valued at lower of cost and fair value)

	31 March 2012	31 March 2011
Quoted mutual funds	9,878,425	5,438,714
Unquoted mutual funds	7,650,144	5,378,577
Unquoted certificate of deposits	684,842	-
	18,213,411	10,817,291
Aggregate amount of quoted investments [Market value represented by net asset value: INR 10,048,287 thousand (31 March 2011: INR 5,533,568 thousand)]	9,878,425	5,438,714
Aggregate amount of unquoted investments	8,334,986	5,378,577
	18,213,411	10,817,291

The details of investments are as under :

QUOTED MUTUAL FUNDS		31 March 2012
1	20,000 thousand units of INR 10 each of Birla Sun Life Fixed Term Plan - Series DY under Birla Sun Life Mutual Fund - Growth plan	200,000
2	40,000 thousand units of INR 10 each of Birla Sun Life Fixed Term Plan Series EI under Birla Sun Life Mutual Fund - Growth plan	400,000
3	27,540 thousand units of INR 10 each of Birla Sun Life Quarterly Interval Fund - Series 4 under Birla Sun Life Mutual Fund - Daily Dividend Reinvestment plan	275,400
4	20,210 thousand units of INR 10 each of Birla Sun Life Short Term FMP Series 22 under Birla Sun Life Mutual Fund - Daily Dividend Reinvestment plan	202,100
5	20,000 thousand units of INR 10 each of Birla Sun Life Short Term FMP Series 29 under Birla Sun Life Mutual Fund - Daily Dividend Reinvestment plan	200,000
6	25,700 thousand units of INR 10 each of Birla Sun Life Short Term FMP Series 30 under Birla Sun Life Mutual Fund - Daily Dividend Reinvestment plan	257,000
7	40,000 thousand units of INR 10 each of DSP Blackrock FMP Series 23 12M under DSP Blackrock Mutual Fund - Growth plan	400,000
8	40,000 thousand units of INR 10 each of DSP Blackrock FMP Series 32 - 12M under DSP Blackrock Mutual Fund - Growth plan	400,000
9	20,000 thousand units of INR 10 each of DSP Blackrock FMP Series 33 - 3M under DSP Blackrock Mutual Fund - Daily Dividend Reinvestment plan	200,000
10	25,452 thousand units of INR 10 each of DSP Blackrock FMP Series 42 - 3 M under DSP Blackrock Mutual Fund - Daily Dividend Reinvestment plan	254,517

Notes to Financial Statements Continued

FOR THE YEAR ENDED 31 MARCH 2012

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

QUOTED MUTUAL FUNDS CONTINUED		31 March 2012
11	20,000 thousand units of INR 10 each of DWS Fixed Term Fund - Series 92 under DWS Mutual Fund - Growth plan	200,000
12	25,000 thousand units of INR 10 each of Fidelity Fixed Maturity Plan Series 6 - Plan C under Fidelity Mutual Fund - Growth plan	250,000
13	36,000 thousand units of INR 10 each of HDFC FMP 13M September 2011 (1) Growth-Series XVIII under HDFC Mutual Fund - Growth plan	360,000
14	40,000 thousand units of INR 10 each of HDFC FMP 370D October 2011 (1) Growth-Series XIX under HDFC Mutual Fund - Growth plan	400,000
15	20,850 thousand units of HDFC FMP 92D March 2012 (1) under HDFC Mutual Fund - Daily Dividend Reinvestment plan	208,500
16	40,000 thousand units of INR 10 each of ICICI Prudential Series 61 - 1 Year Plan A under ICICI Prudential Mutual Fund - Growth plan	400,000
17	45,079 thousand units of INR 10 each of ICICI Prudential FMP Series 63 - 1 Year Plan C under ICICI Prudential Mutual Fund - Growth plan	450,785
18	25,000 thousand units of INR 10 each of IDFC FMP Yearly Series 53 under IDFC Mutual Fund - Growth plan	250,000
19	24,000 thousand units of INR 10 each of IDFC FMP Yearly Series 54 under IDFC Mutual Fund - Growth plan	240,000
20	29,000 thousand units of INR 10 each of JP Morgan India Fixed Maturity Plan Series 7 under JP Morgan Mutual Fund - Daily Dividend Reinvestment plan	290,000
21	20,000 thousand units of INR 10 each of Kotak FMP Series 69 under Kotak Mahindra Mutual Fund - Growth plan	200,000
22	30,000 thousand units of INR 10 each of Kotak FMP Series 72 under Kotak Mahindra Mutual Fund - Growth plan	300,000
23	46,078 thousand units of INR 10 each of Kotak FMP Series 83 under Kotak Mahindra Mutual Fund - Growth plan	460,779
24	24,000 thousand units of INR 10 each of Reliance Fixed Horizon Fund - XXI - Series 14 under Reliance Mutual Fund - Growth plan	240,000
25	25,000 thousand units of INR 10 each of Reliance Fixed Horizon Fund XXI Series 13 under Reliance Mutual Fund - Growth plan	250,000
26	50,000 thousand units of INR 10 each of Reliance Fixed Horizon Fund XXI Series 6 under Reliance Mutual Fund - Growth plan	500,000
27	24,925 thousand units of INR 10 each of Reliance Quarterly Interval Fund Series II under Reliance Mutual Fund - Daily Dividend Reinvestment plan	250,079
28	35,000 thousand units of INR 10 each of SBI Debt Fund Series - 367 Days - 6 under SBI Mutual Fund - Growth plan	350,000
29	43,345 thousand units of INR 10 each of SBI SDFS 367 days-11 under SBI Mutual Fund - Growth plan	433,452
30	25,581 thousand units of INR 10 each of SBI SDFS 90 Days - 57 under SBI Mutual Fund - Daily Dividend Reinvestment plan	255,813
31	20,000 thousand units of INR 10 each of SBI SDFS 90 Days-59 under SBI Mutual Fund - Daily Dividend Reinvestment plan	200,000
32	20,000 thousand units of INR 10 each of Tata Fixed Maturity Plan-Series 37 Scheme C under Tata Mutual Fund - Growth plan	200,000
33	40,000 thousand units of INR 10 each of UTI Fixed Term Income Fund - Series X - VII (368 days) under UTI Mutual Fund - Growth plan	400,000
	Total	9,878,425

Notes to Financial Statements Continued

FOR THE YEAR ENDED 31 MARCH 2012

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

UNQUOTED MUTUAL FUNDS		31 March 2012
1	131,385 thousand units of JM High Liquidity Fund - SIP under JM Mutual Fund - Daily Dividend Reinvestment plan	1,316,021
2	10,138 thousand units of Reliance Liquid Fund - Treasury Plan-Institutional Option under Reliance Mutual Fund - Daily Dividend Reinvestment plan	154,991
3	18,160 thousand units of DWS Ultra Short Term Fund - Regular Plan Bonus under DWS Mutual Fund - Bonus plan	177,632
4	195,490 thousand units of Tata Floater Fund under Tata Mutual Fund - Growth plan	2,997,700
5	2,170 thousand units of UTI Treasury Advantage under UTI Mutual Fund - Growth plan	3,003,800
Total		7,650,144
CERTIFICATE OF DEPOSITS		31 March 2012
1	5 thousand units of certificate of deposits of Punjab National Bank	457,811
2	2.5 thousand units of certificate of deposits of IDBI Bank	227,031
Total		684,842
QUOTED MUTUAL FUNDS		31 March 2011
1	70,000 thousand units of INR 10 each of Birla Sun Life Fixed Term Plan - Series CI under Birla Sun Life Mutual Fund - Growth plan	700,000
2	50,000 thousand units of INR 10 each 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 thousand units of INR 10 each of DSP Blackrock FMP 12M Series 10 under DSP Blackrock mutual fund - Growth plan	250,000
4	20,000 thousand units of INR 10 each of DSP Blackrock FMP 12M Series 9 under DSP Blackrock mutual fund - Growth plan	200,000
5	37,198 thousand units of INR 10 each of DSP Blackrock FMP 3M Series 28 - Dividend Payout under DSP Blackrock mutual fund - Daily Dividend Reinvestment plan	371,978
6	30,000 thousand units of INR 10 each of Fidelity Fixed Maturity Plan Series 4 - Plan E under Fidelity Mutual Fund - Growth plan	300,000
7	25,030 thousand units of INR 10 each of ICICI Prudential FMP Series 53 - 1 Year Plan-C under ICICI Prudential mutual fund - Growth plan	250,299
8	35,000 thousand units of INR 10 each of ICICI Prudential FMP Series 56 - 1 Year Plan B under ICICI Prudential mutual fund - Growth plan	350,000
9	18,300 thousand units of INR 10 each of IDFC FMP - 100 Days Series 3 under IDFC mutual fund - Daily Dividend Reinvestment plan	183,000
10	24,000 thousand units of INR 10 each of Kotak FMP Series 40 under Kotak Mahindra mutual fund - Growth plan	240,000
11	25,000 thousand units of INR 10 each of Reliance Fixed Horizon Fund - XIX - Series 9 under Reliance mutual fund - Growth plan	250,000
12	55,000 thousand units of INR 10 each of Reliance Fixed Horizon Fund - XVI - Series 2 under Reliance mutual fund - Growth plan	550,000
13	30,000 thousand units of INR 10 each of Reliance Fixed Horizon Fund - XVI - Series 3 under Reliance mutual fund - Growth plan	300,000
14	35,000 thousand units of INR 10 each of Reliance Fixed Horizon Fund - XVII - Series 1 under Reliance mutual fund - Growth plan	350,000
15	24,344 thousand units of INR 10 each of SBI Debt Fund Series- 90 Days-41 under SBI mutual fund - Daily Dividend Reinvestment plan	243,437
16	40,000 thousand units of INR 10 each of SBI SDFS 370 days-8 under SBI mutual fund - Growth plan	400,000
Total		5,438,714

Notes to Financial Statements Continued

FOR THE YEAR ENDED 31 MARCH 2012

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

UNQUOTED MUTUAL FUNDS		31 March 2011
1	24,829 thousand units of BSL Interval Income Fund - INSTL - Quaterly - Series 1 under Birla Sun Life Mutual Fund - Daily Dividend Reinvestment plan	248,298
2	20,439 thousand units of ICICI Prudential Half Yearly Interval Plan-II under ICICI Prudential mutual fund - Daily Dividend Reinvestment plan	204,412
3	24,654 thousand units of ICICI Prudential Interval Fund - Half Yearly Interval Plan I under ICICI Prudential mutual fund - Daily Dividend Reinvestment plan	246,568
4	20,718 thousand units of ICICI Prudential Interval Fund II Quarterly Plan D under ICICI Prudential mutual fund - Daily Dividend Reinvestment plan	207,182
5	25,154 thousand units of ICICI Prudential Interval Fund-Quarterly Interval Plan II under ICICI Prudential mutual fund - Daily Dividend Reinvestment plan	251,539
6	25,174 thousand units of Kotak Quarterly Interval Plan Series 7 under Kotak Mahindra mutual fund - Daily Dividend Reinvestment plan	251,752
7	25,070 thousand units of Reliance Quarterly Interval Fund Series III under Reliance mutual fund - Daily Dividend Reinvestment plan	250,787
8	25,147 thousand units of UTI Fixed Income Interval Fund-Quarterly Interval Plan Series I-Institutional under UTI mutual fund - Daily Dividend Reinvestment plan	251,469
9	82 thousand units of Templeton India TMA SIP under Templeton mutual fund - Daily Dividend Reinvestment plan	82,184
10	7,197 thousand units of BSL Floating Rate Fund - Long Term under Birla Sun Life Mutual Fund - Daily Dividend Reinvestment plan	71,970
11	27,077 thousand units of Canara Robeco Treasury Advantage under Canara Robeco mutual fund - Daily Dividend Reinvestment plan	335,941
12	14,201 thousand units of IDFC Money Manager TP Super Institutional - Plan C under IDFC mutual fund - Daily Dividend Reinvestment plan	142,032
13	93,704 thousand units of SBI SHF-Ultra Short Term Fund under SBI mutual fund - Daily Dividend Reinvestment plan	937,605
14	148,769 thousand units of Tata Floater Fund under Tata mutual fund - Daily Dividend Reinvestment plan	1,492,987
15	404 thousand units of UTI Floating Rate Fund - Short Term Plan under UTI mutual fund - Daily Dividend Reinvestment plan	403,851
Total		5,378,577

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

	Non-current		Current	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
Stores and spares	35,378	28,702	-	-
Less: amount disclosed under other non-current assets	(35,378)	(28,702)	-	-
	-	-	-	-

16. CASH AND BANK BALANCES

	31 March 2012	31 March 2011
Cash and cash equivalents		
Balances with banks:		
- On current accounts	5,497	5,085
- Deposits with original maturity of less than 3 months	830,000	517,662
Cash on hand	41	35
	835,538	522,782
Other bank balances		
- Deposits with original maturity for more than 12 months	2,702	1,502,500
- Deposits with original maturity for more than 3 months but less than 12 months	3,761,764	4,504,000
	3,764,466	6,006,500
	4,600,004	6,529,282

Deposits above include Nil (31 March 2011: INR 17,662 thousand) pledged with the banks.

Notes to Financial Statements Continued

FOR THE YEAR ENDED 31 MARCH 2012

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

17. REVENUE FROM OPERATIONS		
	31 March 2012	31 March 2011
Other operating revenue (income received as operator from joint venture)	87,961	23,943
	87,961	23,943

18. OTHER INCOME		
	31 March 2012	31 March 2011
Interest income on		
Bank deposits	441,665	273,992
Current investments	8,868	-
Others	147	382
Dividend income on current investments	300,122	647,690
Gain on sale of long term investments (net)	990,950	-
Gain on sale of current investments (net)	626,474	-
Exchange difference (net)	-	5,014
Other non-operating income	33,132	-
	2,401,358	927,078

19. EMPLOYEE BENEFIT EXPENSES		
	31 March 2012	31 March 2011
Salaries, wages and bonus	109,983	127,495
Contribution to provident fund	4,732	4,649
Contribution to superannuation fund	4,742	4,290
Employee stock option scheme	21,619	71,453
Gratuity expense (Note 24)	2,327	1,347
Compensated absences	85	647
Staff welfare expenses	10,269	7,140
	153,757	217,021

20. OTHER EXPENSES		
	31 March 2012	31 March 2011
Contract employee charges	5,435	6,601
Rent	1,981	1,994
Insurance	7,487	109
Repairs and maintenance (others)	639	991
Travelling and conveyance	40,211	35,557
Legal and professional fees	220,898	158,385
Auditors' remuneration		
As auditor:		
Fees for audit of standalone and consolidated financial statements	5,736	5,736
Fees for limited review of standalone and consolidated quarterly financial results	6,287	6,287
Fees for certification	381	303
Fees for audit of interim financial statements	-	331
Fees for time spent on audit of draft IND-AS financial statements	1,103	-
Fees for limited review of the standalone and consolidated interim reporting package	1,655	-
Reimbursement of expenses	1,074	628

Notes to Financial Statements Continued

FOR THE YEAR ENDED 31 MARCH 2012

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

20. OTHER EXPENSES CONTINUED		
	31 March 2012	31 March 2011
Exchange difference (net)	154,794	-
Directors' sitting fees	800	820
Advertisement and publicity	38,869	20,880
Public relation expenses	421	6,553
Sponsorship	11,700	29,444
Printing & stationery	4,331	1,381
Security expenses	182	157
Communication expenses	13,451	7,541
Rates and taxes	2,020	5,081
Miscellaneous expenses	674	2,058
	520,129	290,837

21. DEPRECIATION AND AMORTIZATION EXPENSE		
	31 March 2012	31 March 2011
Depreciation of tangible assets	372	157
Amortization of intangible assets	16	147
	388	304

22. FINANCE COSTS		
	31 March 2012	31 March 2011
Interest	1,095,487	1,367,171
Loan facility and management fees	17,813	497,219
Bank charges	1,192	2,521
	1,114,492	1,866,911

23. EARNINGS/(LOSS) PER SHARE (EPS)		
	31 March 2012	31 March 2011
The following reflects the profit/ (loss) and share data used in the basic and diluted EPS computations:		
Profit/ (loss) after tax as per Statement of Profit & Loss	439,617	(2,126,721)
(used for calculation of both basic and diluted EPS)		
	No. thousand	No. thousand
Weighted average number of equity shares in calculating basic EPS	1,903,047	1,898,666
Effect of dilution:		
Stock options granted under employee stock options*	4,784	9,040
Weighted average number of equity shares in calculating diluted EPS	1,907,831	1,907,706
Earnings/ (loss) per equity share in INR computed on the basis of profit/ (loss) for the year		
Basic	0.23	(1.12)
Diluted	0.23	(1.12)

* considered as anti-dilutive in previous year.

Notes to Financial Statements Continued

FOR THE YEAR ENDED 31 MARCH 2012

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

24. GRATUITY AND OTHER POST-EMPLOYMENT BENEFIT PLANS

The Company has a defined benefit gratuity plan for its employees. Under the gratuity plan, every employee who has completed atleast five years of service gets a gratuity on departure @ 15 days of last drawn salary for each completed year of service. The gratuity plan of the Company is an unfunded scheme.

The following tables summarize the components of net benefit expense recognised in the statement of profit and loss and the amounts recognised in the balance sheet for the gratuity plans.

Statement of profit and loss

Net employee benefit expense recognized in the employee cost

	31 March 2012	31 March 2011
Current service cost	1,516	1,474
Interest cost on benefit obligation	640	532
Net actuarial (gain) / loss recognized in the year	171	(659)
Net benefit expense	2,327	1,347

Balance sheet

Details of Provision for Gratuity

	31 March 2012	31 March 2011
Present value of defined benefit obligation	10,321	7,994
Fair value of plan assets	-	-
Plan asset / (liability)	(10,321)	(7,994)

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

	31 March 2012	31 March 2011
Opening defined benefit obligation	7,994	6,647
Current service cost	1,516	1,474
Interest cost	640	532
Benefits paid	-	-
Actuarial (gains) / losses on obligation	171	(659)
Closing defined benefit obligation	10,321	7,994

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

	31 March 2012	31 March 2011
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

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.

Amounts for the current and previous periods are as follows:

	31 March 2012	31 March 2011	31 March 2010	31 March 2009
Defined benefit obligation	10,321	7,994	6,647	3,994
Surplus / (deficit)	(10,321)	(7,994)	(6,647)	(3,994)
Experience adjustments on plan liabilities	(171)	512	(583)	(45)

The Company had adopted AS-15 Employee Benefits for the first time during the period ended 31 March 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 31 March 2009 onwards.

Notes to Financial Statements Continued

FOR THE YEAR ENDED 31 MARCH 2012

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

25. EMPLOYEE STOCK OPTION PLANS

Cairn India Group has provided various share based payment schemes to its employees. During the year ended 31 March 2012, the following schemes were in operation:

Particulars	CISMP	CIPOP	CIESOP	CIPOP Phantom
Date of Board Approval	17-Nov-06	17-Nov-06	17-Nov-06	Not applicable
Date of Shareholder's approval	17-Nov-06	17-Nov-06	17-Nov-06	Not applicable
Number of options granted till March 2012	8,298,713	8,318,283	25,958,972	77,489
Method of Settlement	Equity	Equity	Equity	Cash
Vesting Period	Refer vesting conditions below	3 years from grant date	3 years from grant date	3 years from grant date
Exercise Period	18 months from vesting date	3 months from vesting date	7 years from vesting date	Immediately upon vesting

Number of options granted till 31 March 2012

Particulars	CISMP	CIPOP	CIESOP	CIPOP Phantom*
Date of Grant				
24-Nov-06	8,298,713	-	-	-
01-Jan-07	-	1,708,195	3,467,702	-
20-Sep-07	-	3,235,194	5,515,053	-
29-Jul-08	-	789,567	3,773,856	-
10-Dec-08	-	-	36,040	-
22-Jun-09	-	-	-	-
29-Jul-09	-	994,768	5,405,144	34,466
27-Jul-10	-	584,144	3,027,463	43,023
23-Dec-10	-	-	-	-
26-Jul-11	-	1,006,415	4,733,714	-
Total	8,298,713	8,318,283	25,958,972	77,489

* represents options converted from CIPOP to CIPOP Phantom during the current year.

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 9 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.

CIPOP plan (including phantom options)

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

CIESOP plan

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

Subsequent to change in control of the Company as stated in note no 37, the remuneration committee approved immediate vesting of all the outstanding options under CISMP plan and prorata vesting upto 8 December 2011 of outstanding options under CIPOP plan as per the provisions of the scheme. This does not have any material impact on these financial statements.

Notes to Financial Statements Continued

FOR THE YEAR ENDED 31 MARCH 2012

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

25. EMPLOYEE STOCK OPTION PLANS CONTINUED

Details of activities under employees stock option plans

CISMP Plan	31 March 2012		31 March 2011	
	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	2,238,077	33.70	Nil	NA
Forfeited / cancelled during the year	Nil	NA	Nil	NA
Outstanding at the end of the year	Nil	NA	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 (31 March 2011: INR 131.50)

Weighted average share price at the date of exercise of stock options is INR 344.15 (31 March 2011: NA)

CIPOP Plan	31 March 2012		31 March 2011	
	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	2,147,663	10.00	2,626,830	10.00
Granted during the year	1,006,415	10.00	584,144	10.00
Expired during the year	Nil	NA	Nil	NA
Exercised during the year	856,432	10.00	922,043	10.00
Forfeited / cancelled during the year	1,215,306	10.00	141,268	10.00
Outstanding at the end of the year	1,082,340	10.00	2,147,663	10.00
Exercisable at the end of the year	Nil	NA	Nil	NA

Weighted average fair value of options granted on the date of grant is INR 202.15 (31 March 2011: INR 186.37)

Weighted average share price at the date of exercise of stock options is INR 338.79 (31 March 2011: INR 323.30)

CIESOP Plan	31 March 2012		31 March 2011	
	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	12,730,726	246.00	14,646,209	206.43
Granted during the year	4,733,714	327.75	3,027,463	331.25
Expired during the year	Nil	NA	Nil	NA
Exercised during the year	2,384,498	201.94	4,020,926	164.45
Forfeited / cancelled during the year	1,116,526	280.31	9,22,020	253.08
Outstanding at the end of the year	13,963,416	278.49	12,730,726	246.00
Exercisable at the end of the year	2,640,232	205.23	1,864,110	164.94

Weighted average fair value of options granted on the date of grant is INR 126.64 (31 March 2011: INR 112.48)

Weighted average share price at the date of exercise of stock options is INR 337.97 (31 March 2011: INR 328.61)

Notes to Financial Statements Continued

FOR THE YEAR ENDED 31 MARCH 2012

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

25. EMPLOYEE STOCK OPTION PLANS CONTINUED

CIPOP Plan - Phantom options	31 March 2012		31 March 2011	
	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	Nil	NA	Nil	NA
Granted during the year	77,489	10.00	Nil	NA
Expired during the year	Nil	NA	Nil	NA
Exercised during the year	Nil	NA	Nil	NA
Forfeited / cancelled during the year	28,448	10.00	Nil	NA
Outstanding at the end of the year	49,041	10.00	Nil	NA
Exercisable at the end of the year	Nil	NA	Nil	NA

Weighted average fair value of options granted on the date of grant is INR 345.71 (31 March 2011: NA)

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

SCHEME	Range of exercise price in INR	No. of options outstanding	Weighted average remaining contractual life of options (in years)	Weighted average exercise price in INR
CIPOP Plan	10.00	1,082,340	2.00	10.00
CIESOP Plan	143-331.25	13,963,416	1.01	278.49
CIPOP Plan - Phantom options	10.00	49,041	0.96	10.00

The details of exercise price for stock options outstanding as at 31 March 2011 are:

SCHEME	Range of exercise price in INR	No. of options outstanding	Weighted average remaining contractual life of options (in years)	Weighted average exercise price in 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

Effect of Employees Stock Option Plans on Financial Position

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

Particulars	31 March 2012	31 March 2011
Total Employee Compensation Cost pertaining to share-based payment plans	21,619	71,453
Compensation Cost pertaining to equity-settled employee share-based payment plan included above	16,547	71,453
Compensation Cost pertaining to cash-settled employee share-based payment plan included above	5,072	-
Equity settled employee stock options outstanding as at year end	109,786	554,722
Liability for cash settled employee stock options outstanding as at year end	5,072	-
Deferred compensation cost of equity settled options	189,973	225,304
Deferred compensation cost of cash settled options	11,847	-

Notes to Financial Statements Continued

FOR THE YEAR ENDED 31 MARCH 2012

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

25. EMPLOYEE STOCK OPTION PLANS CONTINUED

Inputs for Fair valuation of Employees Stock Option Plans

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

VARIABLES - CISMP	A	B
Grant Date	24-Nov-06	24-Nov-06
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	01-Jan-07	20-Sep-07	29-Jul-08	29-Jul-09	27-Jul-10	26-Jul-11
Grant Date	01-Jan-07	20-Sep-07	29-Jul-08	29-Jul-09	27-Jul-10	26-Jul-11
Stock Price/fair value of the equity shares on the date of grant (INR)	160.00	166.95	228.55	234.75	331.50	322.60
Vesting date	01-Jan-10	20-Sep-10	29-Jul-11	29-Jul-12	27-Jul-13	26-Jul-14
Vesting %	Refer vesting conditions	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%	46.39%
Risk free rate	7.33%	7.23%	9.37%	5.78%	6.99%	8.37%
Time to maturity (years)	3.12	3.12	3.12	3.12	3.12	3.12
Exercise price (INR)	10.00	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	316.80

VARIABLES - CIESOP	01-Jan-07	20-Sep-07	29-Jul-08	10-Dec-08	29-Jul-09	27-Jul-10	26-Jul-11
Grant Date	01-Jan-07	20-Sep-07	29-Jul-08	10-Dec-08	29-Jul-09	27-Jul-10	26-Jul-11
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	322.60
Vesting date	01-Jan-10	20-Sep-10	29-Jul-11	10-Dec-11	29-Jul-12	27-Jul-13	26-Jul-14
Vesting %	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Volatility	41.04%	40.24%	39.43%	38.19%	39.97%	53.73%	46.39%
Risk free rate	7.50%	7.65%	9.20%	6.94%	6.91%	6.99%	8.37%
Time to maturity (years)	6.50	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	327.75
Fair Value of the options (INR)	87.30	90.72	130.42	79.80	122.24	141.56	190.16

VARIABLES - CIPOP Phantom	29-Jul-09	27-Jul-10
Grant Date	29-Jul-09	27-Jul-10
Stock Price of the equity shares on the reporting date	333.90	333.90
Vesting date	29-Jul-12	27-Jul-13
Vesting %	Refer vesting conditions	Refer vesting conditions
Volatility	34.18%	30.78%
Risk free rate	8.46%	8.48%
Time to maturity (years)	0.33	1.32
Exercise price (INR)	10.00	10.00
Fair Value of the options (INR)	345.27	346.06

Notes to Financial Statements Continued

FOR THE YEAR ENDED 31 MARCH 2012

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

25. EMPLOYEE STOCK OPTION PLANS CONTINUED

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

Impact of Fair Valuation Method on net profits and EPS

In March 2005, the Institute of Chartered Accountants of India has issued a guidance note on "Accounting for Employees Share Based Payments" applicable to employee based share plan, the grant date in respect of which falls on or after April 1, 2005. The said guidance note requires the Proforma disclosures of the impact of the fair value method of accounting of employee stock compensation accounting in the financial statements. Applying the fair value based method defined in the said guidance note, the impact on the reported net profit/(loss) and earnings per share would be as follows:

	31 March 2012	31 March 2011
Profit / (loss) as reported	439,617	(2,126,721)
Add: Employee stock compensation under intrinsic value method	21,619	71,453
Less: Employee stock compensation under fair value method	(494,789)	(528,203)
Proforma profit / (loss)	(33,553)	(2,583,471)

Earnings Per Share (in INR)

Basic		
- As reported	0.23	(1.12)
- Proforma	(0.02)	(1.36)
Diluted		
- As reported	0.23	(1.12)
- Proforma	(0.02)	(1.36)

26. LEASES

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 cancellable in nature. There are neither escalation clauses nor any restrictions in the lease agreements. There are no subleases.

27. RELATED PARTY DISCLOSURES

Names of related parties and related party relationship

Related parties where control exists

Holding / Ultimate holding company	1. Vedanta Resources Plc. (w.e.f. 8 Dec 2011)
	2. Vedanta Resources Holdings Limited (w.e.f. 8 Dec 2011)
	3. Volcan Investments Limited (w.e.f. 8 Dec 2011)
	4. Cairn UK Holdings Limited (upto 7 Dec 2011)*
	5. Cairn Energy Plc. (upto 7 Dec 2011)*
Fellow Subsidiary	1. Sterlite Industries (India) Limited (w.e.f. 8 Dec 2011)
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

Notes to Financial Statements Continued

FOR THE YEAR ENDED 31 MARCH 2012

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

27. RELATED PARTY DISCLOSURES CONTINUED	
	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 previous 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

* w.e.f. 8 December 2011 Cairn Energy Plc. and Cairn UK Holdings Limited only have significant influence over the company. Refer note 37.

Related parties with whom transactions have taken place during the year

Key management personnel	Rahul Dhir, Managing Director and Chief Executive Officer
	Winston Frederick Bott Jr., Executive Director and Chief Operating Officer (upto 15 Jun 2011)
	Indrajit Banerjee, Executive Director and Chief Financial Officer (upto 23 Aug 2011)

Related party transactions

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

Nature of the Transactions	Related Party	31 March 2012	31 March 2011
Expenses incurred by related party on behalf of the Company	Cairn Energy India Pty Limited	15,087	28,360
	Cairn Energy Plc.	1,300	8,781
	Cairn Lanka Private Limited	117	-
	Sterlite Industries (India) Limited	1,123	-
	Total	17,627	37,141
Expenses incurred by the Company on behalf of related party	Cairn Energy India Pty Limited	468	10,804
	Cairn Energy Gujarat Block 1 Limited	1	-
	Cairn Exploration (No. 2) Limited	-	27,197
	Cairn Exploration (No. 6) Limited	-	560
	Cairn Exploration (No. 7) Limited	1	-
	Cairn Lanka Private Limited	118	-
	Total	588	38,561

Notes to Financial Statements Continued

FOR THE YEAR ENDED 31 MARCH 2012

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

Nature of the Transactions	Related Party	31 March 2012	31 March 2011
Equity contributions made during the year	CIG Mauritius Holding Private Limited	7,107,000	391,165
Redemption of Preference shares during the year	Cairn India Holdings Limited	14,428,587	-
Guarantee given	Cairn Lanka Private Limited	319,500	-
Guarantee received back	Cairn Lanka Private Limited	1,420,008	1,267,674
Recovery of share option charge	Cairn Energy India Pty Limited	28,897	163,001
Shares issued including premium and stock option charge	Indrajit Banerjee	4,852	21,074
	Rahul Dhir	282,669	Nil
	Total	287,521	21,074
Remuneration	Rahul Dhir	2,400	2,400
	Winston Frederick Bott Jr.	247	1,200
	Indrajit Banerjee	711	1,800
	Total	3,358	5,400

The remuneration to the key management 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.

Balances outstanding as at the end of the year:

Nature of the Balance	Related Party	31 March 2012	31 March 2011
Guarantee given	Cairn Lanka Private Limited	319,500	1,420,008
Loans & Advances	Cairn Energy India Pty Limited	383,117	362,648
	CIG Mauritius Holdings Private Limited	491	491
	CIG Mauritius Private Limited	264	264
	Cairn Lanka Private Limited	828	827
	Cairn Energy Hydrocarbons Limited	609	31,432
	Total	385,309	395,662
Other current liabilities including trade payables	Cairn Energy Plc	-	5,965
	Cairn Energy Gujarat Block 1 Limited	-	88,554
	Cairn Exploration (No. 2) Limited	-	302,518
	Cairn Exploration (No. 4) Limited	-	76,568
	Cairn Exploration (No. 6) Limited	-	7,733
	Cairn Exploration (No. 7) Limited	-	163,446
	Sterlite Industries (India) Limited	1,011	-
Total	1,011	6,44,784	

28. CAPITAL AND OTHER COMMITMENTS

Capital commitments (net of advances)

Company's share of Joint Ventures' Exploration activities – INR 105,912 thousand (31 March 2011: – INR 67,462 thousand).

Other commitments

Company's share of Joint Ventures' minimum exploration commitments as per the production sharing contracts - INR 132,066 thousand (31 March 2011: – INR 5,945,379 thousand).



Notes to Financial Statements Continued

FOR THE YEAR ENDED 31 MARCH 2012

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

29. 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-

	31 March 2012	31 March 2011
Trade receivables	4,721	1,681
Loans and advances	162,026	51,743
Other current liabilities including trade payables	198,782	693,467

30. SCHEME OF ARRANGEMENT

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 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.

31. DETAILS OF DUES TO MICRO AND SMALL ENTERPRISES AS DEFINED UNDER THE MSMED ACT, 2006

	31 March 2012	31 March 2011
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The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year

Principal amount due to micro and small enterprises	-	-
Interest due on above	-	-

The amount of interest paid by the buyer in terms of section 16 of the MSMED Act 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year

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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 the MSMED Act 2006.

	-	-
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The amount of interest accrued and remaining unpaid at the end of each accounting year

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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 MSMED Act 2006

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32. VALUE OF IMPORTS CALCULATED ON CIF BASIS

	31 March 2012	31 March 2011
Stores and spares	50,597	45,392

33. EXPENDITURE IN FOREIGN CURRENCY (Accrual Basis)

	31 March 2012	31 March 2011
Professional fees	63,027	45,740
Data acquisition and analysis	46,767	-
Exploration cost	286,686	286,352
Public relation expenses	10,229	381
Sponsorship	2,639	4,803
Travelling and conveyance	9,280	6,738
Staff welfare expenses	1,696	258
Miscellaneous expenses	-	1,489
	420,324	345,761

34. EARNINGS IN FOREIGN CURRENCY (Accrual Basis)

	31 March 2012	31 March 2011
Parent company overhead	87,961	23,943



Notes to Financial Statements Continued

FOR THE YEAR ENDED 31 MARCH 2012

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

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

	Percentage of total consumption		Amount	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
Imported	99.12%	97.23%	31,795	27,911
Indigenous	0.88%	2.77%	281	784
	100.00%	100.00%	32,076	28,695

36. 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.

37. CHANGE OF CONTROL OF THE COMPANY

The sale of shares of the Company by Cairn UK Holdings Limited and its holding company, Cairn Energy Plc. to Vedanta Resources Plc. and its subsidiaries (collectively the 'Vedanta group') was completed on 8 December 2011 and resulted in change of control in the management of the Company from that date.

38. The Board of Directors, subject to the approval of the shareholders, have reappointed the Managing Director of the Company for a period of five years w.e.f. 22 August 2011.

39. DEFERRED TAX

In accordance with the provisions of Accounting Standard 22 'Accounting for taxes on income', the Company would have had deferred tax assets of INR 1,001,000 thousand (31 March 2011: INR 918,000 thousand) in respect of accumulated tax losses, INR 528,000 thousand (31 March 2011: Nil) in respect of accumulated long term capital losses and INR 669,000 thousand (31 March 2011: INR 586,000 thousand) in respect of differences in block of fixed assets/exploration assets as per tax books and financial books. However, as the management is not virtually certain of subsequent realization of the asset, the same has not been recognized in these financial statements.

40. LOANS AND ADVANCES IN THE NATURE OF LOANS GIVEN TO SUBSIDIARIES AND ASSOCIATES AND FIRMS/ COMPANIES IN WHICH DIRECTORS ARE INTERESTED

Details of amounts recoverable from subsidiary companies in which directors are interested are the same as disclosed under note no 27. The balance outstanding as at the year end is also the maximum amount outstanding during the year in all cases except for in the case of Cairn Energy Hydrocarbons Limited where the maximum amount outstanding during the year was INR 31,432 thousand (31 Mar 2011: INR 31,432 thousand). No loans have been given to the subsidiaries, associates, firms and companies, in which directors are interested.

Notes to Financial Statements Continued

FOR THE YEAR ENDED 31 MARCH 2012

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

41. PREVIOUS YEAR FIGURES

During the year ended 31 March 2012, the revised Schedule VI notified under the Companies Act 1956, became applicable to the Company, for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The Company has also reclassified the previous year figures in accordance with the requirements applicable in the current year.

As per our report of even date

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

For and on behalf of the Board of Directors

per Raj Agrawal
Partner
Membership No. 82028

Navin Agarwal
Chairman

Rahul Dhir
Managing Director and
Chief Executive Officer

Aman Mehta
Director

Place: Gurgaon
Date: 20 April 2012

Sunil Bohra
Deputy Chief Financial Officer

Neerja Sharma
Company Secretary

Auditors' Report

The Board of Directors Cairn India Limited

- We have audited the attached consolidated balance sheet of Cairn India Group, as at March 31, 2012 comprising Cairn India Limited ('the Company') and its subsidiaries (together, 'the Group'), and also the consolidated statement of profit and loss and the consolidated 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.
- We conducted our audit in accordance with the 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.
- The accompanying financial statements include Cairn India Group's share of net assets, expenses and cash outflows aggregating to INR 848,397 thousand, INR 59,054 thousand, INR 210 thousand respectively in the unincorporated joint ventures the unaudited information with respect of which has been provided to us by the management of the Company and relied upon by us.
- We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, notified pursuant to the Companies (Accounting Standards) Rules, 2006, (as amended).
- In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - in the case of the consolidated balance sheet, of the state of affairs of the Cairn India Group as at March 31, 2012;
 - in the case of the consolidated statement of profit and loss, of the profit for the year ended on that date; and
 - in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

For S.R. BATLIBOI & CO.
Firm registration number: 301003E
Chartered Accountants

per Raj Agrawal
Partner
Membership No.: 82028

Place: Gurgaon
Date: April 20, 2012