CAIRN

Energy for India

DISCOVER DELIVER TRANSFORM

2010-11

Annual Report & Financial Statements

2 Management Speak

This section provides details on the Board of Directors, and message from the Chairman and the Managing Director & CEO

8 Management Discussion & Analysis

This section provides a brief overview of the Company's operations; developments in various areas of the business; its achievements and future plans

54 Corporate Governance

This section provides the disclosures pursuant to Clause 49 of the Listing Agreement

76 Audited Financial Statements

This section contains the audited financial statements and report for Cairn India Limited – standalone and consolidated

Contents

Annual Report 2011

Board of Directors

SIR BILL GAMMELL
Chairman and Non-Executive Director

Sir Bill Gammell, 58, holds a BA in Economics and Accountancy from Stirling University and was awarded a knighthood in 2006 for services to the industry in Scotland. He has more than 30 years of experience in the international oil and gas industry. He founded Cairn Energy PLC and was appointed Chief Executive on its initial listing in 1988. He is the Chairman and Non-Executive Director of Cairn India Limited and is a member of the Asia Task Force and the UK India Business Council. Sir Gammell, who is an ex-Scotland rugby internationalist, is also Chairman of Winning Scotland Foundation and a Director of Glasgow 2014 Limited as well as a member of the British Olympic Advisory Board.

MR RAHUL DHIR
Managing Director and CEO

Mr Rahul Dhir, 45, joined Cairn India as an Additional Director and was appointed as the CEO and Managing Director on 22 August 2006. He has completed his degree in Bachelor of Technology from the Indian Institute of Technology, Delhi. He went on to complete his M.Sc from the University of Texas at Austin and MBA from the Wharton Business School in Pennsylvania. Mr Dhir started his career as an oil and gas reservoir engineer before moving into investment banking. He has worked at SBC Warburg, Morgan Stanley and Merrill Lynch. Before joining Cairn India, he was the Managing Director and Co-Head of Energy and Power Investment Banking at Merrill Lynch.

MR AMAN MEHTA
Non-Executive and Independent Director

Mr Aman Mehta, 64, is an economics graduate from the Delhi University. He was the Chief Executive Officer of HSBC Asia Pacific until 2003. Mr Mehta is currently an independent Non-Executive Director of several public companies in India as well as overseas. He has also served as a member of the Advisory Council of INSEAD, France, International Advisory Boards of Prudential Inc., USA and CapitaLand Ltd. of Singapore. Besides this, he is a member of Governing Body of Indian School of Business, Hyderabad.

MR NARESH CHANDRA
Non-Executive and Independent Director

Mr Naresh Chandra, 76, holds an MSc in Mathematics from Allahabad University and is a retired IAS officer. Previously, Mr Chandra was the Chairman of the Committee on Corporate Governance, India's Ambassador to the USA, Advisor to the Prime Minister, Governor of Rajasthan, Cabinet Secretary to the Government of India, and Chief Secretary to the Government of Rajasthan. A reputed administrator and diplomat, Mr Chandra serves as an independent director on the boards of a number of companies.

DR OMKAR GOSWAMI
Non-Executive and Independent Director

Dr Omkar Goswami, 54, holds a MA in Economics from the Delhi School of Economics, and a D.Phil. in Economic History from the Oxford University. He has taught in several academic institutions in India and abroad; edited one of India's best known business magazines; was the Chief Economist of the Confederation of Indian Industry; and is the Executive Chairman of CERG Advisory Private Limited, a consulting and advisory firm. Dr Goswami serves as an independent director on the board of a number of companies, and has authored various books and research papers on economic history, industrial economics, public sector, bankruptcy laws and procedures, corporate governance, public finance, tax enforcement and legal reforms.

From Left to right: Sir Bill Gammell, Mr Rahul Dhir, Mr Aman Mehta, Mr Naresh Chandra, Dr Omkar Goswami, Mr Indrajit Banerjee, Ms Jann Brown, Mr Edward T Story

MR INDRAJIT BANERJEE
Executive Director and CFO

Mr Indrajit Banerjee, 55,was appointed as an Additional Director on 26 February 2007 and as the Executive Director and CFO on 1 March 2007. He graduated from the University of Calcutta with a Bachelor's Degree in Commerce. An associate member of the Institute of Chartered Accountants of India, Mr Banerjee started his career at PricewaterhouseCoopers in Calcutta in 1979. He has held several senior positions throughout his career, including 17 years at the Indian Aluminium Company, formerly part of the Alcan Group, and at Lucent Technologies (India). Before joining Cairn India, he was President-Finance and Planning at Lupin Limited.

MS JANN BROWN
Non-Executive Director

Ms Jann Brown, 56, was appointed Finance Director of Cairn Energy PLC in 2006 and is also a Non-Executive Director of Cairn India Limited. She holds an MA from the Edinburgh University and joined Cairn Energy PLC in 1998 after a career in the accountancy profession, mainly with KPMG. Prior to her appointment as Finance Director, she served on the Group Management Board for seven years. She is a member of the Institute of Chartered Accountants of Scotland and the Chartered Institute of Taxation. She is also the Senior Non-Executive Director of Hansen Transmissions International NV, a Belgian engineering company, which is listed on the London Stock Exchange.

MR EDWARD T STORY
Non-Executive and Independent Director

Mr Edward T Story, 67, is a science graduate from the Trinity University, San Antonio, Texas and holds an MBA from the University of Texas. He has been conferred an honorary doctorate degree by the Institute of Finance and Economics of Mongolia. He is the Chairman of the North America-Mongolia Business Council. Mr Story has more than 40 years of experience in the international oil and gas industry and is the founder, President and Chief Executive Officer of the London Stock Exchange listed SOCO International plc.

Note: Mr Malcolm Shaw Thoms (Deputy Chairman) and Mr Rick Bott (Executive Director and Chief Operating Officer) stepped down from the Board of Directors in June 2011.

Chairman's Letter

Cairn India's experience has shown that it is possible to build world-class developments using the latest and most innovative technologies. It has also demonstrated your Company's ability to operate large scale projects in a safe and efficient manner

Dear Shareholder,

Cairn India is now responsible for the delivery of significant domestic crude production from its operated assets across the country. This has brought significant benefits to the nation, to the states of Rajasthan and Gujarat, our joint venture partner, Oil and Natural Gas Corporation Limited, and to the Company. With Cairn India now accounting for more than a fifth of India's total crude oil output, it has contributed significantly to savings in foreign exchange on account of crude oil imports.

FY2011 has been a year of delivery for your Company. Production from the Rajasthan block reached 125,000 barrels of oil per day with the crude now being transported to a number of Indian refineries by the world's longest continuously heated and insulated pipeline. This pipeline infrastructure is not only a global engineering achievement, but also a strategically important asset because all the remaining fields and discoveries in Rajasthan can be quickly connected to the market.

The successful start-up of piped oil production from the Mangala Processing Terminal has provided a tremendous platform for future growth, and contributed a record turnover of INR 102.8 billion, or USD 2.26 billion in FY2011; and profit after tax of INR 63.3 billion, which translates to USD 1.39 billion.

The total Rajasthan resource base supports a vision for a potential production of 240,000 bopd, subject to further investment and approvals from the Government of India and the joint venture partner.

I would like to recognise all the hard work and commitment the management, employees and contractor teams working for Cairn India have put in. At the peak of construction, more than 16,000 people were involved in building the Mangala

Vision to develop a world class project in Rajasthan

Processing Terminal, the pipeline and related infrastructure — making it, without doubt, the biggest onshore oil and gas production project in India. The successful completion of Phase-I of the project stands testament to the skills and ingenuity that the Cairn India team has displayed in creating long lasting value to you as a shareholder and to other stakeholders in India.

Cairn India's experience has shown that it is possible to build world-class developments using the latest and most innovative technologies. The Rajasthan development has demonstrated your Company's ability to operate large scale projects in a safe and efficient manner and at a low cost.

The support of the Government of India, the state governments, our joint venture partner Oil and Natural Gas Corporation Limited, local communities and key contractors has been vital to the Company's exciting journey. I would personally like to thank all those who have played their part in developing this key project for India.

With a strong and sustainable cash flow, Cairn India is well positioned for future growth. It is now focused on maximising value from the phased development of the Rajasthan resource base in the coming years.

In the summer of 2010, Cairn Energy PLC was approached by Vedanta Resources Plc with a proposal to purchase the majority of Cairn's Energy PLC's equity in your Company. The proposed transaction was agreed and announced by the two companies in August 2010, and approved by the shareholders of Cairn Energy PLC and Vedanta Resources Plc in Q4 CY2010. The transaction is currently awaiting approval from the Government of India.

Irrespective of this transaction, I look forward to Cairn India producing more hydrocarbons for the nation, and generating more income and profits for its shareholders.

Sir Bill Gammell
Chairman

Date: 25 June 2011

Managing Director and CEO's Letter

Dear Shareholder,

The first twelve words of Charles Dickens' "A Tale of Two Cities" could possibly describe the affairs of Cairn India Limited in FY2011: "It was the best of times; it was the worst of times". The year saw your Company performing remarkably well across various fronts; yet it faced an uncertain regulatory environment that delayed many activities and created significant anxieties.

Let me begin with the positives, for there are many.

First, the key financial results:

- Your Company's consolidated operating revenue for FY2011 was INR 102,779 million (USD 2,255 million). This was more than six times greater compared to INR 16,230 million (USD 342 million) in FY2010.
- Earnings before interest, depreciation, taxes and amortisation was INR 83,738 million (USD 1,838 million). This was seven times greater compared to INR 11,796 million (USD 249 million) in FY2010.
- Profit after tax was INR 63,344 million (1,390 million). It was six times greater compared to INR 10,511 million (USD 222 million) in FY2010.
- Basic Earnings per share for FY2011 was Rs.33.36, versus Rs.5.54 in FY2010.
- Lower operating costs, higher oil and gas output and firm prices helped your Company to turn cash positive in Q3 FY2011 and at the end of the year had INR 55,792 million (USD 1,249 million) in cash.

Financially, therefore, Cairn India has delivered on its promise. Let me now move on to operational parameters:

- Train One, Train Two and Train Three at the Mangala Processing Terminal (MPT) commissioned, Train Four well underway for delivery in H2 CY2011.
- Rajasthan crude oil production ramped up from 30,000 bopd to 125,000 bopd within less than 60 days of pipeline start-up; the first major step towards transformational, multi-year production and sales growth.
- Sales arrangements for 155,000 bopd are in place for the Rajasthan crude.
- Despite extreme temperatures and extremely difficult working conditions, the Rajasthan operations achieved 99% plant uptime.
- Average daily gross operated production for Rajasthan, Ravva and Cambay, was at 149,103 barrels of oil equivalent.
- 125,000 bopd processed at MPT was transported to various refineries through the world's longest continuously heated and insulated pipeline
- Phase-I development of Rajasthan Block, including all production facilities and crude transportation pipeline was completed within budget and safely commissioned
- Cairn India continued its exploration efforts and was rewarded with a discovery in the Nagayalanka-1z well in the KG-ONN-2003/1 block.

You would agree that these are major achievements.

What are the activities planned for the future?

- Phase-II of the Rajasthan Project is well underway with the Bhagyam field expected to commence production in H2 CY2011.
- Marine terminal at Bhogat along with allied


View of the Mangala Processing Terminal, Barmer, Rajasthan

facilities is expected to be commissioned by H2 CY2012.

- Work is ongoing to commence production from the Aishwariya field, expected to come onstream in H2 CY2012.
- The Enhanced Oil Recovery (EoR) pilot is under way and the results to date are encouraging.
- Continue to focus on exploration activity in other blocks including Sri Lanka.

The theme of this year's annual report is 'Discover, Deliver, Transform'. Your Company has discovered significant resources in Rajasthan. Developing these resources, subject to approvals from Oil and Natural Gas Corporation Limited - the joint venture partner and the Goverment, will be important in realising the full production potential of Rajasthan.

We have delivered on our commitment by building an outstanding processing terminal at Mangala, and the world's longest insulated and continuously heated crude oil pipeline that will eventually move the crude from Barmer to Bhogat on the Arabian Sea coast — a distance of approximately 670 km.

By discovering hydrocarbons and delivering the world class facilities, your Company has significantly contributed to the Indian economy. The Rajasthan block alone will deliver one fifth of India's crude oil requirement in the coming years and therefore deliver enormous value to the nation as well as Cairn India's shareholders.

Why then the second half of Dickens' quote: "it was the worst of times"?

This is because of the delays and uncertainties that have come into play surrounding the prospective deal between your Company's majority shareholder, Cairn Energy PLC and the buyer, Vedanta Resources Plc. What ought to have been a straightforward transaction subject to shareholder approval has now been drawn into the Government's decision-making ambit. As I write this letter to you, we do not know what final decision will be taken by the Cabinet Committee of Economic Affairs, Goverment of India which has been tasked to give its verdict. The long hiatus starting from mid-August 2010, when the deal was announced, has caused delays and uncertainty in managing a business that necessarily has to deal with the Government and the Rajasthan joint venture partner, Oil and Natural Gas Corporation Limited.

Nevertheless, your Company has enjoyed "the best of times" instilling confidence in the future of Cairn India — of its ability to consistently discover, deliver, transform and create value for all its stakeholders.

Let me end with my thanks to the Government of India, State Government of Rajasthan and State Government of Gujarat, the Directorate General of Hydrocarbons, our joint venture partners, especially Oil and Natural Gas Corporation Limited, our contractors, our bankers and financial institutions, every fellow employee of Cairn India, and all of you, for your support in making Cairn India what it is today.

We are all proud of this achievement.

Rahul Dhir
Managing Director and CEO

Date: 25 June 2011

MANAGEMENT DISCUSSION AND ANALYSIS

FY2011 was of great importance for Cairn India. While the drilling activities took centre-stage, commissioning of the pipeline from MPT to Salaya in Gujarat linked the Rajasthan crude to key markets in different parts of the country. Production was ramped up to 125,000 bopd in August 2010

Introduction

FY2011 indicates financial year 2010-11, or the period from 1 April 2010 to 31 March 2011. Analogously, FY2010. CY2010 refers to the calendar year.

FY2011 has been a year of success and challenges for Cairn India Limited (hereinafter referred to as 'Cairn India', 'CIL' or 'the Company'). On the one hand, the operations in Rajasthan delivered excellent results, with the Mangala Processing Terminal (MPT) swiftly ramping up production from 30,000 barrels of oil per day (bopd) to 125,000 bopd - and transporting all of it through the world's longest continuously heated and insulated pipeline of approximately 590 km from Barmer right up to Salaya in Gujarat via the terminal at Viramgam.

The well heads in Rajasthan; the four trains of the MPT; and the pipeline which is being extended to a marine terminal at Bhogat on the Gujarat coast are engineering achievements that are capable of producing and transporting more than 205,000 bopd, subject to approvals from the Ministry of Petroleum and Natural Gas (MoPNG) and the Directorate General of Hydrocarbons (DGH) and additional investments.

These assets can produce at least a fifth of India's domestic crude oil production. Indeed, the hydrocarbon resources in Rajasthan provide a basis for producing 240,000 bopd, subject to regulatory approvals and additional investments. With the application of Enhanced Oil Recovery (EOR) techniques and the access to other reservoirs, the Company believes that there is further potential. The Company and the nation, therefore, can be proud of the excellent resources in Rajasthan and the state-of-the-art facilities including the MPT and the pipeline.

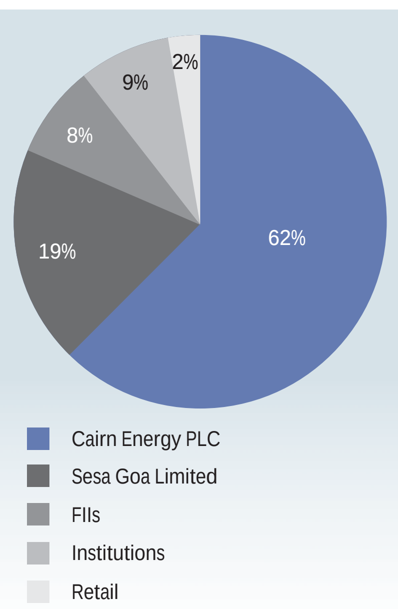
On the other hand, however, throughout FY2011 the Company has faced considerable uncertainty arising out of the proposed transaction between Cairn Energy PLC and the Vedanta Resources Plc. Unfortunately, the transaction has been dogged by serious delays, objections by the Oil and Natural Gas Corporation (ONGC) and major interventions by the MoPNG. These have been escalated to the level of the Cabinet Committee on Economic Affairs (CCEA), which then sought the views of a Group of Ministers (GoM) of the Government of India (GoI).

At the time of writing this Management Discussion and Analysis, neither Cairn India nor its Board of Directors know what decisions might have been taken by the GoM, which are expected to subsequently flow to the Company as a note from the MoPNG via the CCEA. Whatever the outcome, the fact is that it has created considerable uncertainties.

Since the Company has not yet received a letter from the MoPNG containing the CCEA's decisions, it is inappropriate to comment on its unsubstantiated contents. Box 1 outlines the bare facts of the proposed deal, the various interventions and their timelines to date. The Company will define appropriate responses on receiving the formal communication from the MoPNG.

FY2011 was of great importance for Cairn India. While the drilling activities took centre-stage, commissioning of the pipeline from MPT to Salaya in Gujarat linked the Rajasthan crude to key markets in different parts of the country. Production was ramped up to 125,000 bopd in August 2010, and maintained at around the same level throughout the year. The EOR pilot and the Bhagyam development drilling progressed well. The year also saw Cairn India make a discovery in its onland block (KG-ONN-2003/1) in the KG Basin and commence preparations for the frontier drilling programme in Sri Lanka.

Going forward, this chapter starts with Rajasthan — the project, the hydrocarbon resources, the MPT, the pipeline, Rajasthan crude sales and finance updates. It then moves on to the Company's other operating assets followed by a discussion on exploration. The chapter then moves on to Cairn India's achievements in human resources and health, safety, environment and assuarance. It concludes with internal controls and their adequacy, financial results and business risks. The Company's focus on corporate social responsibility is outlined in the chapter that follows.



Shareholding Structure as on 25 May 2011

1 Timelines of the Proposed Acquisition of Shares of Cairn India Limited

15 August 2010	Cairn Energy PLC and Vedanta Resources Plc sign the deal.
16 August 2010	Vedanta Resources Plc and Cairn Energy PLC make a public announcement stating that the Vedanta Group has entered into an agreement with Cairn Energy PLC to acquire 51% to 60% of the shares of Cairn India Limited for a consideration of around USD 8.5 billion to USD 9.6 billion in cash. Post completion, Vedanta Resources Plc was expected to hold 31% to 40% of Cairn India's shares directly; while its subsidiary Sesa Goa Limited would hold 20%. The shares acquired through an open offer, as defined by the Securities and Exchange Board of India (SEBI), would be purchased by Sesa Goa at an offer price of INR 355 per share. The shares acquired directly from Cairn Energy PLC would be priced in two parts: INR 355 per share as in the open offer, plus INR 50 per share as a three-years non-compete fee for Cairn Energy PLC not to engage in oil or gas extraction and/or its transport or processing in India, Sri Lanka, Pakistan and Bhutan, or any other business which competes with that of Cairn India and its subsidiaries.
26 August 2010	The Board of Cairn India forms a Special Committee comprising Dr Omkar Goswami and Mr Edward T Story to ensure that the transaction between the Vedanta Group and Cairn Energy PLC is neither onerous nor prejudicial to the interest of Cairn India.
26 August 2010	Cairn Energy PLC writes to the MoPNG for approval of the deal.
31 August 2010	The MoPNG asks Cairn Energy PLC to submit specific consent applications for each of the NELP blocks.
9 September 2010	Individual companies of the Cairn India Group submit consent applications to the MoPNG for each of the NELP blocks.
7 October 2010	Shareholders of Cairn Energy PLC approve the deal.
4 November 2010	The MoPNG sends letters to individual subsidiary companies of Cairn India Group, asking each of them for consent application for the pre-NELP blocks.
23 November 2010	Individual subsidiary companies send their consent application for the pre-NELP blocks to the MoPNG.
13 December 2010	Shareholders of Vedanta Resources Plc approve the deal.
6 April 2011	Sesa Goa receives SEBI clearance to commence the Open Offer. The MoPNG refers decision-making to the CCEA. The CCEA, in turn, refers the matter to the GoM for final consideration.
11 April 2011 to 30 April 2011	Open Offer period in which 155,033,172 shares of Cairn India Limited are acquired by Sesa Goa (8.15% of the total shareholding).
19 April 2011	Petronas International Corporation sells its entire stake in Cairn India Limited, of which 200,000,000 shares are acquired by Sesa Goa (10.51% of the total share holding).

The Rajasthan field development is a relatively low risk onshore project in comparison to working in an offshore environment with the current operating costs of approximately USD 3.5 per bbl including transportation

The Rajasthan Project

First, a bit of history. The RJ-ON-90/1 Production Sharing Contract (PSC) was signed on 15 May 1995 and Cairn acquired an interest in the block in 1997. Based on interpretation of well data and a growing understanding of the characteristics of the basin, Cairn had a belief that the area was rich in hydrocarbons with the potential to become a significant producing resource. In 2002, Cairn acquired 100% of the exploration interest and assumed the role of operator of this acreage.

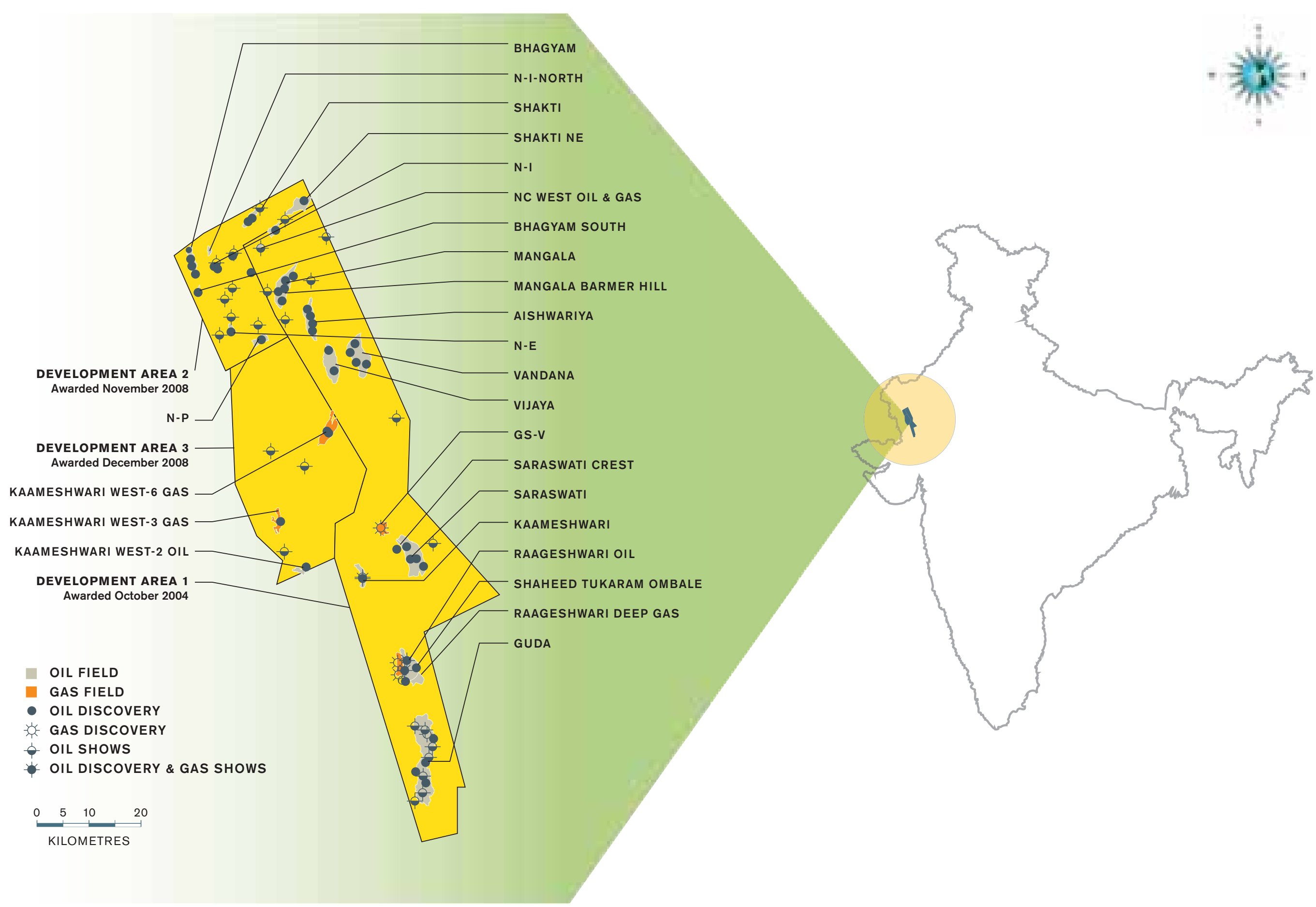
It was a sound investment decision. The Mangala Field — considered the largest onshore hydrocarbon find in India in the last 25 years — was discovered in January 2004. This was followed by discoveries at Bhagyam and Aishwariya. To date, 25 discoveries have been made in the Rajasthan block and studies show that the block may have further potential for growth.

Cairn India is the operator of the Rajasthan block, which is spread over 3,111 km^2, with a 70% participating interest. Its joint venture (JV) partner, ONGC, has a 30% participating interest.

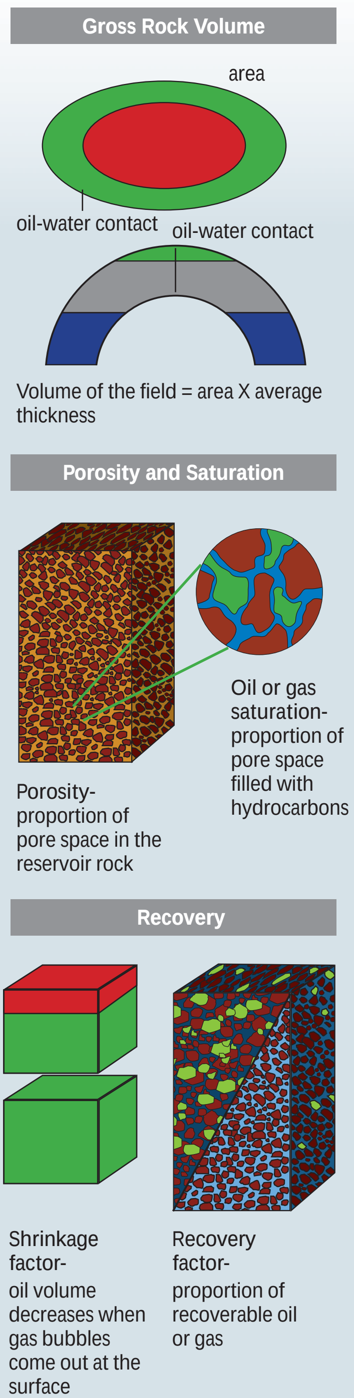
The Rajasthan block, RJ-ON-90/1, consists of three contiguous development areas:

- Development Area (DA) 1, comprising the Mangala, Aishwariya, Raageshwari and Saraswati (MARS) fields;
- DA 2, comprising the Bhagyam and Shakti fields; and
- DA 3, comprising the Kaameshwari West fields.

Over the years, the development and commercialisation phases have led to a better understanding of the geological formations, which has resulted in successive appreciation in the value of these assets. The Rajasthan field development is a relatively low risk onshore



Even at the currently approved peak production rate of 175,000 bopd from the Mangala, Bhagyam and Aishwariya fields, Cairn India will contribute more than 20% of India's crude oil production



Hydrocarbon Resource Estimation

project in comparison to working in an offshore environment with the current operating costs of approximately USD 3.5 per bbl. The crude can be extracted using industry best practices in oilfield technology; and recovery could be further enhanced through proven tertiary methods such as EOR.

More than 350 wells and over 40 well pads are planned across the Rajasthan fields. Even at the currently approved peak production rate of 175,000 bopd from the Mangala, Bhagyam and Aishwariya (MBA) fields, Cairn India will contribute more than 20% of India's crude oil production.

The Rajasthan Hydrocarbon Resources

The Rajasthan potential resource is currently estimated to be approximately 6.5 billion barrels of oil equivalent (boe) in place. The discovered resource in MBA and other fields stands at approximately 4 billion boe in place. The Fatehgarh Formation in the MBA fields hold 2.1 billion boe in place, of which the Proved and Probable (2P) recoverable reserves and resource base are over 1 billion barrels.

The 22 other fields (including the Barmer Hill Formation) are estimated to hold approximately 1.9 billion boe in place of which the gross 2P recoverable resource is estimated to be 140 million barrels of oil equivalent (mmboe). Evaluation work is underway for these fields.

The further exploration potential is now estimated at approximately 2.5 billion boe in place. Detailed basin re-evaluation through re-analysis of well data, reprocessing of seismic data and updated understanding of petroleum systems has resulted in a significant growth in the exploration portfolio, with the gross risked prospective recoverable resources of 250 mmboe.

The total resource base, thus, supports a vision to produce 240,000 bopd, (equivalent to a contribution of approximately 30% of India's current crude production), subject to further investments and regulatory approvals.

Mangala, Bhagyam and Aishwariya

The MBA fields' Stock Tank Oil Initially In Place (STOIIP) is more than 2.1 billion barrels, with approved Field Development Plans (FDPs) for all the three fields. Cairn India believes that production potential from these fields exceeds the MBA approved rate of 175,000 bopd.

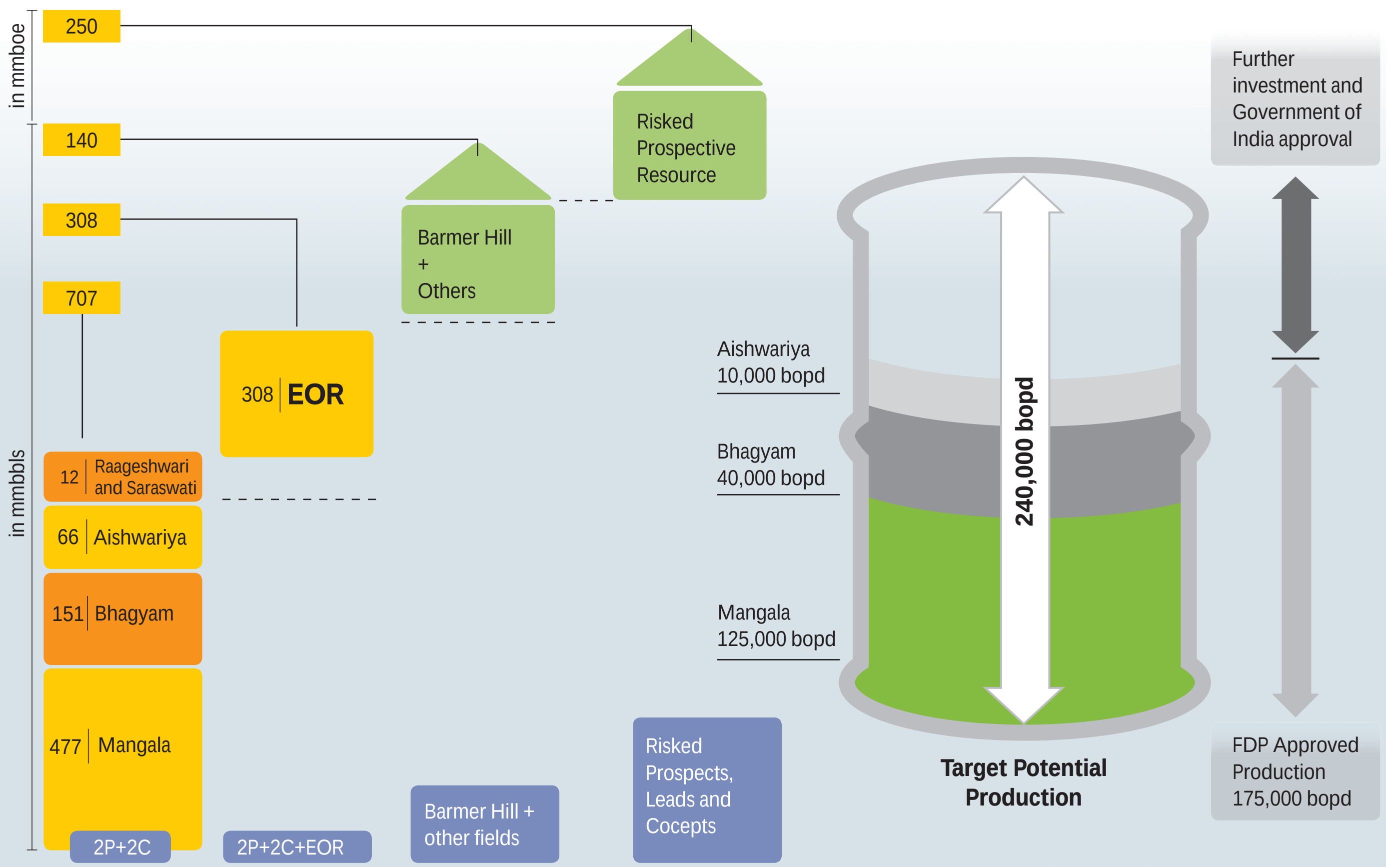
The MBA fields have gross recoverable reserves and resources of over 1 billion barrels. This includes 2P gross reserves and resources of 694 mmboe with a further 300 mmboe or more of EOR resource potential. To date, more than 40 million barrels (mmbbls) have been produced from the Mangala field.

Development drilling at Mangala, which commenced in January 2009, is progressing well. To date, 143 wells have been drilled from eighteen well pads. The results from these wells have confirmed the geological and reservoir understanding of the field and the STOIIP estimates. Performance of the horizontal wells has been better than expected, with tested rates being greater than 11,500 bopd. Production performance from the conventional wells has been according to expectations.

Given these encouraging well results, performance based reservoir studies and third party evaluation show that the Mangala field has the potential to produce 150,000 bopd, subject to regulatory approvals. Moreover, the increased offtake rate from Mangala is not expected to have any impact on the ultimate technical recovery from the field.

The Bhagyam field, the second largest discovery in Rajasthan, is expected to commence production in H2 CY2011 and achieve its currently approved plateau rate of 40,000 bopd by end CY2011. A total of 30 Bhagyam development wells have been drilled to date with the surface facility development work progressing as planned with detailed engineering nearing completion and all major contracts being awarded. The well results from Bhagyam development drilling have been in line with expectations.

The third largest discovery in the Rajasthan block, the Aishwariya field, is currently undergoing an assessment of higher production potential and design optimisation



1 The independent estimates of Reserves and Contingent Resources carried out by D&M are in line with the CIL estimates
2 Top 35 prospects audited by D&M risked resource 178 mmbbls

Rajasthan resource base and vision for growth

due to increased reserves and resources. Crude oil production is expected to commence in H2 CY2012, subject to JV and GoI approval. The tendering process for the award of contracts has commenced.

Raageshwari Deep Gas Field

The Raageshwari Deep Gas field is designed to supply gas to meet the energy requirements at the MPT and the pipeline. 19 new wells were drilled and completed in addition to the three existing gas producers.

Hydraulic fracturing operations have been completed in seven development wells so far, with four to five zones fractured (or 'fracced') in each well. The operations have been highly successful with wells having flowed at rates of up to 20 million standard cubic feet per day (mmscfd) — five times the rate previously achieved from this reservoir.

Saraswati and Raageshwari Fields

The Saraswati Field, which commenced production in May 2011, is currently producing at a rate of 250 bopd. This oil is being processed at the MPT, and is being co-mingled with the Mangala oil sold through the pipeline. Commencement of production from this field demonstrates the philosophy of bringing onstream smaller Rajasthan fields in order to optimise the value.

Oil production from the Raageshwari oil field is scheduled to commence in the current financial year. The first phase of development drilling has been completed.

Small and Satellite Fields

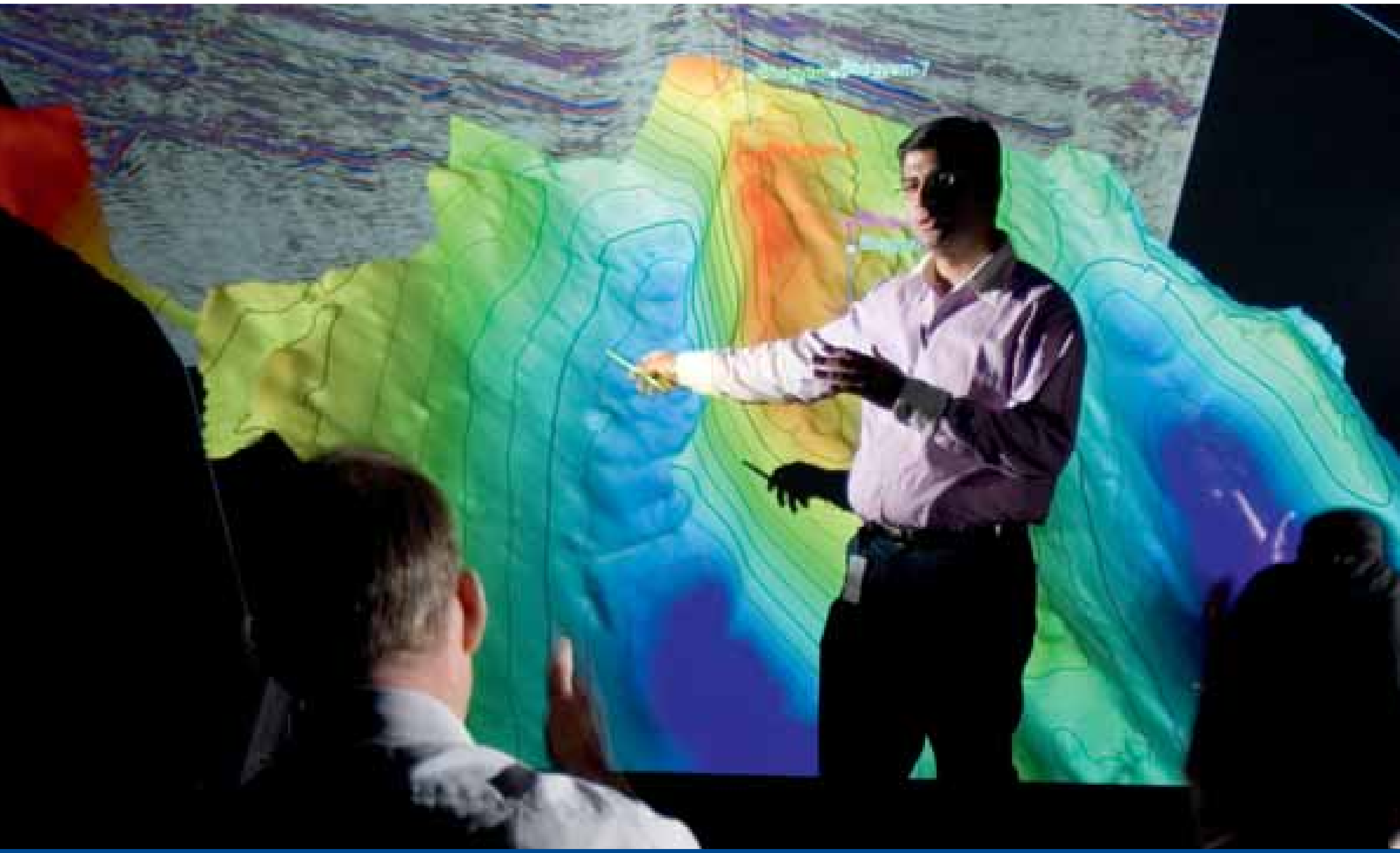
FDPs for many of the satellite fields are currently under preparation.

Barmer Hill and Other Fields

From the development drilling results and further evaluation of the Barmer Hill Formation overlying the Mangala and Aishwariya Fatehgarh Formation reservoirs, the Company has identified significantly increased potential in the basin. Fields in other parts of the world with characteristics similar to the Barmer Hill are being developed and have demonstrated recovery factors in the range of 7% to 20%.

Thanks to this evaluation, the estimated gross recoverable resources from the Barmer Hill (from Mangala and Aishwariya) and other fields have almost doubled to 140 mmbbls.

Since the Barmer Hill reservoir is less permeable than the main Fatehgarh Formation reservoir, the plan is to fracture horizontal wells to optimise the well count and deliver high production rates. A Declaration of Commerciality (DoC) for the



State-of-the-art facility - 3D visualisation set up in Cairn Gurgaon office

Barmer Hill has been submitted to the GoI in March 2010 and a FDP is under preparation.

Kaameshwari West

A FDP covering fields in the Kaameshwari West development area has been submitted to the GoI for approval.

Further Potential: Exploration Upside

Cairn India believes that there remains significant and as yet untested prospective resource potential to pursue in the Barmer basin. The Company and its JV partner, ONGC, continue to develop the hydrocarbon resources in Rajasthan with a focus on cost and the application of innovative technologies.Over the last two to three years, the Company has undertaken a comprehensive re-evaluation of the Barmer basin. All 170 exploration and appraisal wells were re-examined, new studies were started and more than 2,700 km^2 of 3D seismic data was reprocessed and reinterpreted. The use of high density 3D seismic surveys has enhanced the understanding of the reservoir and helped to precisely identify well locations. Cairn India also acquired over 2.2 km of core samples to gain a better understanding of the geological and reservoir models. The application of new fracture stimulation and completion technology proven in the Raageshwari Deep Gas wells will provide the opportunity to replicate and thereby, exploit the lower permeability Barmer Hill Formation.

As a result of these studies, the Rajasthan prospect portfolio has increased substantially to 250 mmboe recoverable risked mean prospective resources with potential, equivalent to a most likely in place resource of 2.5 billion boe. Discovering and developing these resources, subject to approvals from the JV partner and the GoI, will be an important step in realising the full production potential of the Rajasthan fields.

The Rajasthan prospect portfolio has increased substantially to 250 mmboe recoverable risked mean prospective resources with potential, equivalent to a most likely in place resource of 2.5 billion boe

Train One, Train Two and Train Three are commissioned. The construction activities for Train Four have commenced and is on track for delivery in H2 CY2011

The Mangala Processing Terminal

The Mangala Processing Terminal (MPT) spread over an area of 1.6 km^2 is the heart of the Rajasthan development. It is located 40 km from the nearest town, Barmer, which is 200 km from Jodhpur, 150 km from Jaisalmer and 70 km from the border with Pakistan.

Crude oil extracted from the Rajasthan fields flows into the MPT for processing prior to being transported to distant refineries through the 24" diameter export pipeline. The Mangala concession covers an area of 1,859 km^2 and includes the key fields and surface facilities such as:

- The fields at Mangala, Aishwariya, Raageshwari and Saraswati;
- Mangala Processing Terminal;
- 18 well pads — from which the in-field pipelines carry oil from and power fluids to the pads; and
- The Raageshwari Gas Terminal (RGT) comprising of well pads, gas processing plant and pipe corridor transporting gas and condensate to the MPT.

The MPT is designed to process crude from the Rajasthan fields and will have a processing capacity to handle 205,000 bopd of crude with scope for further expansion.

Train One, Train Two and Train Three (with capacities of 30,000 bopd, 50,000 bopd and 50,000 bopd respectively) are commissioned. The construction activities for Train Four have commenced and is on track for delivery in H2 CY2011.

The average gross production from the Rajasthan block for FY2011 was 100,993 bopd and the MPT facilities had a plant uptime of more than 99% during the year.

Equipment + Tanks
15,000 metric tonnes

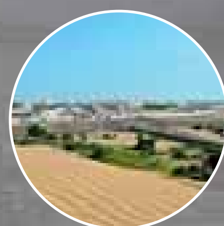
Above ground and In-field pipeline
470 km

Direct Man-hours Spent
63 million

Cable Length
3,100 km

Buildings
82

Area Acquired
555 hectares



Overview of Key Quantities
Few critical parameters and quantities that have gone into setting up this world-class infrastructure.

Following the commencement of Mangala production in August 2009, the field ramped up to its plateau of 125,000 bopd in less than a year. The field continues to produce at the currently approved rate of 125,000 bopd. Since the start of production, the MPT has had efficient and safe operations and has processed more than 40 mmbbls of crude oil, which has been sold to Public Sector Undertakings (PSU) and private refiners.

While Cairn India has come a long way from 2006 when the terminal was under design, it is imperative to look back at some of the key elements which have shaped the MPT.

The very location of the Rajasthan fields in the Thar Desert presented daunting challenges both logistically and environmentally — in an extremely remote location with extremes of temperature exceeding 50° C during summer and dropping to under 5°C in winter, combined with periods of frequent sand storms, erratic but heavy rainfall patterns, and high velocity cold winds.

The Barmer district, thus, witnessed a spurt in economic activity and the local population's expectations for employment, entrepreneurial opportunities etc. were considerably high. This was appropriately managed by excellent community engagement initiatives which started years before the actual construction commenced and was then reinforced by Cairn India's clear commitment to utilise the local populace in the construction activities.

The challenge of raising the MPT in 28 months from barren desert sands was an enormous feat, which required ingenuity, innovation, planning and relentless commitment. Prior to commencing the construction of the MPT, the area required the removal of large sand dunes followed by levelling and compacting to suit the

The MPT is designed to process crude from the Rajasthan fields and will have a capacity to handle 205,000 bopd of crude with scope for further expansion

The challenge of building the MPT in 28 months over barren desert sands required ingenuity, innovation, methodical planning and relentless commitment

Barren Desert Sands

Key aspects of the MPT development

Land Acquisition for setting up the Mangala Processing Terminal

Project Management

Environment Friendly Means to Generate Energy

plant design. These tasks utilised over 450 tractor trailers and removed more than 6 million cubic metres of sand in the first six to eight months with local support. The plant construction was then completed in approximately 18 months from the graded site and the plants were ready to start-up. For a development of this scale, size and geographic distribution of the fields, this was a commendable achievement in project management and development.

Oil and Gas processing demands effective environment management measures from a regulatory perspective and as part of our responsibility towards the society and the environment. The project obtained an Environmental Clearance well ahead of the establishment of the project and the recommendations were fully implemented in the design and construction phase. The monitoring of environmental parameters and periodic reporting to relevant authorities started from day one and is being followed during the operations phase too.

Here are some interesting aspects of the MPT development:

Land Acquisition for the MPT

For a project of the scale of the MPT, acquiring land was a major task that needed to be completed on schedule and within costs. Cairn India, on behalf of the JV, started the process of acquiring land for the Rajasthan project from early 2005. In doing so, the Company focused on offering adequate compensation to farmers, and went about the land acquisition in a planned manner. The complete legal process was followed: the Government of Rajasthan appointed a Land Acquisition Officer (LAO), and the acquisition rate as decided by the LAO and Government of Rajasthan was paid to each land contributor. Because of scrupulous adherence to due processes and, indeed going beyond it, Cairn India succeeded in obtaining social and community approval to operate in the region, and built direct communications with the local citizens. In addition, the land acquisition process was then followed up by training the land contributors for gainful employment in the MPT construction. Thanks to the strict adherence of processes, a mammoth project of this scale could be completed smoothly.

Project Management

From the design stage, it was evident that the size and scale of the MPT would be a big execution challenge.

The physical location of the three fields - the Mangala oil field, the Raageshwari Deep Gas field and the Thumbli water field - required huge efforts in planning, logistics, engaging locals, and implementing health, safety and environment (HSE) standards. Achieving over 42 million manhours without any lost time injury (LTI) speaks volumes of the considerable effort put in by the Company consistently across various locations and sites, and more specifically during the peak manpower deployment at multiple locations.

The procurement strategy for the project was complex because it involved combining many critical long lead packages with other bulk orders to ensure that work fronts were not starved of materials, equipment and consumables at the various sites. Regular meetings with the vendors and placing dedicated personnel at the facility of key equipment suppliers led to better monitoring and control. The plant engineering, procurement and construction were simultaneous until a certain stage of the project and involved hundreds of vendors, sub-contractors and other agencies. This demanded a meticulous integrated planning effort combining all aspects of project management.

At the peak of construction activity, over 11,000 people were engaged in construction and this speaks about the challenges of construction management. The multiple locations of sites; huge resource management; meeting local expectations; managing the required construction infrastructure; and the interface management of contractors / sub-contractors, etc. were some of the challenges that were managed well.

Environment Friendly Means to Generate Energy

Steam is used for power generation as well as for heating and pumping out the oil. The MPT is based on a closed loop system where:

- Sub-surface saline water is transported to the MPT by a 20” pipeline from the Thumbli reservoir, 22 km from the terminal;

- Part of this water is desalinated and processed: (i) to feed the demineralised water to the five boilers at the MPT to generate steam for heating, driving the turbines to generate electricity, to meet potable and other process requirements at the terminal; (ii) to waterflood the oil reservoirs;

- Part of the Thumbli water, heated with steam, is used to inject into the oil reservoirs as power fluid for the extraction of crude;

- The natural associated water that comes with crude is also processed in the terminal and re-injected along with waterflooding; and

- Natural gas is used as fuel to fire the boilers to generate steam, which besides its use in processes, is used to generate power to run the electrical drives at the terminal and to power the electrical heat tracing system to keep the temperature of the waxy crude above 65ºC to ensure flow assurance. The gas comes from the Raageshwari Deep Gas field, located some 90 km away from the MPT. The RGT, with four gas well pads and 35 wells, is designed to produce dry gas of over 30 mmscfd. It is transported via a 12” gas pipeline to the MPT and the gas liquids, or condensate, by a separate 4” pipeline.

The steam condensate recovery helps to optimise the feed water requirement for boilers, heating requirement of various process units and the power fluid management. The overall system design has ensured efficient power and environment management by way of lower emissions.

Physical Infrastructure

Buildings: There are a total of 82 buildings of which (i) 16 are in the MPT which include the Central Control Room, electrical sub-stations, guard-houses, a fire station, a laboratory and a warehouse; (ii) 23 sub-stations serving the well pads and the Thumbli saline water reservoir besides security guard houses in all of these well pads; and (iii) three buildings at the Raageshwari site comprising a control room cum sub-station and others.

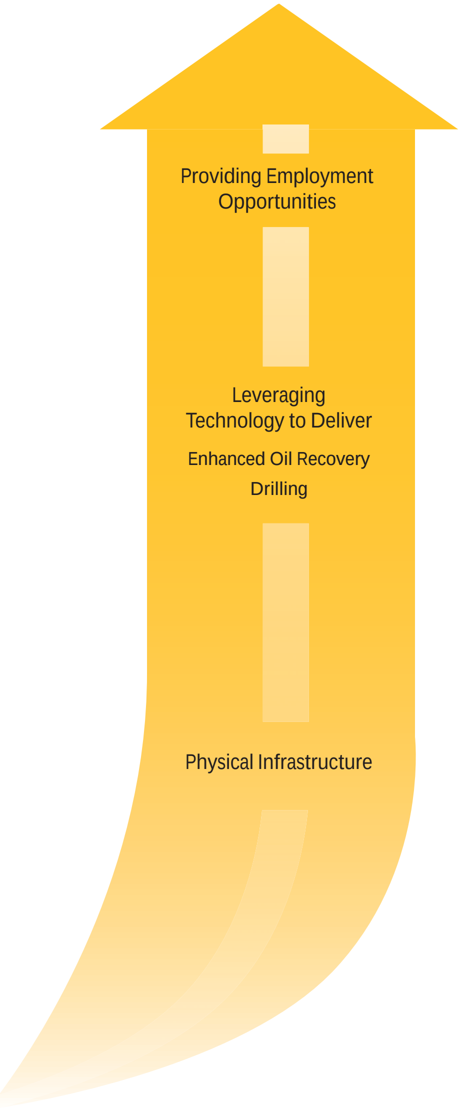
Pipe racks: These are, in a manner of speaking, the skeleton of the MPT — carrying the pipe network in the terminal that interconnects various equipment, skids, tanks and vessels. Electrical cables, which are akin to the muscular system of the plant, are laid on the cable trays on top of the pipe racks. The neural network, which comprises the instrumentation and control system cables, is also laid on the pipe racks over a dedicated tier. There are 36 pipe racks in the MPT, totalling more than 10 km in length with the longest one running across the facility for nearly 1 km. The height of a pipe rack ranges from 8 to 16 metres. The pipe racks’ numerous grids and 24 bridges for crossing the roads, comprise a total structural steel quantity of 6,600 metric tonnes.

Tanks: Totally, there are 26 tanks — 20 of them within the MPT and six at the Raageshwari Gas Terminal. These were constructed using the vertical jacking system, where shell plates are installed and welded at about ground level / low height and then jacked up, after which the next shell is installed. This system led to quick completion and mitigated safety risks as all welding was conducted at the ground level. The largest tanks at MPT are the four export oil tanks with a capacity of 120,000 barrels followed by three injection water tanks at the MPT with a capacity of 150,000 barrels.

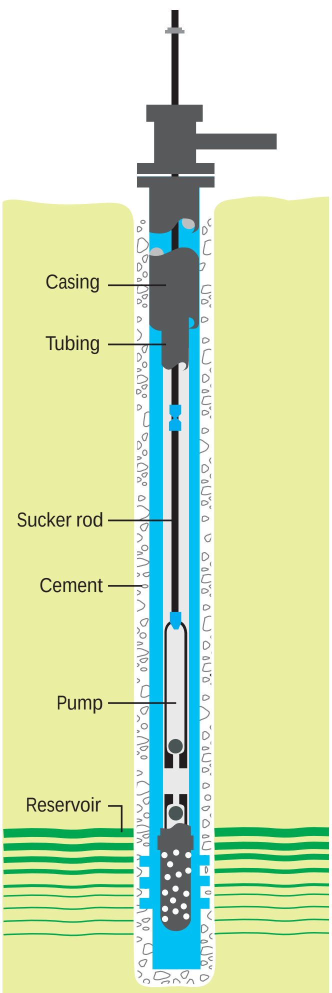
Electrical, instrumentation and telecommunications: The electrical power system at MPT operates at many levels such as at 415v / 6.6kv / 33kv ratings. The total length of cable laid for the electrical, instrumentation and telecom systems across the MPT is more than 2,000 km. These are laid in about 125 km of cable trays installed on the pipe racks at different heights. The electric power to the well pads and Thumbli is at 33kv level and is carried by overhead lines. The total overhead cabling is about 134 km. A total of 2,600 instruments and about 1,000 detectors are installed across the MPT. Instrument tubing accounts for a length of about 18 km. The commissioning of the plant meant testing of approximately 9,000 cold loops and 1,500 hot loops.

The total length of cable laid for the electrical, instrumentation and telecom systems across the MPT is more than 2,000 km

Mangala Processing Terminal



The horizontal wells have been tested at rates of more than 11,500 bopd — setting the record for the highest rate onshore oil producers in India



Vertical Well Schematic

Drilling

Cairn has drilled more than 200 exploration, appraisal and development wells in the Rajasthan block in the past decade, and made 25 discoveries using different state-of-the-art technologies. Some of these are:

Well design: Broadly speaking, Rajasthan development uses five different types of well design for the different reservoirs. These are:

i. **Deviated oil producers:** These target sands at shallower depths, and are designed to produce from 2,000 barrels to 4,000 barrels of fluid per day;

ii. **Horizontal oil wells:** These target deeper sands and are designed to produce in excess of 10,000 barrels of fluid per day. The wells use electrical submersible pumps for artificial lift and latest generation inflow control devices to provide uniform influx along the lateral length;

iii. **Water injectors:** These are simple and cost-effective wells designed to inject 10,000 barrels of water per day for void replacement and pressure maintenance in the Fatehgarh Formation reservoirs;

iv. **Gas wells:** These target the volcanic and tight low permeability Fatehgarh sands in the Raageshwari Deep Gas field. Mono-bore type cost-effective wells with multiple zone fractures help produce the gas that fuels the MPT and the power generating stations along the continuously heated and insulated crude pipeline. These wells produce 6-7 mmscfd of gas, and have been tested to produce natural gas at rates of up to 20 mmscfd; and

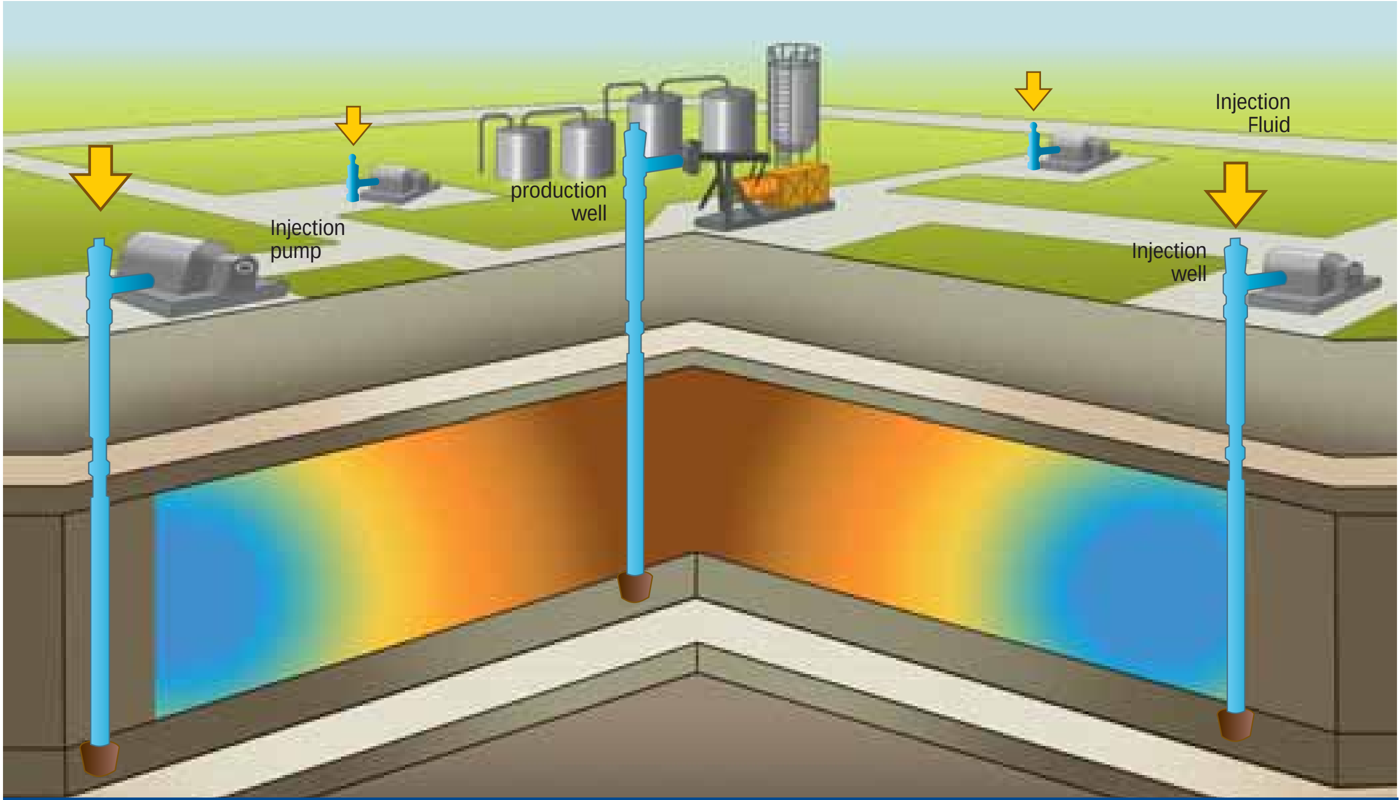
v. **Source water wells:** These target the extensive and prolific Thumbli saline water aquifer and are designed to produce up to 60,000 barrels of water per day using heavy duty electrical submersible pumps.

All the above well designs have been tested and are performing as per expectations. The horizontal wells have been tested at rates of more than 11,500 bopd — setting the record for the highest rate onshore oil producers in India.

Multi-well pad design: To enhance the success of an extensive drilling campaign that required over 250 wells to bring the MBA fields online, Cairn India adopted the multi-well pad drilling concept. Each well pad provides facilities which allow a number of wells to be drilled, produced and maintained at an optimum cost. The number of well pads and their locations were carefully selected for best exploitation of the field, taking into account cost, deviated drilling and surface features such as sand dunes, flood paths, roads and railways. This process has increased the drilling efficiency in terms of a reduced environmental footprint and lower infrastructure and drilling costs.

Custom-made rapid rig design: The innovative pad drilling concept was implemented via its custom-made rapid rig technology, which allows fast and efficient drilling operations on multi-slot well pads. The custom-built rigs are highly mobile skid mounted 'Super Singles' of 1000 HP and AC driven. These were specially built for Cairn in Houston to be deployed in Rajasthan to drill more than 350 development wells. Their smaller footprint and self deploying design allows for ease of transport and faster onsite rig-up. Unlike conventional rigs, these purpose-built rigs can move easily between the slots on the pad without rigging down, which cuts down well construction time and delivers greater productivity at reduced costs. The fastest that Cairn has been able to move between two well locations was 36 hours. Use of this rig design has conservatively helped the Company save a minimum of 300 rig days, which also corresponds to significant cost savings.

Completion and workover rig: Well completion and workover operations require reduced rig capability compared to drilling. Therefore, a strategy was adopted to avoid the use of a drilling rig (i.e. a rapid rig) for running well completions and carrying out workovers. A separate rig was hired a much lower cost - which has made the well completion and workover operations cost effective.



Source: SNF FLOERGER

Chemical EOR Schematic

Enhanced Oil Recovery (EOR)

EOR techniques are methods of increasing recovery from oil fields. Usually, EOR is used as a tertiary recovery method — generally applied at the later stage of field life following primary and secondary recovery from the reservoirs.

Cairn India recognised the potential for EOR at an early stage of development in its MBA fields. The reservoir quality, oil properties and ambient temperature make these fields ideal for the application of chemical flooding EOR methods such as polymer or Alkali Surfactant Polymer (ASP) flooding.

Studies by two independent laboratories showed favourable trial results of 30% to 40% incremental recovery through the application of EOR in the reservoir core-floods. Detailed field scale modelling and simulation studies indicate incremental recoveries of 15% from the MBA fields by ASP flooding.

The Company is currently conducting an EOR field pilot in the Mangala field. Eight wells of the pilot including one producer, four injectors and three observation wells have been drilled, completed and hooked-up to the facilities. The inter-well interference test confirmed the expected reservoir quality and good reservoir connectivity in the pilot area.

Water injection in the pilot , which started in December 2010, is progressing well. Chemical injection facilities have been fabricated and delivered to the site and commissioning is in progress. Cairn India intends to implement chemical flooding on a field scale in Mangala, followed by Bhagyam and Aishwariya in a staged manner.

The current assessment of the EOR resource base is more than 300 mmbbls of incremental recoverable oil from the MBA fields.

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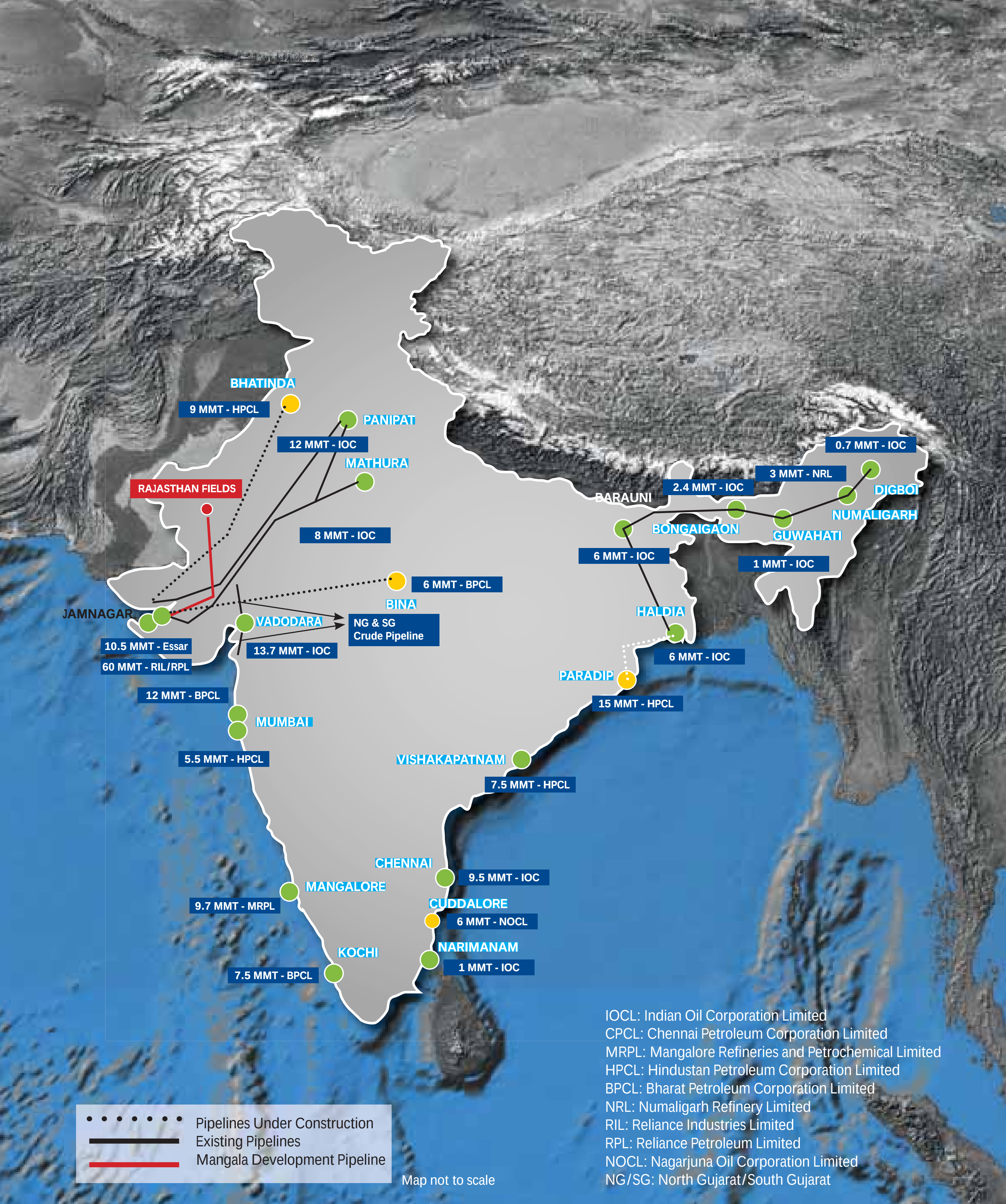


Refinery and Crude Oil Pipeline Map of India

Connecting Rajasthan to the market – Mangala Development Pipeline

Once, the entire 670 km long pipeline from MPT to Bhogat is operational, it will have access to more than 75% of India's refining market

To realise the value of the Rajasthan crude, Cairn India decided to build the world's longest continuously heated and insulated pipeline from the MPT at Barmer to the west coast of Gujarat for delivery to refiners and thereby, access markets en route.

The project presented many challenges: how to keep the waxy crude heated; how to minimise disruption to the environment and habitation; and how to find the shortest possible route to the coast, and yet meet the needs of all key buyers en route.

Of the total pipeline length of approximately 670 km up to Bhogat on the Arabian Sea coast, approximately 590 km up to Salaya is operational and the remaining 80 km is expected to be completed in H2 CY2012. The pipeline construction from Barmer to Salaya was completed in a record time of 18 months and it is now the lifeline of the Rajasthan project.

Once, the entire pipeline from MPT to Bhogat i.e. approximately 670 km is operational, the pipeline will have access to more than 75% of India's refining market.

The Pipeline Project

The pipeline project dealt with:

- Laying of approximately 590 km oil evacuation pipeline (an insulated oil pipeline of 24" diameter and a gas pipeline of 8" diameter) from the MPT in Rajasthan to Salaya in Gujarat via Viramgam in Gujarat; and then another 80 km to Bhogat on the Arabian Sea coast thus totalling to approximately 670 km;
- 39 Heating stations and pigging stations along the pipeline route;
- Construction of more than 700 crossings of various types, including 34 major rivers, 38 canals and numerous national and state highways, railway, existing hydrocarbon pipelines, etc.;
- Storage and delivery / distribution infrastructure and export pumps plus main line booster pumping station at Viramgam in Gujarat;
- Storage and delivery/distribution infrastructure at Radhanpur and Salaya;
- Terminal facility with storage capacity of 2.1 mmbbls of crude oil at Bhogat, which includes a marine infrastructure with a subsea pipeline and a single point mooring facility for the loading of oil tankers;
- Captive power generating facilities at all heating stations and at the Viramgam and Bhogat terminals;
- Employment of more than 6,000 people during the construction activity; and
- Passage through more than 270 villages in Rajasthan and Gujarat.

As the crude oil is waxy by nature, it has to be maintained above the wax appearance temperature by preventing heat loss for flow assurance. This is achieved through insulation and an electrical heat tracing technology called the Skin Effect Heat Management System (SEHMS). There are 36 above ground stations up to Salaya. The SEHMS uses power that is being generated at each heating station and then feeds it to the system on either side of the heating station to keep the pipeline and the crude oil above 65°C.

A parallel gas pipeline of 8" diameter from the RGT has been laid along the main crude oil pipeline corridor for the supply of natural gas. Natural Gas is supplied at each station through the pipeline to generate the power required to operate the SEHMS and other heating station power requirements using gas engine generators. The pipeline is insulated with 90 mm polyurethane foam and 5 mm high density polyethylene jacket to reduce heat loss. Power requirements are met by gas-based generators.

The entire length of the pipeline is being monitored at the MPT, Viramgam and Bhogat terminals for flow, temperature, pressure, other pipeline operational parameters.

The design and construction of this pipeline incorporated many technology innovations.

Pipeline Laying Process

Clearing and Grading

A 30 m wide RoU area was cleared of vegetation and other obstacles such as boulders. Critical areas were marked on the map before commencing the field activities. RoU boundaries were clearly delineated and the site inspector ensured that no clearing or encroachment occurred beyond these boundaries. Earth movement resulting from grading of the RoU was minimised as far as practicable.

The top soil, which was removed, was preserved for the duration of the construction and was used in restoration to minimise the impact on the fertility of the soil.

Stringing

Pipes transported to the site on trucks were offloaded using side booms. The pipes were then strung adjacent to the trench. Trailers and cranes were used for the manoeuvring of the pipes. All the pipes or other material were strung along the RoU only after all clearing and grading operations were done.

Welding

Welding was done using the conventional manual / semi automatic processes involving a crew of welders and fitters. Once the pipe was strung, a line-up crew positioned the pipe using side booms in preparation for welding. The welded pipe strings were effectively earthed.

Each field weld was 100% radiographed to test for the soundness of the weld in compliance with specifications. Non-Destructive Testing and its evaluation were performed in accordance with API Standard 1104.

Trenching

Trenchers and backhoe type excavators were used to dig the trench for laying the pipeline. The topsoil was removed by segregating the remaining backfill material. The topsoil was subsequently replaced during the backfilling operation.

Coating

After welding each joint, coating of field joints of bare pipes and the repair of fusion bonded epoxy coating was done by the application of high built liquid epoxy coating.

Lowering and Backfilling

The welded sections of the pipeline were lowered into the excavated trench after the completion of padding. Once the pipeline was lowered and an Optic Fibre Cable was laid, the excavated soil was returned to the trench. The topsoil, which was preserved on the side of the RoU, was spread over the filled up trench. A crown of soil was kept on top of the trenched portion to allow for future settlement. Marker tapes were placed in the trench 500 mm above the pipeline so as to indicate to future excavators about their proximity to an underground pipeline.

Crossings

The method used for the crossing of waterways and other infrastructure facilities varied from place to place depending on the environmental setting and the geo-technical features of the area.

Execution of crossings involved using three different technologies:

- Horizontal Directional Drilling
- Micro-tunnelling
- Auger Bore Technology

Restoration

Restoration of the RoU was taken up after completion of construction. This involved removal of material such as construction debris. The terrain was returned to its original condition by spreading topsoil over the RoU and agriculture activities were restored.
As the construction proceeded and the area was restored, prominent warning marker posts were erected indicating the location of the pipeline and the crossing of other pipelines and cables.

As per current estimates, the marine facilities at Bhogat in the second phase of the project will handle more than 5 million metric tonnes of hydrocarbon cargo per annum

Some of which are:

- Improved river crossing designs in collaboration with the Department of Hydrology, Indian Institute of Technology, Roorkee;
- Development of high-temperature intelligent pigging of the main crude transportation pipeline; and
- Pipeline Intrusion Detection System, first of its kind in India. This provides security along the length of the pipeline using a fibre optic electronic vibration system that generates an alarm, which is linked to a central control unit via a Geographic Information System-based mapping system.

Project Management

The pipeline has been constructed and installed in accordance with notified regulations and international best practices. Permission to lay the pipeline and the Right of Use (ROU) was granted by the respective authorities and ROU was obtained with the help of Government appointed Competent Authorities (CA). The installation of the pipleine and RoU reinstatement has been subject to regular review not only by the internal but also by the International Finance Corporation (IFC) independent auditors.

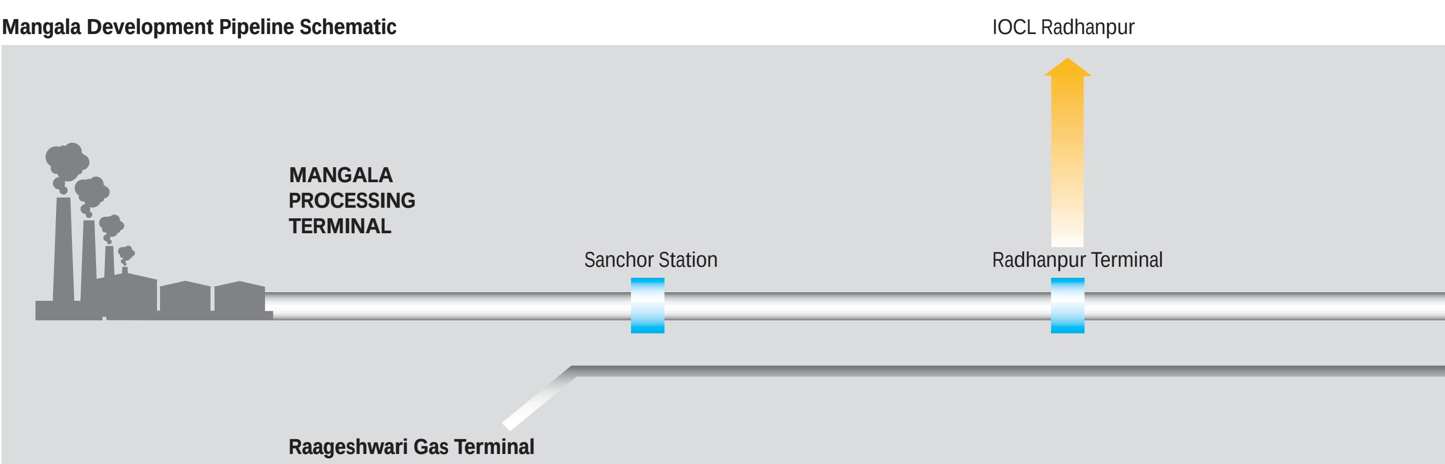
The pipeline construction work has been carried out through the deployment of multiple spreads. The pump / storage terminals have also been constructed through separate contractors to ensure that the project is completed as per schedule.

The marine facilities at Bhogat in the second phase of the project will handle more than 5 million metric tonnes of hydrocarbon cargo per annum. The facilities will essentially consist of:

- Pipeline: A similar twin heated insulated buried 24" pipeline from the delivery flange of the crude oil export pump at the Bhogat Terminal to the landfall point located approximately 8 km from the terminal's boundary walls;
- Marine pipeline: Heated, insulated buried concrete jacketed 24" twin marine pipeline from landfall point to Pipeline End Manifold anchored in the sea bed at a water depth of 30 metres. The subsea line length is approximately 6 km into the sea from the landfall point;
- Pipeline End Manifold and interconnecting hoses; and
- Tanker loading mooring: This will be a single-point mooring with a dual hawser mooring system and tanker loading hoses.

On 13 May 2011, Cairn India completed one year of successful operation of the Barmer-Salaya pipeline.

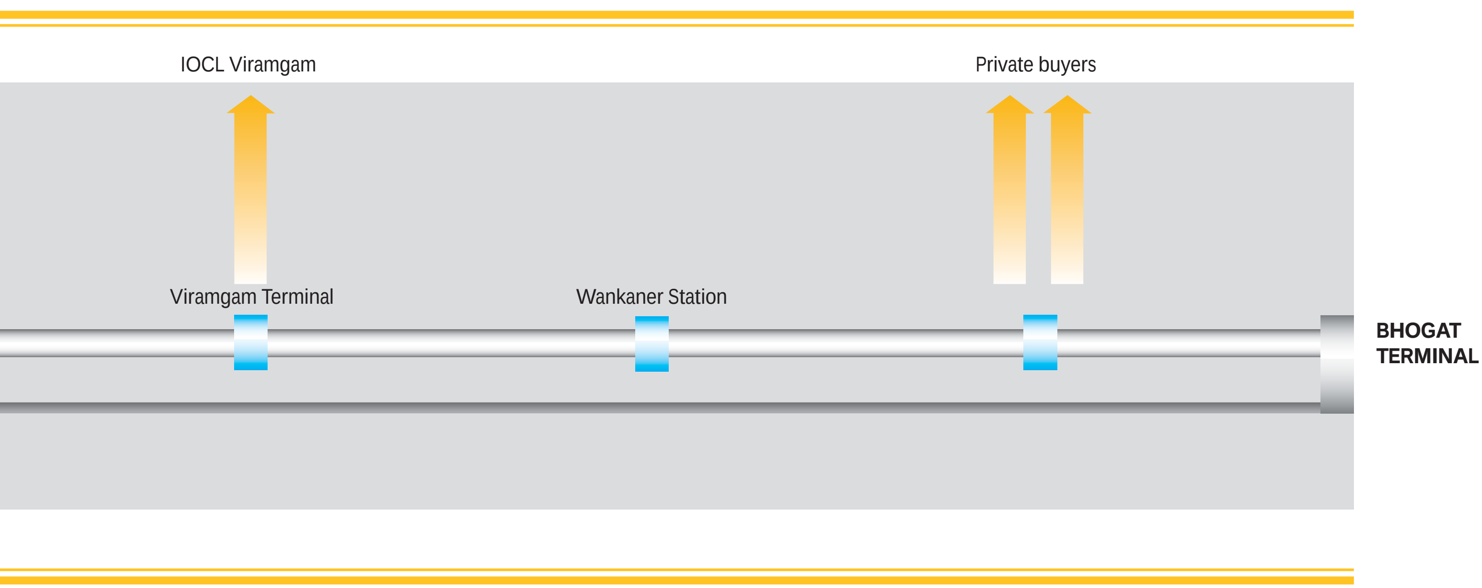
Mangala Development Pipeline Schematic



Pipeline length
Approximately 670 km 24" insulated heated oil pipeline from Barmer to Bhogat in Gujarat, via Viramgam

Pipeline material and diameter
Crude oil 24" API 5L X-65 insulated pipeline 90 mm thick polyurethane foam insulation and 5 mm thick high density polyethylene wrap
Natural gas 8" API 5L polyethylene coated pipeline

Laying of the subsea pipeline in progress at the Bhogat marine facility



Crude Oil Storage and handling capacity
Viramgam 10,000 m^3 (approx. 60,000 barrels)
Bhogat 393,512 m^3 (approx. 2.5 mmbbls)

Heating stations
36; each 18 km apart along the pipeline

Standards
Oil Industry Safety Directorate (OISD) Standard 118,141, ASME B31.4, API 5L, API 1102, API1104

Once the Bhogat marine terminal becomes operational in H2 CY2012, sales to other coastal refineries will also be possible, subject to GoI approval

Rajasthan Sales

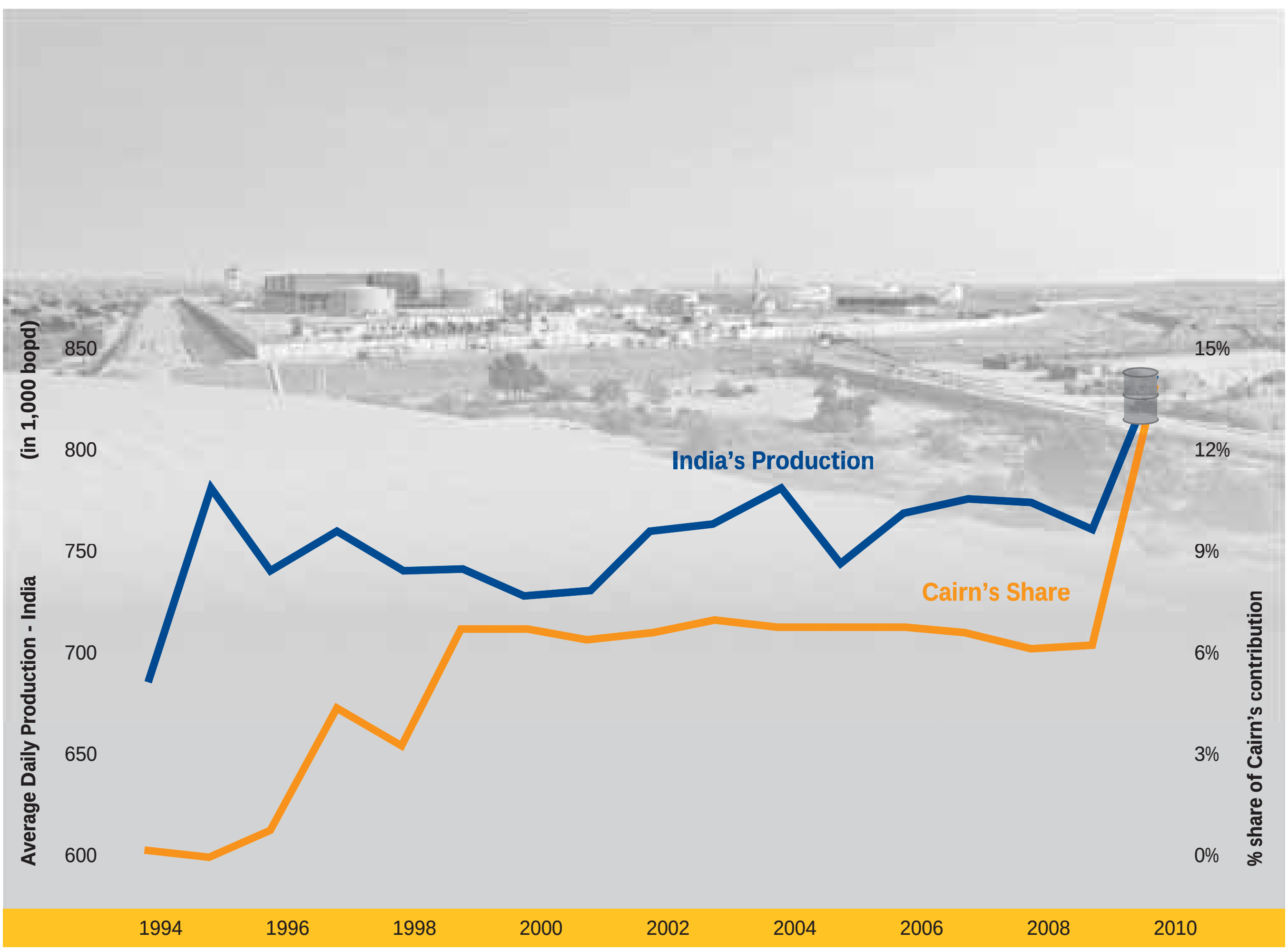
FY2011 witnessed the commencement of crude oil sales through the pipeline infrastructure. In line with the production, sales were ramped up and maintained at 125,000 bopd. Sales commenced to Indian Oil Corporation Limited's (IOCL) Panipat refinery from the GoI approved Radhanpur delivery point, as per the approved GoI nomination.

As mentioned in last year's Annual Report, the GoI also agreed to allow domestic private refineries to qualify as additional buyers of the Mangala crude. Cairn India has been successful in reaching agreements to supply Mangala crude to private refineries in Gujarat.

With production from the Bhagyam field expected to commence in H2 CY2011, sales arrangements have been put in place with refineries for sale of the increased volume. As on 31 March 2011, sales arrangements for 155,000 bopd are in place for the Rajasthan crude. IOCL's Koyali refinery is expected to get supplies during Q3 CY2011 after completion of their facilities at Viramgam.

According to the PSC, the pricing is based on Bonny Light - a comparable low sulphur crude that is frequently traded in the region, with appropriate adjustments for quality. The implied price realisation represents an average of 10% to 15% discount to dated Brent on the basis of prices prevailing for the year.

Once the Bhogat terminal becomes operational in H2 CY2012, sales to other coastal refineries will also be possible, subject to GoI approval.



Cairn's Contribution to India's Crude Oil Production

Finance Overview

As at 31 March 2011, the Cairn India Group had INR 26,722 million (USD 598 million) of debt outstanding mainly in long term loans excluding the working capital facilities.

In October 2009, Cairn India refinanced an existing revolving credit facility to partly fund the Rajasthan development covering Phase I and II. The refinancing comprised a total of USD 1.6 billion consisting of USD 750 million USD facility and INR 40 billion (USD 850 million) INR facility. The financing package was innovatively structured by accessing two different markets (domestic and international) for the same project during very difficult market conditions. This helped to tide over the tight liquidity conditions then prevailing during the global financial crisis (in CY2008 and CY2009) and complete the project without any delay. These loan facilities had participation from leading international and domestic banks / financial institutions.

The risk profile of the company has improved considerably following the commissioning of the MPT and production of crude oil at plateau rates from the Mangala fields. This allowed for re-positioning of the Cairn credit story with the lenders, resulting in the optimisation of the Company's borrowing programme. Thus, in October 2010, Cairn India accessed the Indian debt capital markets for the first time through the issue of unsecured redeemable non-convertible debentures (NCDs) for INR 22.5 billion (approximately USD 500 million). This was structured in three tranches with an average maturity period of 24 months to suit the Company's requirement. The refinancing carries lower interest cost and is available for refinancing of the existing INR loan and general corporate purposes.

The Company continues to generate strong cash flow from its operations, namely the Rajasthan fields along with the Ravva and Cambay assets. Cash in hand at the end of the financial year provides sufficient liquidity to meet the expenditure for Phase-II of the Rajasthan project and other planned exploration programmes including Sri Lanka.

1 Capital Expenditure towards Rajasthan Project in USD billion

Capital Expenditure	Gross	Net to Cairn
Exploration (up to 2006)*	0.61	0.57
Development		
CY2007	0.31	0.22
CY2008 and 2009	1.76	1.23
CY2010	0.75	0.50
Total Capex up to 2010	3.43	2.52
Estimated CY2011	**1.25**	**0.90**
Total Actual & Estimated	4.68	3.42

Finance Available**	
Net Cash***	0.65
Existing Debt Facility***	1.15
Total	**1.80**

Note: *Exploration Cost: During the initial years the entire exploration cost was borne by Cairn and hence, the net number is > 70%.
**Cash flow from producing assets is an additional source of funds
*** data as on 31 March 2011

As at 31 March 2011, the Company held financial assets mainly in the form of bank deposits and investments in liquid funds, of an aggregate amount of about INR 55,792 million (USD 1,249 million).

Cairn India's ability to raise finance at competitive costs demonstrates the strength of its balance sheet, which is backed by robust assets and a growing cash flow stream. As always, the Company has an ongoing dialogue with various international and domestic financial institutions to review its financing options towards securing competitively priced long-term debt with greater financial flexibility to fund the current development programme and the future growth plan. In this, the guiding principle is to secure terms that enhance long term shareholder value.

(Table 1 gives the financial details of the capital expenditure versus financing of Rajasthan project.)

The Company wishes to place on record its appreciation of the role played by various lenders, both domestic and international, during the past year to help the company meet the challenges of bringing the Rajasthan development to reality.

A Scheme of Arrangement between the Company and some of its wholly owned subsidiaries, to be effective from 1 January 2010, was approved earlier by our shareholders. This Scheme has since been approved by the Hon'ble High Court of Madras and Bombay but awaits approval from other regulatory authorities. Pending such approvals, no accounting impact of the scheme has been given in these financial statements. After the implementation of the scheme, the Cairn India Limited legal entity will directly own the Indian businesses, which are currently owned by some of its wholly owned subsidiaries.

The average gross production from the Ravva field for FY2011 was 36,947 boepd — comprising an average oil production of 27,950 bopd and average gas production of 54 mmscfd. The Ravva asset has recorded more than 5 million LTI free man-hours

Other Producing Assets

PKGM-1 BLOCK (RAVVA FIELD), Krishna-Godavari Basin, Andhra Pradesh (Cairn India's participating interest 22.5% and is the operator)

Cairn India's operations in the Ravva block are centred on the Ravva oil and gas field in the Krishna-Godavari Basin. It lies off the coast of Andhra Pradesh in eastern India, in water depths of up to 80 metres. Developed in partnership with ONGC, Videocon and Ravva Oil, Cairn became the operator in 1996, working under a PSC that runs until 2019.

Crude oil and natural gas production from the Ravva field commenced in 1993. The Ravva field celebrated its 16th year of successful operations during the year and has produced more than 232 mmbbls of crude oil and 278 billion cubic feet (bcf) of gas — more than double the initial expectations. It has produced at a plateau rate in excess of 50,000 bopd for more than nine years and is expected to achieve an estimated ultimate recovery of approximately 60%. This higher recovery factor is largely due to Cairn India's reservoir management strategy and technical understanding of the reservoir.

Currently, there are eight unmanned offshore platforms. A 225-acre onshore processing facility at Surasaniyanam processes the natural gas and crude oil produced from the field. The Ravva onshore terminal operates at an internationally recognised environmental standard (ISO 14001), and has the capacity to handle 70,000 bopd, 95 mmscfd of natural gas and 110,000 barrels per day of injection water per day. The terminal also has the capacity to store 1 mmbbls of crude oil.

The field direct operating cost for the Ravva block is amongst the lowest in the world. The low-cost operating base has been achieved by focusing on life-cycle planning, continuous monitoring, control of operational costs and the innovative application of operating technologies. The average gross production from the Ravva field for FY2011 was 36,947 barrels of oil equivalent per day (boepd) — comprising an average oil production of 27,950 bopd and average gas production of 54 mmscfd. As on 9 April 2011, the Ravva asset also crossed 5 million LTI free man-hours. The Ravva facilities had an uptime of more than 97% during the year.

Being a mature asset, various steps such as a 4D seismic survey, drilling of infill wells and workover campaigns were undertaken during the year to help slow the production decline. Cairn India and its JV partners have completed infill drilling of four wells at Ravva. Drilling of one production and two injector wells is in progress. The purpose of the infill campaign is to help slow production decline and add incremental reserves. The campaign is also targeted to increase the water injection capacity in the field.

The first ever horizontal well in Ravva was landed, drilled, completed and tested with a combination of sliding sleeve standalone screens, screens with inflow control devices (ICDs) and swell packers to successfully complete the entire oil pay with ICDs, and an additional gas zone. For the first time in Ravva, oil production wells were completed as open hole with multi-zone selective stand alone screens and swell packers technology.

Cairn India and its JV partners are focussed on identifying bypassed oil zones in the reservoir, slowing down the production decline rate and evaluating the scope of further potential in the deeper zones.

CB/OS-2 BLOCK, Cambay Basin, Western India (Cairn India's participating interest 40% and is the operator)

Cairn India's operations in Block CB/OS-2 are centred on the Lakshmi and Gauri oil and gas fields, and the CB-X development area. Gas production commenced from the Lakshmi gas field in 2002, and from the Gauri field in 2004. Production of crude oil from Gauri commenced in 2005.

Exploration, development and production in the CB/OS-2 block is governed by a PSC that runs until 2023. In partnership with ONGC and Tata Petrodyne Limited, Cairn India is the operator with a participating interest of 40% in the Lakshmi, Gauri and CB-X development areas.

Barge mounted Coil tubing activity in Ravva, off Andhra Pradesh coast

The application of advanced geophysical tools has helped map thin oil sands which are beyond normal seismic resolution capability. These techniques have transformed the CB/OS-2 block from a predominantly gas field to an oil field through the discovery of an oil leg.

An 82-acre onshore processing facility at Suvali, processes natural gas and crude oil from the Lakshmi and Gauri fields. The processing plant and offshore infrastructure are certified to ISO 14001 and OHSAS 18001 standards. It has the capacity to process 150 mmscfd of natural gas and 10,000 bopd of crude oil. It includes three stage separator trains and a 28,300 bbls storage tank as well as two 2.4 MW captive power generation plants.

The average gross production from the CB/OS-2 block for FY2011 was 11,169 boepd — consisting of an average oil / condensate production of 6,869 bopd and an average gas production of 25.8 mmscfd. To date, the asset has produced more than 12 mmbbls of co-mingled oil (i.e. crude and condensate) and 200 bcf of gas. The block recorded more than 9 million LTI free man-hours over the last seven years. CB/OS-2 facilities had a plant uptime of more than 99% in FY2011.

The Term Sheet agreement to produce Gauri share of GBA (Gas Balancing Agreement – for sharing of gas from the shared reservoir formation) gas through the Hazira facilities signed in December 2009 has now been extended to March 2012. The GBA gas sales commenced from the Hazira facilities during December 2009 and to date sold more than 5.2 bcf of gas generating gross revenues of more than USD 30 million. This is a first of its kind arrangement in the country which showcases the Company's commitment to produce gas in the most economical manner and contribute to the nation's energy security.

To sustain oil production from the CB/OS-2 block, an infill drilling campaign is being planned in the Lakshmi field, which will be firmed up subject to JV and GoI approval.

The average gross production from the CB/OS-2 block for FY2011 was 11,169 boepd — comprising an average oil / condensate production of 6,869 bopd and an average gas production of 25.8 mmscfd. The block has recorded more than 9 million LTI free man-hours

Technology Application

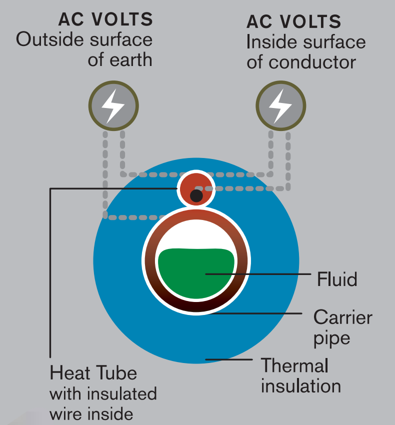
- Increase chances of exploration success through advanced geophysical data acquisition, processing and interpretation
- Application of basin modelling tools to reduce exploration risk
- Application of high density 3D seismic survey to enhance understanding of reservoirs and optimise well locations
- Use of 4D seismic data for better imaging of drained reservoirs and identification of bypassed oil
- Reduce costs with purpose designed mobile onshore rigs and pad based development

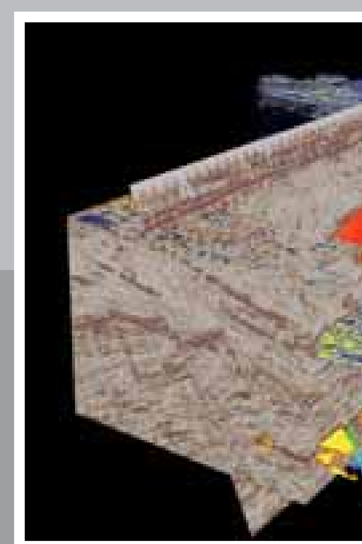
USING TECHNOLOGY TO ENERGISE INDIA

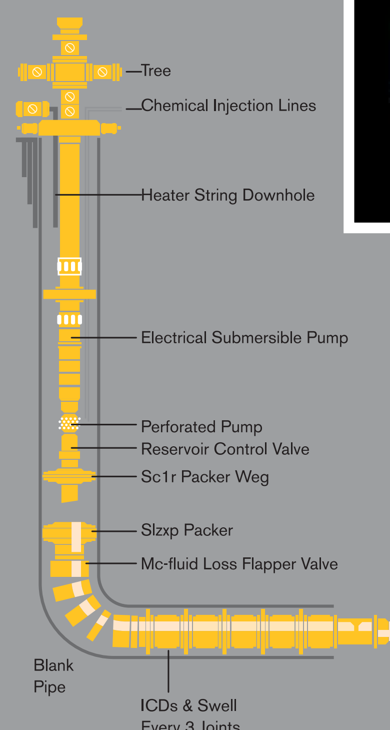
- Geo-steering technology for better placement of horizontal wells to increase productivity
- High capacity horizontal wells with flow capacity > 10,000 bopd
- Application of new fracture simulation and completion technology
- Increased recovery through advanced petrophysical analysis and well design
- Coiled Tubing for efficiency and reduced environmental footprint
- Management and integration of all subsurface data and use of best-in-class software applications
- Digital downhole monitoring for production management

SEHMS

Innovative pipeline design and operation – use of Skin Effect Heat Management System to heat the pipeline for flow assurance of Rajasthan crude



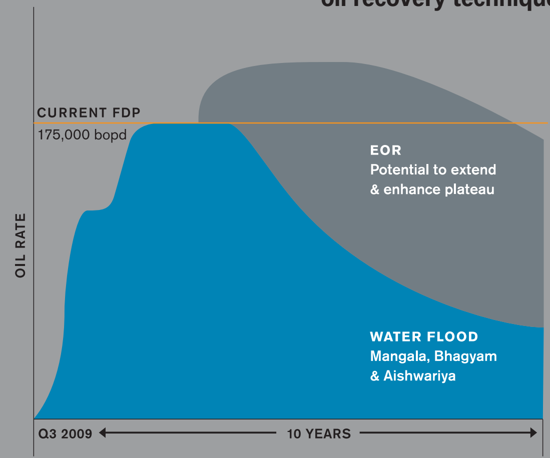


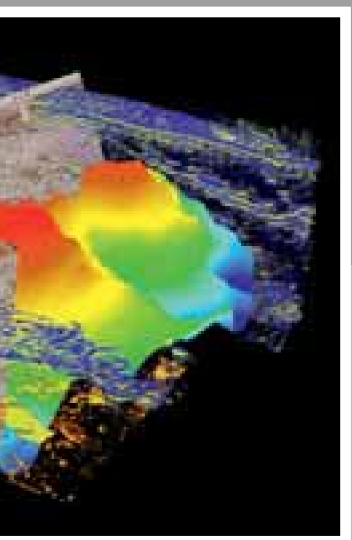


Schematic of Horizontal Well

EOR

Application of enhanced oil recovery techniques

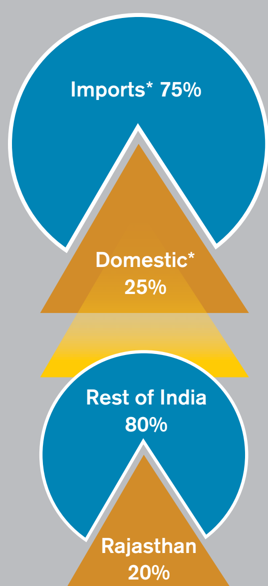




At the currently approved plateau production rate of 175,000 bopd from MBA fields, Cairn India will:

- Contribute >20% of India's domestic production
- Offset India's crude oil import dependency by approximately 7%

India's Crude Oil Consumption - FY2010

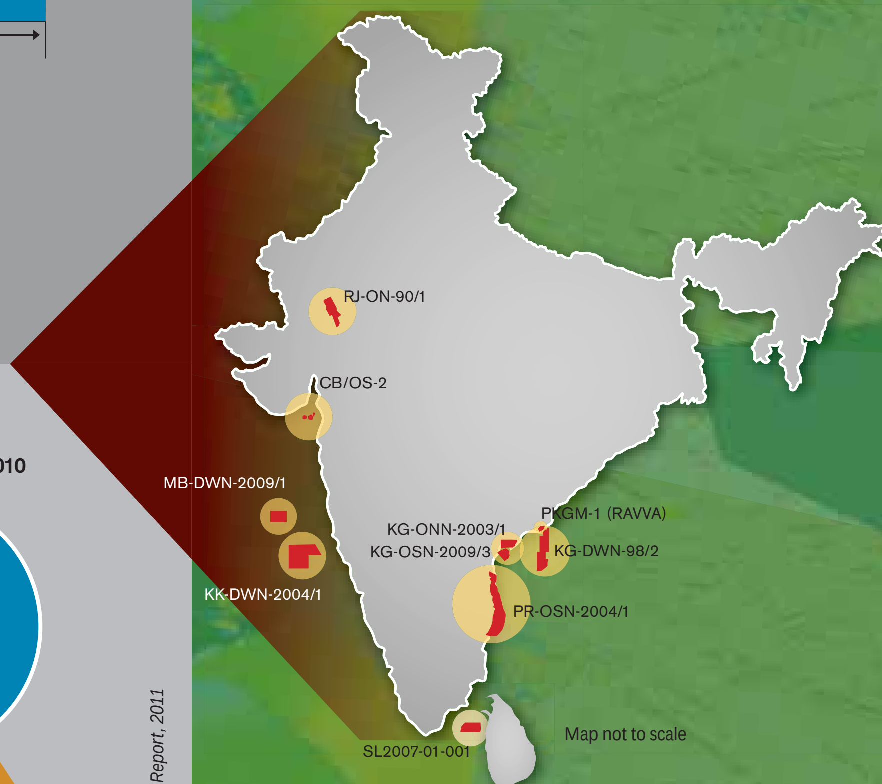


*Source: BP Statistical Review of World Energy Report, 2011

Growing contribution to India's needs

People - Contributing to Technical Excellence

- Multi-cultural working environment with demographic representation from nine countries
- Training accorded high priority
- Investment in people to build leadership capability - tailor-made programme part of annual individual development plan



Contribution to the Goverment

- Royalty paid – >USD 1 billion
- Indirect Taxes - >USD 0.6 billion
- Direct Taxes - >USD 0.4 billion
- Profit Petroleum - > USD 5 billion
- Significant foreign exchange savings due to reduced imports

The blocks in India are located in the Baremer Basin, the Krishna-Godavari Basin, the Mumbai Offshore Basin, the Kerala-Konkan Basin, the Palar-Pennar Basin, and the Cambay Basin. Cairn India, through its subsidiary Cairn Lanka, operates acreage in the frontier Mannar Basin off the coast of north-western Sri Lanka

Exploring to Discover and Add Value

Cairn India has 10 blocks (including three which are into production) located in three strategically focused areas — one block in Rajasthan, three on the west coast of India, five on the east coast of India, and one offshore block in Sri Lanka. Eight of these, including the three which are into production, are operated by the Company.

The Company uses cutting-edge geophysical and geological technologies to optimise its chances of exploration success and, thus, monetise hydrocarbon resources.

Barmer Basin

RJ-ON-90/1 (Cairn India's participating interest 70%, and is the operator)

The Company continues to pursue a technical evaluation work programme in the block to assess existing and new plays and generate further prospects. Thanks to such programmes, the prospective resources portfolio has grown significantly. Detailed analysis of existing well data has resulted in the delineation of hydrocarbons from logs in previously overlooked reservoirs in other parts of the block. DoCs for two non-associated natural gas discoveries (GS-V and NC West) were submitted to the DGH under the terms of the PSC.

Krishna-Godavari Basin

KG-ONN-2003/1 (Cairn India's participating interest 49%, and is the operator)

The Company has drilled five commitment wells and completed the Minimum Work Programme (MWP) for this licence.
There was a hydrocarbon discovery in the Nagayalanka-1z well and a Discovery Notice was issued to the DGH and subsequently, an appraisal plan was submitted to GoI, which is currently under review. Based on the well results, the JV opted to enter Phase-II of the Exploration Licence. The exploration well, Nagayalanka SE-1, is planned to be drilled during FY2012.

KG-OSN-2009/3 (Cairn India's participating interest 100%, and is the operator)

This block, covering 1,988 km^2, was awarded under the New Exploration Licensing Policy (NELP) VIII bidding round, and is located on-trend with recent discoveries in the KG Basin. The PSC was signed on 30 June 2010 and the Petroleum Exploration Licence (PEL) was granted in August 2010. A bathymetry survey covering the licence area was completed in May 2011. Work to obtain environmental clearance for acquisition of a 3D survey is underway, which is planned to start by end CY2011.

KG-DWN-98/2 (Cairn India's participating interest 10%, ONGC is the operator)

Three appraisal wells were drilled in the Northern Discovery Area in 2010. The DoC was submitted in July 2010 by the operator for the Northern Discovery Area. The Southern Area appraisal period was completed in December 2009, with the DoC submitted to the DGH. The operator is in discussion with the DGH and GoI to secure extension in the exploration and appraisal period for the block to carry out additional drilling.

Mumbai Offshore Basin

MB-DWN-2009/1 (Cairn India's participating interest 100%, is the operator)

This block, covering 2,961 km^2, was awarded under the NELP VIII licensing round, and is located in the Mumbai Offshore Basin. The PSC was signed on 30 June 2010 and the PEL was granted in August 2010. Environmental clearance is being sought to enable acquisition of a 2D survey during Q1 CY2012. As part of the Company's west coast exploration strategy, a detailed regional technical study is being undertaken.

Kerala-Konkan Basin

KK-DWN-2004/1 (Cairn India's participating interest 40%, ONGC is the operator)

A 3,840 line km 2D seismic programme was completed in 2009 and following mapping and interpretation of the seismic data, 300 km^2 of 3D seismic data has been acquired and processing is in progress. Interpretation of the data is expected to be completed by Q3 CY2011.

Palar-Pennar Basin

PR-OSN-2004/1 (Cairn India's participating interest 35%, is the operator)

This block, covering 9,400 km^2, is located between discoveries in the Krishna-Godavari and Cauvery basins. Following interpretation of 2D and 3D seismic data, three prospects were identified for drilling to fulfil the MWP. However, after the denial of permission to drill in a restricted area defined by the Department of Space, GoI, *force majeure* has been declared by Cairn India, which has been accepted by the DGH under the terms of the PSC. Cairn India and the other partners to the PSC are actively pursuing a resolution of this matter with the GoI.

Mannar Basin, Sri Lanka

SL 2007-01-001 (Cairn Lanka's participating interest 100%, is the operator)

Cairn Lanka (Private) Limited, a wholly owned subsidiary of Cairn India, acquired 1,750 km^2 3D seismic data in the Mannar Basin in Sri Lanka during December 2009 and January 2010. The Mannar Basin is an under-explored frontier basin. The programme fulfils the minimum work commitment of 1,450 km^2 of 3D seismic data acquisition.

3D seismic survey in progress

Based on the 3D seismic interpretation, several prospects and leads have been identified, and technical work to understand the petroleum system in this basin is in progress. A drill ship has been contracted and the final preparations for the drilling of three exploration wells are ongoing, which is planned to commence in August 2011.

FY2011 also saw the Company relinquishing a block. The GS-OSN-2003/1 block (off the coast of Saurashtra in Gujarat, where Cairn India had a participating interest of 49%, and ONGC was the operator) was relinquished by the Company after completion of the Phase-II exploration programme.

Over the years, Cairn India has been optimising its exploration portfolio by adding new prospective blocks and relinquishing low graded blocks after full evaluation and completion of work programmes - thereby increasing the Company's net unrisked potential resource base.

Cairn India is proud of its people, their passion and commitment to the company and the alignment of their aspirations to the Company's shared vision and business objectives

Human Resources- Nurturing our Strength

Cairn India's greatest assets are its people. The company is now around 1,300 people strong, representing a 20% growth compared to the previous year. There has been a steady increase in its talent base over the years in order to keep up with the growing needs of a world class business. The very nature and complexity of the business demands that the Company's people are of the highest global standards. People are recruited, developed and rewarded according to a 'People Strategy', which is based on three priorities:

1. Securing talent for today and tomorrow

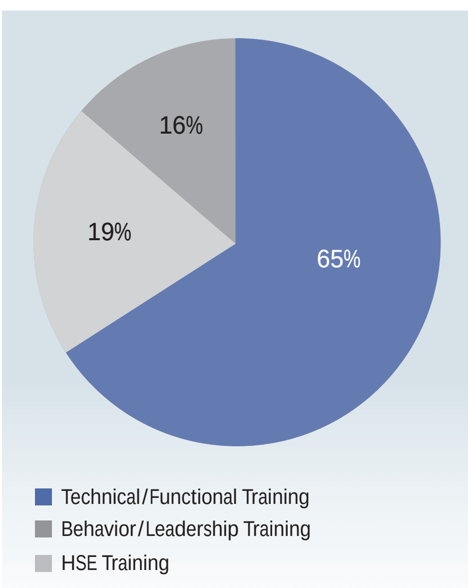
As mentioned, the Company's people strength increased by almost 20% across different categories. More than four-fifths of the total recruitment during the year was done directly and through employee referrals; the remaining one-fifth was through external agencies.

2. Strengthening leadership

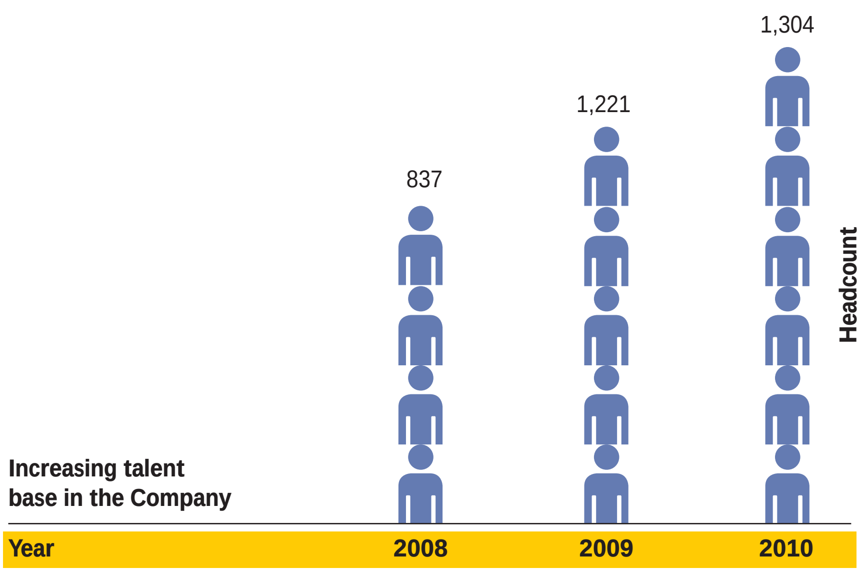
Cairn India is committed to developing world class leadership in the top and middle tiers of its organisational structure. This is being done through the Star Trek Leadership Programme, which has been developed with leading business schools in India to provide customised management development courses. For the middle tier employees, there is also the 'Action Learning Programme' which focuses on cross functional project initiatives based on specific company requirements.

3. Enhancing individual performance

Cairn India's online Performance Management System (PMS) forms the backbone for the planning of people and career related decisions of the Company. The Company's values of teamwork, respect, pioneering spirit and ownership are reflected in the PMS framework, which facilitates an organisation-wide performance orientation where employees are aware of how their work is linked to overall business objectives and results.



Man-days spent in different types of trainings



Increasing talent base in the Company

Cairn India is an equal opportunity employer and encourages recruitment of women

Health, Safety, Environment and Assurance (HSEA)

Cairn India is committed to protecting the health and safety of employees and contractors working on its sites, the people who come into contact with its operations and the health and sustainability of the environment in which it operates.

To support the delivery of the commitments made in the HSEA policies and the Guiding Principles, the company implements its Corporate Responsibility Management System (CRMS), supported by detailed procedures and guidelines.

The Cairn India CRMS Guiding Principles define its values and approach to managing Corporate Responsibility (CR) in accordance with the Company's policies, and the goals set out for its behaviour.

These Guiding Principles are based on:

- Respect: for people, communities, the environment, the rule of law and human rights;
- Relationships: the Company believes that building strong, open and lasting relationships with its stakeholders is not merely a social responsibility but is vital to achieving its business goals; and
- Responsibility: the Company recognises its responsibility to ensure its actions does not harm people, the environment or society.

These values, known as the 3Rs, are promoted to staff, partners, suppliers and contractors.

The CRMS provides the mechanisms that:

- Allow the Company to identify, assess and implement measures to mitigate CR risks;
- Assess CR requirements through a gated process at key milestones during the project life cycle;
- Guide how the Company monitors and reports its CR performance, conducts reviews and audits, and, in the event of accidents or incidents, conducts investigations, identifies causes and rectifies deficiencies; and
- Identify its legal and regulatory requirements, and informs of any plans needed to ensure compliance.

Application of CRMS to all its business activities is essential in maintaining its 'licence to operate'.

Through implementing the CRMS, the Company recognises and manages potential CR impacts, and encourages a culture of openness and continuous improvement.

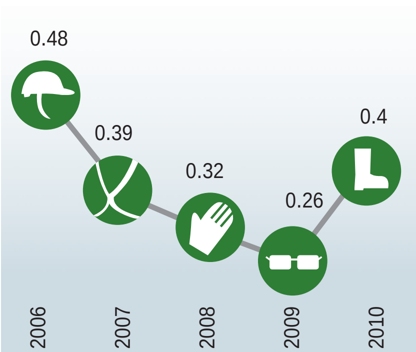
The Company aspires to the highest level of HSE practice by adopting appropriate international codes and standards in our activities while adopting an approach of continuous improvement.

Health and Safety

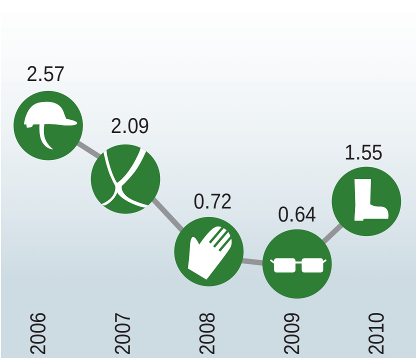
The nature of its work carries inherent risks, and the environments in which it operates can be challenging. The Company is, therefore, committed to a comprehensive health and safety strategy, which protects the well-being of everyone who comes into contact with its operations. It also aims to create a healthy, supportive working environment, which can help cut absenteeism, as well as boost morale.

Cairn India has HSE specialists at its operating sites, who are supported by HSE experts at its Gurgaon Corporate Office. These HSE specialists are responsible for ensuring that activities are performed in accordance with the safety guidelines and regulations prescribed by OISD and Directorate General of Mines Safety (DGMS).

A comprehensive HSE management system is in place, which provides the processes and procedures to ensure that the Company's HSE policies are implemented across various activities through design, implementation, operation, monitoring and reporting. The HSE management systems are



Lost Time Injury Frequency Rate (LTIFR)



Total Recordable Incident Frequency Rate (TRIFR)

Demonstration of the highest standards of safety during coiled tubing operation at Ravva

based on the international standards certification of ISO 14001:2004 and OHSAS 18001 protocols at Ravva an CB/OS-2 with implementation in progress for the Rajasthan operations.

The Phase-I of the Rajasthan Development, including all production facilities and the crude transportation pipeline, were completed and safely commissioned without any release of hydrocarbons into the environment. This was achieved with no LTIs during 20 million man-hours of work in the reporting period. The Rajasthan Operations won nine safety awards in the 24th Mine Safety Awards organised under the aegis of the DGMS, Rajasthan. The operations at Ravva and CB/OS-2 continued to maintain excellent safety performance with neither LTIs nor environmental incidents during FY2011.

Tragically, during the year, there were two contractor fatalities associated with our Rajasthan activities. These incidents were fully investigated and corrective steps taken to minimise the likelihood of them recurring.

Cairn India takes precautions to avoid accidents or pollution incidents, and all its operations have rigorous procedures, equipment and emergency teams in place to respond to incidents. Exercises and drills are performed regularly to test its systems and plans and maintain a high degree of emergency preparedness. In addition, the Company has oil spill response plans, trained staff and equipment in place at Ravva, CB/OS-2, Rajasthan and all exploration and production facilities.

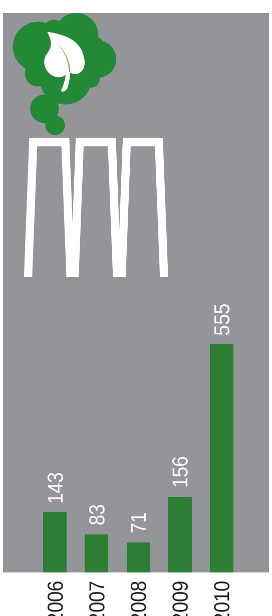
Training

During the year, the Company completed 213,000 man-days of HSE training across its projects and operations. HSE induction training is mandatory for all visitors to the

Robust gated processes were implemented to ensure safe and successful commissioning of various facilities. The Rajasthan projects and the pipeline were commissioned without any LTIs or oil spills

HIGHLIGHTS

- During the year, the Company recorded 34 million man-hours of work, including contractor workforce, with an incident rate much lower than the industry average.
- A number of assets and project sites have recorded long spells of LTI-free working. The CB/OS-2 asset at Suvali maintained its seventh year of safe and successful operations. Ravva has had two successive years of LTI-free operations.
- Rajasthan projects and the pipeline commissioned without any LTIs or oil spills.
- The crude oil export pipeline team completed its first year of operations without any LTI and the project team crossed 12.5 million LTI free man-hours during FY2011.
- The petroleum engineering team completed more than 1,200 well interventions without any LTI.
- All new project facilities were started successfully by implementing a comprehensive gated process system and a Ready For Start Up (RFSU) system that ensured safe and incident free commissioning of all facilities.



Volatile Organic Compounds in Tonnes

site. Additional safety training was provided to the construction workforce to enhance safety understanding and competence in safe working practices. This was a key initiative in delivering the high level of performance in our construction projects. It also resulted in the local contractors and the labour force becoming better prepared to provide services to Cairn India and other businesses in the future.

Security

FY2011 also saw specific focus on the security of the Company's installations, keeping in view the external environment as construction was completed and facilities were commissioned. Cairn India worked closely with State authorities to ensure plans were aligned with government systems and protocols to ensure support can be provided efficiently when necessary for both onshore and offshore facilities.

HSE Management of the Contractors

Contractors engaged at various projects have contributed significantly in achieving excellent HSE performance. To meet our HSE standards, various capacity building programmes were organised for contractors. These included:

- Releasing a detailed performance-oriented manual on contractor HSE requirements;
- Setting up and communicating expectations and risk based targets for contractors;
- Creating ownership and oversight of HSE compliance by Cairn India's line managers and supervisors; and
- Having financial incentives / penalties for HSE performance of the suppliers / contractors.

Occupational Health

Cairn India focuses on occupational health practices to prevent work related illness amongst the employees and contractors. In addition, various health promotional activities and wellness programmes are regularly initiated to maintain a healthy workforce. Standards have been established to provide quality medical care - in terms of emergency care as well as preventive health - across all the Company assets and project work sites. During the year, regular health audits and inspections

Green belt development at Ravva onshore terminal, Andhra Pradesh

were conducted at all the operating and construction sites.

Quality

The Company's quality achievements for FY2011 can be summarised thus:

- Quality Management System (QMS) Manual was issued;
- QMS awareness workshops were conducted at all the Company assets;
- All projects implemented a comprehensive QMS;
- Detailed Quality Assurance audits were conducted across the Rajasthan assets;
- Integrated HSE and Quality Audits were conducted across all operating assets; and
- Internal Quality Audit training was imparted to Cairn India's staff across various functions to make them aware of roles and responsibilities of auditees and the auditors, and to brief them about Quality Audit procedures.

Environment

Environmental Impact

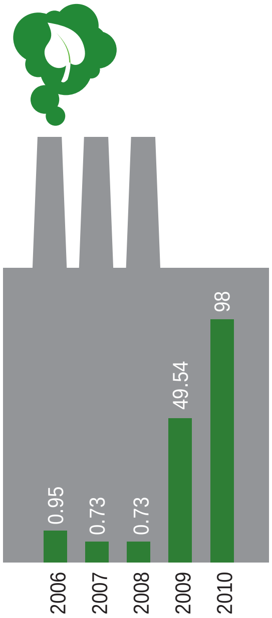
Cairn India recognises its responsibility of minimising the impact of its operations on the environment. The Company introduced stringent measures, from initial impact assessments to waste management, and, in the event of any unplanned incident, has put in place comprehensive emergency response and oil spill contingency plans.

Climate Change

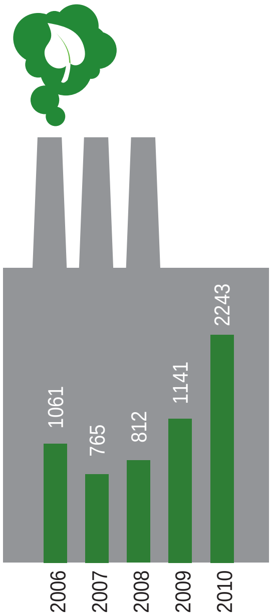
Cairn India is in the business of hydrocarbon exploration and production. The Company acknowledges that climate change is a complex, global issue with many causes (both natural and man-made) and that it can help to limit its impact by following good practices and continuously working at minimising its environmental footprint.

The Company's approach to each new project includes undertaking Preliminary Environmental Impact Assessments (PEIAs), Environmental Impact Assessments (EIAs) and Social Impact Assessments (SIAs), to minimise any potential impacts of its activities. During the year, the Company undertook – with the assistance of selected independent consultants – PEIAs for all its seismic and site survey activities, and for its planned drilling operations in Sri Lanka.

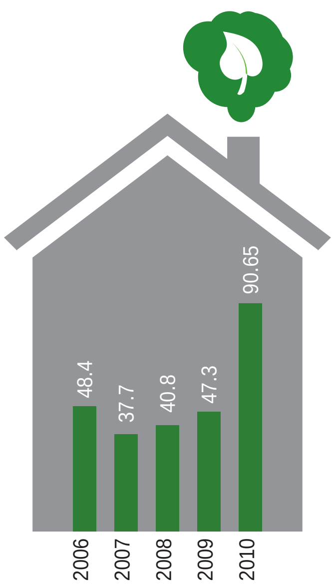
During the year, the Company undertook Preliminary Environmental Impact Assessments for all its seismic and site survey activities, and for its planned drilling operations in Sri Lanka



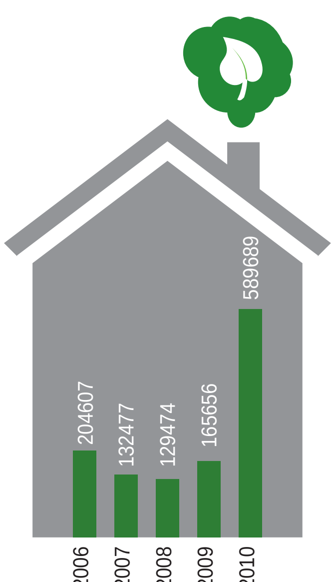
SO_2 Emissions in Tonnes



NOx Emissions in Tonnes



Direct GHG Intensity
Tonnes CO_2 / 1000 tonnes of Hydrocarbon produced



Direct GHG Emissions
Tonnes CO_2

Over the years, the Company has maintained its focus on protecting the environment in areas surrounding its operations. Some of the measures taken are:

Afforestation — Public Private Partnership, The Banaskantha Project

Cairn India undertook plantation activities in several districts of Gujarat where tree felling was necessitated for the laying of the Barmer-Salaya pipeline. To ensure that all stakeholders took ownership of the project, the local district authorities and administration were consulted and several programmes were initiated. A detailed afforestation action plan was developed for implementation in a phased manner. With the support of the local administration, the land use was converted to forest land and around 22,000 trees were planted, which are now being monitored and looked after by local communities and dedicated government staff.

Landfill facility at the MPT, Barmer

A waste management facility consisting of a captive engineered landfill for hazardous and non-hazardous waste and a high temperature incinerator has been established within the MPT. It is used for disposing of all non-recyclable wastes generated from the Rajasthan operations. The landfill - designed according to Central Pollution Control Board standards and approved by the Rajasthan State Pollution Control Board - has separate sections for hazardous and non-hazardous waste. It has the capacity to handle wastes generated over a 20 year period. The landfill has a primary and secondary leachate collection system. The leachate is solar evaporated and the residue is disposed off in the landfill. The incinerator is primarily used for hazardous organic waste consumables, bio-medical waste and oil contaminated filters or those that cannot be recycled. Ash from the incineration is also disposed off in the landfill.

Micro-tunnelling at river crossings

Special care has been taken to mitigate environmental impacts during the laying of the pipeline across rivers, streams and canals. The oil export pipeline crosses more than 50 water channels en route from Barmer to Salaya. The laying of pipe at perennial rivers and canal crossings was done through micro-tunnelling to avoid affecting the flow of the water body or the river bed. Cairn India conducted specific ecological and bio-diversity studies at major water body crossings before the start of construction activities to assess the ecological sensitivity and to develop location-specific mitigation measures. Such surveys were again carried out after completion of the construction. The surveys show that there has been no detrimental environmental impact. Stabilisation of bank slopes and/or river beds was also done to prevent potential erosion during monsoon.

Land acquisition for the pipeline

Agricultural land along the pipeline route was acquired from farmers after paying due compensation for the temporary use of the land, standing crops and/or other facilities impacted. After completion of the project activities, the land was restored and returned to the owners to continue farming. The entire land acquisition was done according to the process outlined in the Petroleum and Mineral Pipelines (Acquisition of Right of User in Land) Act, 1962, and was completed by the CA appointed by the State Governments of Rajasthan and Gujarat.

Setting standards for the labour camps

The Rajasthan project activities at the MPT and along the pipeline involved a large labour force. Realising the need to ensure hygienic living conditions, Cairn India developed its Worker Accommodation Standards. This is unique for India. It outlines the principles, guidelines and where applicable, the minimum standards that are required to be followed by the contractors.

Conservation of Energy

As a responsible corporate citizen, Cairn India continues to take steps to conserve energy and to reduce methane and other green house gas (GHG) emissions. GHG emissions during the year were within targets set at the beginning of the year, notwithstanding a rise in energy use. The

Use of renewable energy through solar panels at our offshore platforms

Company regularly monitored air emission sources and the ambient air quality, and was able to maintain emission levels well within the regulatory standards.

During the year, several energy conservation initiatives were undertaken, some of which are listed below:

At Ravva

- Additional windmills were installed on the Ravva offshore platforms. Installing 400 watt windmills has resulted in an energy saving of 0.59 Mega Watthour (MWh); and
- Solar powered lights were installed in the process plant, living quarters and some other areas at the Ravva onshore facilities. Installation of 14 watt solar powered lights resulted in an energy saving of 0.12 MWh.

At CB/OS-2

Energy conservation at the Suvali plant was achieved by the installation of new energy efficient air compressors.

At the Corporate Office in Gurgaon, Haryana

Several energy conservation initiatives at the Cairn Gurgaon office have resulted in saving approximately 200,708 kwh (units) of electricity during the year. Initiatives include:

i. Emergency lights being switched off after working hours and on holidays;
ii. Air handling units start at 7 AM and are switched off when the employees leave office;
iii. Lights in empty cubicles being switched off after 6 PM; and
iv. Lights being switched on by the employees when they arrive on duty.

With the support of the local administration, the land use was converted to forest land and around 22,000 trees were planted, which are now being monitored and looked after by local communities and dedicated government staff

Internal Controls and their Adequacy

During FY 2011, Cairn India further strengthened internal controls by not only increasing compliance to existing policies but also rolling out revised procurement policies and systems. Enhancements were made to the business risk management system in line with best practices; tracking of business critical information was intensified and documented in an online portal; and third party reviews of the various internal control processes have led to improvements in the Company's business systems and processes.

Business Risk Management Process

Cairn India's business risk management system identifies and documents business risks and appropriate controls to mitigate these across all aspects of the Company's business. The risk management policy has been defined and establishes the principle by which risks are managed across the Company. The risk management process is cascaded throughout the Company with independent function-specific risk management sub-committees that include appropriate cross functional membership. These sub-committees address risks pertinent to the asset, project or function, and provide regular reports to the Risk Management Committee. The Risk Management Committee reviews these reports at its meetings and considers other risks not captured by the sub-committees to derive the overall Cairn India Group risk assessment.

Operating Policies and Procedures

Operating policies, as considered essential by senior management, have been disseminated to appropriate departments / functions to increase awareness and compliance. A new procedure was introduced for procurement activities to strengthen internal controls and ensure JV alignment was rolled out. Cairn India's operational policies, procedures and activities have been subjected to internal audits and peer reviews. Implementation of the recommendations arising from all the audit reports is regularly monitored by the senior management.

Legal and Commercial Procedures

These have been actively disseminated throughout the Company. A process is ongoing to ensure that policies and procedures are in place for all key activities. A legal compliance management system has been developed to track regulatory compliance requirements. It has been successful in identifying areas which require immediate legal attention and has, thus, reduced the chances of penalties against the Company for non-compliance.

Code of Business Ethics

The Cairn India Code of Business Ethics was distributed throughout the Company in FY2011. Staff have verified that they have understood and accepted the provisions of the Code.

Financial and Management Reporting

Financial policies, standards and delegations of authority have been disseminated to senior management for further dissemination to staff within their departments. Procedures to ensure conformance with the policies, standards and delegations of authority have been put in place covering all activities. There are periodic assessment of the accuracy and reliability of the budget and forecast model with respect to the actual results.

Robust System of Audit Review of Operating and Financial Activities

Cairn India's processes and financial activities are subjected to independent audits by internal as well as statutory auditors. Implementation of the recommendations arising from all the audit reports is regularly monitored by the senior management. Internal and statutory audit reports and findings, including comments by the management, are regularly placed before the Audit Committee of the Board of Directors.

Performance Setting and Measurement

Objectives and key performance indicators have been drawn up to meet the business plans and work programme. A system is in place to monitor and report on the progress of the key performance indicators to the Executive Committee and the Board of Directors.

Business Continuity

Emergency response and management plans are in place for all operations. A business continuity plan covering the key risks for the Corporate Office at Gurgaon has been rolled out. A strategy is being formulated for a pan-India business continuity plan covering all sites, which is expected to be completed in CY2012. Three simulation exercises were carried out during the year to check the efficiency and preparedness of the staff.

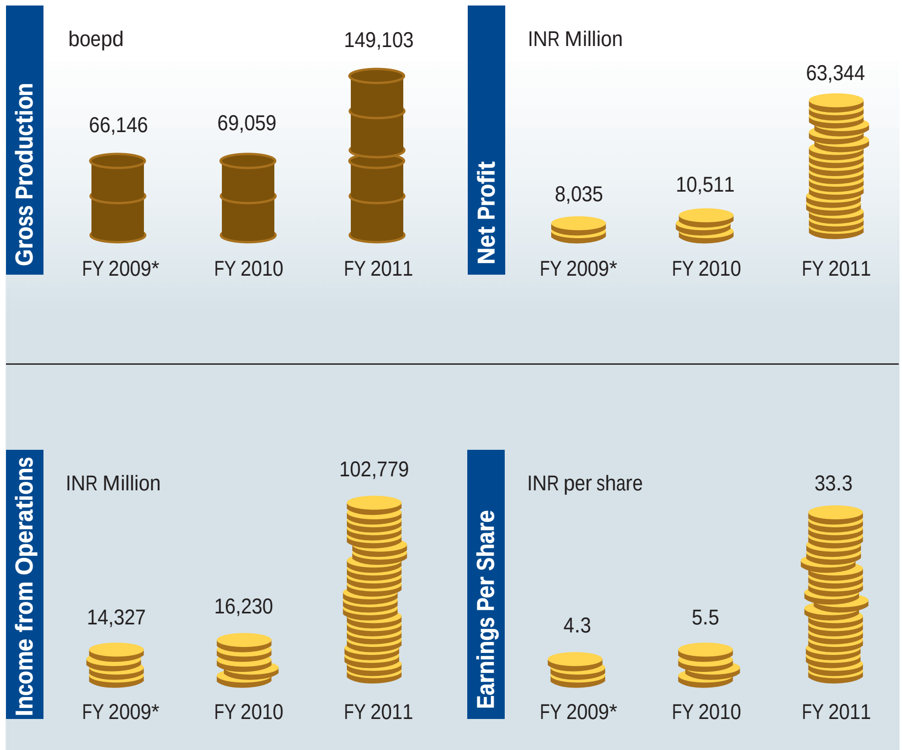
A new and advanced version of the Corporate Responsibility Management System (CRMS) database was developed in-house and launched across the organisation. It is used for prompt reporting of incidents, accidents and to monitor performance indicators of different HSEA functions. The CRMS database acts as a single point information bank with a structured and consistent approach across geographic areas and helps create a high level of HSE ownership throughout the organisation.

Cairn India's strategy for risk management is to go beyond compliance and create a position wherein there is an embedded culture of informed risk acceptance supported by an effective framework to both create and foster growth.

Abridged Financials

Highlights for FY2011

- Profit after tax crossed USD 1 billion; was at INR 63,344 million (USD 1,390 million).
- Operating revenues at INR 102,779 million (USD 2,255 million).
- Average daily gross operated production at 149,103 boepd.
- Average crude oil price realisation was USD 79.1 per bbl. Average gas price was USD 4.55 per million standard cubic feet, resulting in an average price realisation of USD 76.8 per boe.
- Net cash of INR 29,070 million (USD 651 million) as on 31 March 2011.
- Gross cumulative Rajasthan development capital expenditure stood at USD 2,995 million of which USD 703 million was spent during FY2011.
- The Company replaced its Rupee financing facility of INR 40 billion (USD 850 million) with an innovatively structured unsecured NCD of INR 22.5 billion (USD 500 million).
- The NCD issue was rated ‘AAA’ by CARE for an aggregate amount of INR 30 billion.
- The Company and some of its wholly owned subsidiaries (Cairn Energy India Pty Limited and the BV companies) have undergone a Scheme of Arrangement. After the approval and implementation of the scheme, the Company will directly own the Indian businesses, which are currently owned by some of its wholly owned subsidiaries. The Scheme is approved by the shareholders and 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.



Audited financial results of Cairn India Limited and its subsidiary companies for FY2011:

Consolidated Profit And Loss Account for the Year ended 31 March, 2011
(All amounts are in INR Million, unless otherwise stated)

	Year Ended 31 March, 2011	Year Ended 31 March, 2010	Year Ended 31 March, 2009*
Income from operations	102,779	16,230	14,327
Total Income (includes Other Income)	102,955	20,307	19,837
Total Expenditure	19,217	8,510	7,196
Earnings before Depreciation Interest and Tax (EBIDTA)	83,738	11,796	12,640
Finance Cost	2,909	148	64
DD&A	11,930	1,485	2,698
Profit before taxation	68,900	10,163	9,879
Total tax	5,556	-348	1,844
Profit for the year / period	63,344	10,511	8,035
Paid up Equity Share Capital (face value of INR 10 each)	19,019	18,970	18,967
Reserves excluding Revaluation Reserves	383,358	319,250	308,668
Earnings Per Share (in INR)			
Basic	33.36	5.54	4.31
Diluted	33.20	5.52	4.28
Public Shareholding			
Number of Shares	718,673,310	713,730,341	669,824,025
Percentage of Shareholding	37.79%	37.62%	35.32%

* Please note that the FY2009 refers to the 15 month period January 2008 – March 2009.

A three tier crisis and emergency management system is in place which enables a rapid response from the impacted site through to the Corporate level. Plans are implemented across Cairn India which provides the platform for effectively launching a large scale response in case of any disaster

Business Risks

Due to the inherent nature of oil and gas exploration and production business, managing risks is of prime importance for Cairn India. The senior exployees and the Board of Directors are aware of the risks; and the management takes steps when needed to mitigate such risks to the best possible extent, for example:

1. Exploration and production operations involve risks such as natural disasters and geological uncertainties, over which Cairn India has no control.

Cairn India's assets are designed with inherent safety systems to minimise the consequences of any disasters and safe shutdown of facilities. All operations and facilities of Cairn India are subjected to a robust and rigorous risk assessment process and appropriate risk mitigation plans and controls are implemented throughout the life cycle.

Disaster Management Plans are developed for each facility and implemented across Cairn India's assets. Periodic exercises are conducted in collaboration and participation with the local authorities. A three tier crisis and emergency management system is in place which enables a rapid response from the impacted site through to the Corporate level. Plans are implemented across Cairn India which provide the platform for effectively launching a large scale response in case of any disaster.

2. Approvals from joint venture and GoI may lead to plateau production rates from the Rajasthan fields being less than forecast.

The estimates of production rates and field life for the Mangala, Bhagyam, Aishwariya, Raageshwari and Saraswati fields are contained in their respective FDPs — which were submitted to, and approved by, the Rajasthan Block PSC Management Committee. These are based on Cairn India's estimates of future field performance. If the estimate of future production rate in any field is in excess of the approved field plateau production rate, Cairn India will need prior consent of the JV partner, the appropriate regulatory authorities and the GoI before commencing production beyond the approved rate. In case, consent of the JV partner or the regulatory authority is delayed or not obtained, production has to be limited to the rate set out in the FDP.

There are two mitigating factors. First, up to now, approvals have come from the JV partners, the DGH and the MoPNG. Second, the estimates based on which the FDPs have been made are subject to stringent checks by the internal team and third party consultants; and reservoir performance to date has shown that the estimates have been in the right direction.

3. The construction of the Salaya to Bhogat section of the crude pipeline and the Bhogat Terminal may take longer than planned and the cost of construction may be greater than forecast.

While work has commenced on the construction of the Salaya to Bhogat section of the crude pipeline, there is a risk that the construction, installation and commissioning of this section, which is approximately 80 km long and at the Bhogat Terminal, could take longer than planned. Factors that could adversely affect the schedule are: (i) inclement weather conditions in Gujarat; (ii) difficulties in obtaining all the required RoU access to the pipeline including difficulties with the local community threatening to disrupt site access due to their increasing demands for contracts and employment on the project; (iii) difficulties with local landowners obstructing access to the pipeline routes; (iv) shortages and/or delays in obtaining all the required material and equipment on site; (v) shortages of skilled labour; and (vi) non-compliance by the contractors to Cairn India's health, safety, environmental and quality policies.

Construction of the Salaya to Bhogat section of the pipeline has been approved by ONGC, the relevant regulatory authorities and the GoI. The estimated costs were included as part of the overall cost estimates for construction of the main pipeline. Although these estimates allowed for some increase in costs, there is a risk that the actual costs might be higher. The Company has finalised most of the contracts and every effort is being made to control the cost. Regular updates on the progress are being provided to the JV partner.

The Company is making every effort to control the costs and mitigate the impact of the factors listed above.

4. Cairn India is, and may become, involved in proceedings in relation to payment of royalty and cess for the production of crude oil from the Mangala field in Rajasthan.

Cairn India has a participating interest of 70% in the Rajasthan block (RJ-ON-90/1) and is also the operator. ONGC holds the remaining 30% participating interest.

Under the PSC executed for this block, in the view of Cairn India, royalty and cess are payable by ONGC as the licensee and these are not part of the contract cost for the purpose of cost recovery.

ONGC has been paying royalty to Government of Rajasthan for the crude production every month. However, ONGC has contended that the royalty payable under this PSC should be considered as a contract cost for cost recovery purposes. However, to date, Cairn India has no formal intimation from GoI or ONGC of any dispute, demand or allegation of royalty being part of contract cost for cost recovery purpose. Cairn India has secured legal opinions in its favour and believes that it has a strong case.

Cairn India has initiated arbitration proceedings against the GoI and ONGC pursuant to a claim notice seeking Cairn India to pay cess on oil produced from the Rajasthan block to the extent of the Company's participating interest in this block.

In the event that royalty is considered to be part of contract cost for cost recovery or Cairn India is held liable to pay its 70% share of cess, there would be a material adverse effect on its business, financial condition and results of operations.

5. Adverse changes in general economic, political and market conditions in the Middle East and North Africa region may affect global conditions.

Wars, acts of terrorism and uncertain political or economic prospects or instability in the Middle East and North Africa (MENA) may adversely impact global financial markets and increased volatility in the price of crude oil. Recent protests in North Africa and the Middle East may continue and broaden across the MENA region and lead to significant political uncertainties in a number of countries.

Cautionary Statement

Statements in this Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable laws and regulations. Actual results might differ substantially or materially from those expressed or implied. Important developments that could affect the Company's operations include a downtrend in the sector, significant changes in political, regulatory and economic environment in India, exchange rate fluctuations, tax laws, litigation, labour relations and interest costs.

Wars, acts of terrorism and uncertain political or economic prospects or instability in the Middle East and North Africa may adversely impact global financial markets and increased volatility in the price of crude oil

Milestones - FY2011

April - June, 2010

Ravva
New 8" RE-RF water Injection / Oil pipeline commissioned

Coiled Tubing workover for three wells completed

CB/OS-2
Achieved 9 million man-hours of LTI free operations

Mangala Crude Oil Pipeline
Cairn India and ONGC commenced sales through the world's longest continuously heated and insulated crude oil pipeline.

The MPT to Salaya section of approximately 590 km becomes operational along with the final delivery infrastructure to each buyer

RJ-ON-90/1
Train Three commissioned in June 2010 to attain MPT processing capacity of 130,000 bopd

Train Two and Train Three at the MPT operational and processing >100,000 bopd

Others
PSC signed for the two blocks, KG-OSN-2009/3 and MB-DWN-2009/1, awarded under NELP – VIII bidding round

Data interpretation ongoing for 3D seismic data acquired for the Palar Block and the Mannar Block

July - September, 2010

Ravva
Additional perforations carried out and high water cut zones isolated in RD-1 well

CB/OS-2
Successfully completed engine change out in the Gas Turbine Compressor

Mangala Crude Oil Pipeline
Pipeline sales started to IOC in July 2010.

Safe delivery of more than 10 mmbbls of Mangala crude through the pipeline to private and PSU refineries in Q2 FY2011

RJ-ON-90/1
Completed one year of successful production from the Mangala field; currently producing at a rate of 125,000 bopd

Mangala EOR pilot production and injection wells drilled and completed; start-up injection testing commenced

Bhagyam development and infrastructure extension work commenced

Others
Raised INR 22,500 million (USD 500 million) through INR Unsecured Non-convertible Debentures

Cairn-Vedanta Deal announced on 16 August 2010

October - December, 2010

Ravva
Achieved 4 million man-hours of LTI free operations

CB/OS-2
Crossed 200 bcf of gas sales

OHSAS 14001 and ISO 18001 re-certification obtained–valid up to 2014

Mangala Crude Oil Pipeline
The pipeline system availability at 98.7% within six months of start-up

RJ-ON-90/1
First full quarter of Mangala approved plateau production at approximately 125,000 bopd

Mangala EOR - water injection phase of the pilot commenced

Others
Exploration activities in the two NELP-VIII blocks KG-OSN-2009/3 and MB-DWN-2009/1 commenced

Force Majeure declared in the PR-OSN-2004/1 block until permission is granted to continue drilling / survey activities in the area designated as inaccessible by the Department of Space, GoI

Await GoI approval on the Cairn Vedanta deal

January - March, 2011

Ravva
Infill drilling and well maintenance campaign commenced

Produced Water Re-injection Phase-II project commissioned

The Ravva facilities had an uptime of more than 97% in FY2011

Average gross production for FY2011 was 36,942 boepd

CB/OS-2
Crossed 10 mmbbls of crude oil production

Gauri GBA term-sheet extended with Hazira JV for 2 years for FY2011 and FY2012

The CB/OS-2 facilities had an up-time of more than 99% in FY2011

Average gross production for FY2011 was 11,169 boepd

RJ-ON-90/1
Construction work for Bhagyam trunk line to connect Bhagyam field with MPT ongoing with completion targeted in June 2011

Cumulative revenue in excess of USD 3 billion realised since start of crude oil production from Mangala,

The plant uptime stood at more than 99% in FY2011

Average gross production for FY2011 was 100,993 bopd

Others
Await GoI approval on the Cairn Vedanta deal

We strive to empower local communities through sustainable development models that foster inclusive growth. To this end, we work to address local needs while partnering with government agencies

Corporate Social Responsibility

OVERVIEW

Cairn India is committed to the highest standards of Corporate Social Responsibility (CSR). It is our conviction that business growth goes hand-in-hand with empowered communities and the creation of value for our stakeholders.

We consider our commitment to conducting operations in a socially and environmentally responsible manner as fundamental to long-term success; and are focused on creating value and making a difference where we operate through community development initiatives. We strive to empower local communities through sustainable development models that foster inclusive growth. To this end, we work to address local needs while partnering with government agencies to support long-term nation building process.

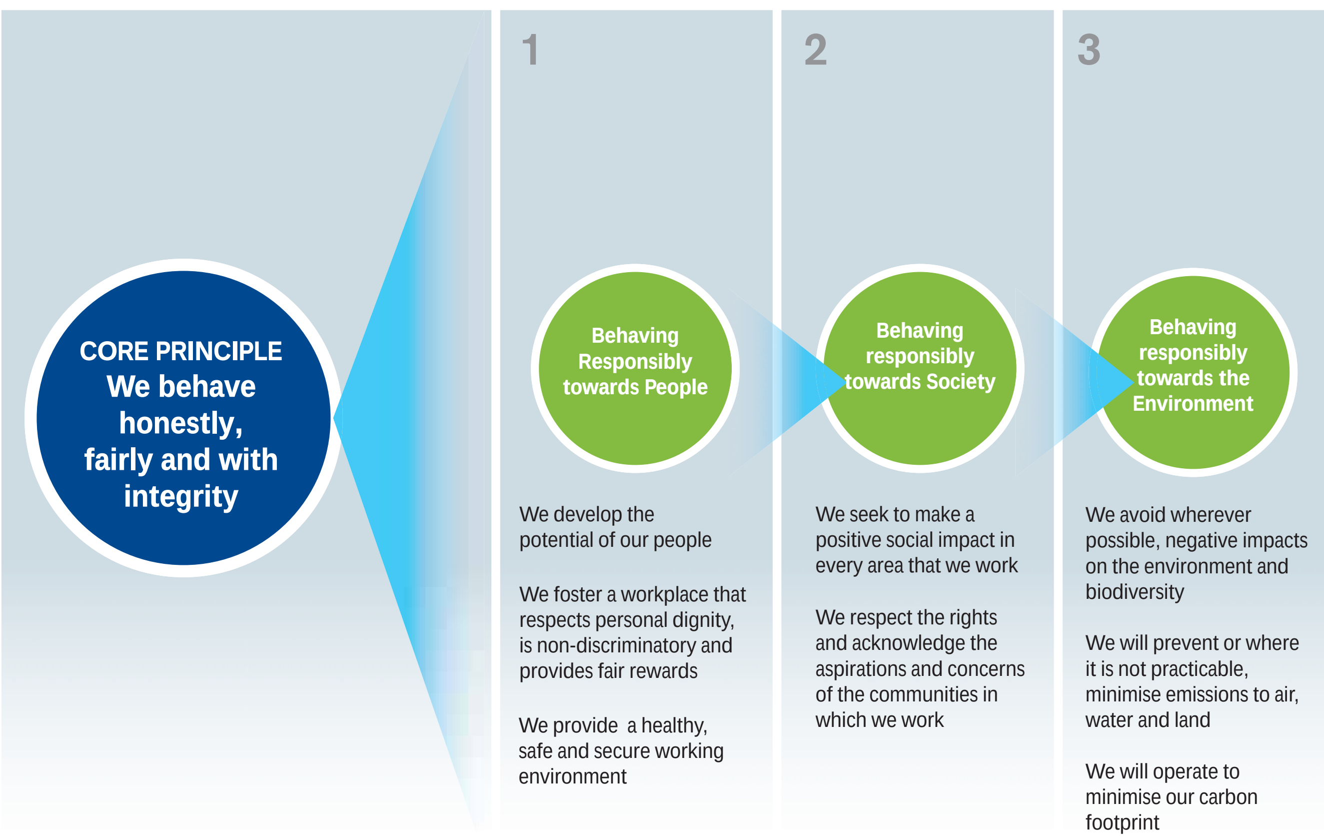
We try to make a difference where we operate through our ideology of 'Respect, Relationships and Responsibility', or the 3Rs. This ideology comprises a core and an overarching principle, buttressed by three principles focused on people, the environment and society (see diagram below).

OBJECTIVES

Strategic
Designed to establish best practices in the field of CSR and chartering a new path for others to follow.

External
Aimed towards a positive engagement with the external stakeholders to enlist support for CSR initiatives and derive a vision striking a balance with the expectations and needs of external stakeholders.

Internal
Directed towards seeking active participation of internal stakeholders, namely employees, investors and supply chain members.



Enhancing handicraft skills of local women in Barmer, Rajasthan

FOCUS AREAS

Cairn India is committed to the Millennium Development Goals and we will continue to leverage our CSR activities and bring the benefits of energy development to the communities.

We focus on inclusive growth by fostering social capital through health and education initiatives and creating access to opportunities and resources through economic development and infrastructure support initiatives. The key to all this is developing long-term sustainable partnerships with local communities.

Cairn India aims to ensure that employment opportunities resulting from our operations benefit local communities. During FY2011, as most of the construction at the MPT was completed and the pipeline was commissioned, we had to reduce the number of construction workers and contractors needed at the site. Consequently, we developed an alternative employment strategy for the local communities in the post-construction phase. This not only involved re-engaging people at our Bhagyam and Aishwariya fields, but also the local populace suitable for other jobs such as housekeeping, catering, maintenance and electrical work.

We support local communities in the development of business and employment skills. In 2007, Cairn India set up a partnership with the IFC. One of the most successful initiatives to result from this is the Enterprise Centre in Barmer, Rajasthan. Housed in a building provided by the State Government of Rajasthan, it is designed to promote and support local economic development. During the year, over 1,000 people underwent training at the Enterprise Centre, of which 80% secured appropriate jobs at the end of the programme. The Enterprise Centre also has programmes to help people looking to start their own business. During the year, nearly 400 local women enhanced their livelihood opportunities after taking part in specialised handicraft courses.

Although the initial partnership with the IFC has now ended, Cairn India is working to strengthen the future of the Enterprise Centre as a key resource for the local community. It has been registered as an independent, not-for-profit organisation that will continue to help build local enterprises and entrepreneurial talents, and drive local economic empowerment by developing community-owned, sustainable businesses.

Infrastructure

We recognise the role of infrastructure in development, and work closely with local administration and communities surrounding our areas of operations - be it in Ravva, Barmer or Suvali to aid and improve existing infrastructure facilities. From building roads to improve access to the project site and water harvesting structures in Rajasthan, to providing health infrastructure and sanitation facilities in Ravva, we have tried to align our social responsibility initiatives with local infrastructure development.

PARTNERS IN OUR SUCCESS

International Finance Corporation

Thomson Reuters

HelpAge India

Multi Commodities Exchange of India

Department of Posts, Government of India

Room to Read India Trust

Society to Uplift Rural Economy

Economic Development

Dairy Development

Cairn India devised the Dairy Development Programme to enhance income generation opportunities for marginalised households in the villages in Barmer surrounding the Company's operations. The initiative encourages farmers, often living on the edge of poverty, to pool their surplus milk and turn it into a marketable commodity - thus providing a year-round, stable source of income.

We have helped to create a bulk collection and distribution network for milk in the villages. The project has also ensured:

- Dairy management training for more than 900 cooperative members;
- Immunisation of more than 2,500 cattle; and
- Personal insurance of more than 375 dairy farmers and 175 heads of cattle.

To ensure sustainability, 10 dairy cooperatives have been registered with SARAS, the state's milk cooperative society. In addition, 70 dairy farmers have received microfinance loans to help them develop their businesses.

So far, the dairy development project has generated approximately INR 30 million for the local communities.

Gramin Suvidha Kendra (GSK)

In order to provide agriculture input support to the farmers along the pipeline, Cairn India has collaborated with the Multi Commodities Exchange of India for implementing the GSK project. Six GSKs are operational at Viramgam, Radhanpur, Bhatia, Wankaner, Muli and Tharad.

These GSKs are designed to provide farmers with the services to improve crop productivity and post-harvest support, and include:

- Details of crop prices of the day, and forward prices of the next five days;
- Advice by agricultural experts on particular products;
- Services to farmers allowing

Happy communities - the objective of Cairn's community engagement initiatives them to raise queries and receive answers regarding their crops;

- Storage facilities;
- Expert inputs on how to produce quality crops and maintain that quality over a period of time; and
- Insurance cover for crops.

Education

Cairn India has been working closely with the Government of Gujarat to promote the 'Vanche Gujarat' programme. This is a State Government initiative to promote primary education and to strengthen the education system in the villages. Cairn India has helped to establish 24 new libraries as part of the Rural Library Project in the villages along the pipeline.

In addition, we run an innovative programme called 'Science on Wheels'. A specially fitted-out van travels between villages and gives young people the chance to take part in hands-on scientific experiments, sparking curiosity, encouraging creative thinking and problem-solving skills, and enhancing student–teacher interaction. It also helps the students to understand the role that science plays in their everyday lives.

As part of its commitment to education, Cairn Lanka (Private) Limited has also signed a Memorandum of Understanding (MoU) with the Government of Sri Lanka to assist in the construction and setting-up of libraries at a number of identified schools in the Moneragala district for the benefit of children in the area. The project will be implemented in a phased manner to ensure proper usage of the libraries by the school children.

Health Initiatives

As part of Cairn India's CSR commitment, we have a policy to improve healthcare access for local people in the communities surrounding our operations.

Our mobile health vans visited more than 100 remote villages in Rajasthan and Gujarat, which would otherwise have had little or no access to healthcare services. Each van is staffed by a doctor, a pharmacist and a social worker. This was accomplished in partnership with HelpAge India, a national non-governmental organisation (NGO) that runs similar schemes in other parts of the country too. The project has a strong emphasis on preventive healthcare through awareness programmes.

Our work with the IFC included an HIV/AIDS awareness programme as part of the Child, Maternal and Reproductive Health Awareness initiative. This has been developed in partnership with the Centre for Development and Population, an international NGO that works on women and youth empowerment issues around the world.

We also attempt to improve the availability of safe drinking water in the communities where we work.

During the year, the health initiatives benefited more than 50,000 people.

Awards and Recognitions

HelpAge Silver Plate Award (2010)
On 1 October 2010, Cairn India was awarded HelpAge India's prestigious 'Silver Plate Award' for its contribution towards the care of underprivileged elderly people. The award was presented by Mr Prithviraj Chavan, Minister of State in the Prime Minister's Office, in the presence of key dignitaries from the industry and the government.

Golden Peacock Award for Corporate Social Responsibility (2011)
The Golden Peacock Awards are recognised worldwide as the hallmark of corporate excellence in community development initiatives. The Awards jury was led by Mr P N Bhagwati, former Chief Justice of India and Member, UN Human Rights Commission. The award was presented by Rt. Hon Baroness Verma, Minister in Government Whips Office and House of Lords Spokesperson for International Development, UK on 29 April 2011.

Our Mobile Health Vans visited more than 100 remote villages in Rajasthan and Gujarat, which otherwise have little or no access to healthcare services


HITACHI

CORPORATE GOVERNANCE

The corporate governance philosophy of Cairn India Limited ('Cairn India' or 'the Company') is structured to institutionalise policies and procedures that enhance the efficacy of the Board and inculcate a culture of accountability, transparency and integrity across the Cairn India group as a whole.

Report on Corporate Governance

Board of Directors

COMPOSITION, BOARD PROCEDURE AND INFORMATION SUPPLIED TO THE BOARD

As on 31 March, 2011, the Board comprised 10 Directors, including seven non-executive Directors, four of whom are also independent. In terms of Clause 49 of the Listing Agreement, the Company is required to increase the number of independent Directors to at least half the strength of the Board. The Company is actively engaged in the process of inducting two more independent Directors with requisite expertise.

The Chairman of the Board is a non-executive Promoter Director. All non executive Directors are renowned professionals, having diversified experience and expertise in finance, economics, oil and gas exploration and general administration.

The Board has three executive Directors, namely Rahul Dhir, Indrajit Banerjee and Rick Bott. The executive Directors have been appointed for a term of five years, except Rick Bott, who has a three years contract. The present term of contract of Rahul Dhir and Rick Bott expires on 21 August, 2011 and 14 June, 2011 respectively.

The composition of the Board as on 31 March, 2011 is given in Table 1. None of the Directors is a member of more than 10 Board-level committees of Indian public limited companies; nor are they chairmen of more than five committees in which they are members. Moreover, none of the Directors is related to the other, or to any other employee of the Company. During the period under review, Mr. Phillip Tracy ceased to be an alternate director with effect from 17 August, 2010. He was again appointed as alternate director to Ms. Jann Brown on 10 February, 2011 and ceased to be so on 23 May, 2011.

The Company follows a structured process of decision-making by the Board and its Committees. The meeting dates are usually finalised well before the beginning of the year. Detailed agenda, management reports and other explanatory statements are circulated at least seven days ahead of the meeting. To address specific urgent needs, meetings are also called at shorter notice but never less than a minimum of seven days. In some instances, resolutions are passed by circulation. These are often preceded by Board discussions through audio conference. The Board is also free to recommend inclusion of any matter in the agenda for discussion. Senior management officials are called to provide additional inputs on the matters being discussed by the Board/ Committee.

The Board has complete access to all relevant information of the Company. The quantum and quality of information supplied by the management to the Board goes well beyond the minimum requirement stipulated in Clause 49. All information, except critical price sensitive information (which is handed out at the meetings), is given to the Directors well in advance of the Board and Committee meetings.

NUMBER OF BOARD MEETINGS AND THE ATTENDANCE OF DIRECTORS

During the year ended 31 March, 2011, the Board of Directors met five times on: 27 May, 2010, 27 July, 2010, 15 September, 2010, 28 October, 2010 and 10 February, 2011. The maximum gap between any two meetings was less than four months.

Table 2 gives the Directors' attendance at Board Meetings and the Annual General Meeting (AGM) during the year ended 31 March, 2011.

DIRECTORS' REMUNERATION

Table 3 lists the remuneration paid or payable to the Directors. The non-executive Directors do not have any material pecuniary relationship or transactions with the Company, other than sitting fees / Directors' remuneration paid / payable to them. The non-executive Directors are eligible for commission up to 1% of net profits as permitted by the Companies Act, 1956 and as approved by shareholders in the annual general meeting held on 20 September, 2007.

During the year under review, 41,036 options were granted to Mr Indrajit Banerjee under the Cairn India Performance Option Plan, 2006 (CIPOP). These were granted on the basis of his performance in contributing to business results, organisational strength and market position of the Company and criticality of the role assigned. The vesting period is minimum three years, subject to the fulfilment of performance conditions in the Plan. The exercise period is three months from the date of vesting of options. In addition, 56,652 cash options were granted to Mr Rick Bott under the Phantom Performance Option Plan.

During the year under review, 126,234 options were exercised by Mr. Indrajit Banerjee.

SHAREHOLDING OF NON-EXECUTIVE OR INDEPENDENT DIRECTORS

Sir William B. B. Gammell, Ms Jann Brown and Mr Malcolm Shaw Thoms, who are non-executive Directors of the Company, hold one equity share each in the Company as nominees of Cairn UK Holdings Limited. Apart from this, none of the non executive or independent Directors holds any equity shares or convertible instruments of the Company.

CODE OF CONDUCT

The Board of Directors has laid down a 'Code of Business Ethics' which is applicable to everyone in the Cairn India Group including employees, contractors and Directors. Details of the Code are available at www.cairnindia.com. All Directors and employees including senior management have affirmed compliance with the Code for the year ended 31 March, 2011.

COMMITTEES OF THE BOARD

Audit committee

The Company has an adequately qualified Audit Committee. As on 31 March, 2011, the Committee comprised five non-executive Directors: Mr Aman Mehta (Chairman), Mr Naresh Chandra, Ms Jann Brown, Dr Omkar Goswami and Mr Edward T. Story. Four of the five members are independent. All members have the financial knowledge and expertise mandated by Clause 49 of the Listing Agreement. The current charter of the Audit Committee is in line with international best practices as well as the regulatory requirements mandated by SEBI and Clause 49 of the Listing Agreement.

Mr Indrajit Banerjee, Executive Director and CFO, Mr Raj Agarwal, Partner, S. R. Batliboi and Co., and Mr. Arup Chakraborty, Chief Internal Auditor of the Company are invitees to the meetings of the Audit Committee. Ms Neerja Sharma, Company Secretary is the Secretary to the Committee. During the year ended 31 March, 2011, the Audit Committee met five times: on 17 May, 2010, 27 May, 2010, 26, July, 2010, 28 October, 2010 and 10 February, 2011. The attendance record of the Audit Committee is given in Table 4. Mr Aman Mehta, Chairman of the Audit Committee, was present at the Company's last AGM held on 15 September, 2010.

Shareholders' / Investors' Grievance Committee

As on 31 March, 2011, the Committee comprised three Directors: Dr Omkar Goswami (Chairman), Mr Edward T. Story and Mr Rahul Dhir.

The Chairman of the committee is an independent Director. Ms Neerja Sharma, Company Secretary, is the Compliance Officer of the Company and the Secretary of the Committee.

The Committee met once during the financial year on 10 February, 2011. Dr Omkar Goswami, Mr. Edward T. Story and Mr Rahul Dhir attended the said meeting. The Company has appointed Link Intime India Private Limited as the Registrar and Transfer Agent to handle investor grievances in coordination with the Compliance Officer. All grievances can be addressed to the Registrar and Share Transfer Agent. The Company monitors the work of the Registrar to ensure that the investor grievances are settled expeditiously and satisfactorily. The status of complaints received during the 12 months period ended 31 March, 2011 by the Registrar and Share Transfer Agent is given in Table 5.

Remuneration Committee

The Board has a Remuneration Committee to make recommendations to the Board as to the Company's framework or broad policy for the remuneration of the executive Directors and senior executives one level below the Board. As on 31 March, 2011, the Remuneration Committee comprised five non-executive Directors: Mr Naresh Chandra (Chairman), Sir William B.B. Gammell, Mr Malcolm Shaw Thoms, Mr Aman Mehta and Dr Omkar Goswami. Three of these members were independent Directors. Ms Neerja Sharma, Company Secretary, is the Secretary to the Committee.

The objective of the Company's remuneration policy is to ensure that Cairn India's executive Directors and senior executives are sufficiently incentivised for enhanced performance. In determining this policy, the Committee takes into account factors it deems relevant and gives due regard to the interests of shareholders and to the financial and commercial health of the Company. It ensures that levels of remuneration are sufficient to attract and retain senior executives of the quality required to run the Company successfully. Within the terms of the agreed policy, the Committee determines the entire individual remuneration packages for the executive Directors. The Committee is also responsible for overseeing the Company's share option schemes and long term incentive plans, including determining the eligibility for benefits and approving total annual payments.

1 Composition of the Board
As on 31 March, 2011

S. No.	Name of the Director	Executive/ Non-Executive	No. of other Directorships: Indian Listed Companies	No. of other Directorships: Indian unlisted Companies (Public & Private Companies)	No. of other Directorships: Companies registered in other jurisdictions*	Memberships/Chairmanships of Board-level Committees**: Member	Memberships/Chairmanships of Board-level Committees**: Chairman
1	Sir William B.B. Gammell	Chairman, Non-Executive Director	-	-	27	-	-
2	Ms Jann Brown	Non-Executive Director	-	-	41	1	-
3	Mr. Malcolm Shaw Thoms	Non-Executive Director	-	-	26	-	-
4	Mr. Aman Mehta	Non-Executive Independent Director	5	1	4	3	3
5	Mr. Naresh Chandra	Non-Executive Independent Director	10	4	3	9	1
6	Dr. Omkar Goswami	Non-Executive Independent Director	7	4	1	5	3
7	Mr. Edward T. Story Jr	Non-Executive Independent Director	-	-	4	2	-
8	Mr. Rahul Dhir	Managing Director and CEO	-	-	5	1	-
9	Mr. Indrajit Banerjee	Executive Director and CFO	-	-	29	-	-
10	Mr. Rick Bott	Executive Director and COO	-	-	1	-	-

Notes * Directorships in companies registered in other jurisdictions (listed, unlisted, public and private limited companies).
** Only the Audit Committee and the Shareholders' / Investors' Grievance Committee of Indian public limited companies have been considered.

2 Directors' Attendance Record for year ended 31 March, 2011

Name	No. of meetings held during the period the Director was on Board	No. of meetings attended	Presence at the last AGM
Sir William B.B. Gammell*	5	5	Yes
Ms Jann Brown**	5	4	Yes
Mr. Malcolm Shaw Thoms**	5	5	Yes
Mr. Aman Mehta	5	4	Yes
Mr. Naresh Chandra	5	5	Yes
Dr. Omkar Goswami	5	5	Yes
Mr. Edward T. Story Jr**	5	4	Yes
Mr. Rahul Dhir	5	5	Yes
Mr. Indrajit Banerjee	5	5	Yes
Mr. Rick Bott	5	5	Yes

Notes * Includes participation in the proceedings of the two Board meetings through video conference.
** Includes participation in the proceedings of one Board meeting through video conference.

3 Directors' Remuneration
For the year ended 31 March, 2011 (in INR)

Name	Salary	Perquisites	Bonus & Performance incentives	Retirement Benefits	Commission	Sitting Fee	Total
Sir William B.B. Gammell	-	-	-	-	-	-	-
Ms Jann Brown	-	-	-	-	-	-	-
Mr. Malcolm Shaw Thoms	-	-	-	-	-	-	-
Mr. Aman Mehta	-	-	-	-	-	200,000	200,000
Mr. Naresh Chandra	-	-	-	-	-	240,000	240,000
Dr. Omkar Goswami	-	-	-	-	-	260,000	260,000
Mr. Edward T. Story Jr	-	-	-	-	-	120,000	120,000
Mr. Rahul Dhir	45,546,549	50,214,451	23,234,332	4,017,951	-	-	123,013,283
Mr. Indrajit Banerjee	15,185,712	-	11,538,406	1,605,696	-	-	28,329,814
Mr. Rick Bott	30,415,148	35,371,194	16,060,000	2,759,086	-	-	84,605,428

Notes
1. Mr Rahul Dhir's salary as stated above includes salary from Cairn Energy India Pty Limited of INR 120,613,283.
2. Mr Indrajit Banerjee's salary as stated above includes salary from Cairn Energy India Pty Limited of INR 26,529,814. In addition to above remuneration, perquisite value of stock option exercised by him during the year is INR 38,839,677.
3. Mr Rick Bott's salary as stated above includes salary from Cairn Energy India Pty Limited of INR 83,405,428.
4. Mr Aman Mehta, Dr Omkar Goswami and Mr Naresh Chandra were paid a remuneration of INR 4,832,334 each from Cairn Energy Holdings Limited, Cairn Energy Hydrocarbons Limited & Cairn Energy Asia Pty Limited, respectively, in their capacity as directors in these subsidiary companies.

4	Attendance Record of Audit Committee For the year ended 31 March, 2011			
Name	Position	Status	No. of meetings held during the period the Director was a Member of the Committee	No. of meetings attended
Mr. Aman Mehta	Independent Director	Chairman	5	4
Mr. Naresh Chandra	Independent Director	Member	5	5
Dr. Omkar Goswami	Independent Director	Member	5	5
Ms. Jann Brown	Non-Executive Director	Member	5	3
Mr. Edward T Story	Independent Director	Member	5	2

5	Complaints Received and Attended During the year ended 31 March, 2011		
Nature of Complaint	No. of Complaints		
	Received	Attended	Pending
Non-Receipt of refund/orders/revalidation	18	18	Nil
Referred by SEBI	6	6	Nil
Referred by Stock Exchanges	3	3	Nil
Received from Investors	5	5	Nil
Referred by RBI/Ministry of Corporate Affairs	1	1	Nil
Non receipt of Demat Credit	6	6	Nil
Non-receipt of the Annual Report	20	20	Nil
Total	**59**	**59**	**Nil**

6	Attendance Record of Remuneration Committee For the year ended 31 March, 2011			
Name	Position	Status	No. of meetings held	No. of meetings attended
Mr. Naresh Chandra	Independent Director	Chairman	2	2
Sir William B.B. Gammell	Non-Executive Director	Member	2	2
Dr. Omkar Goswami	Independent Director	Member	2	2
Mr. Aman Mehta	Independent Director	Member	2	2
Mr. Malcolm Shaw Thoms	Non-Executive Director	Member	2	2

During the year ended 31 March, 2011, two meetings of the Remuneration Committee were held on 27 July, 2010 and 10 February, 2011. The attendance record of the Remuneration Committee is given in Table 6.

Nomination Committee

As on 31 March, 2011, the Nomination Committee comprised five Directors: Sir William B.B. Gammell (Chairman), Mr Rahul Dhir, Ms Jann Brown, Mr Malcolm Shaw Thoms and Mr Edward T. Story.

The functions of the Nomination Committee are:

- Reviewing the structure, size and composition of the Board, and make recommendations to the Board with regard to changes, if any.
- Evaluating the balance of skills, knowledge and experience of the Board and, in light of this evaluation, preparing a description of the role and capabilities required for particular appointments.
- Identifying and nominating, for the approval of the Board, appropriate individuals to fill Board vacancies as and when they arise.
- Reviewing time required from each non-executive Director, and assessing whether s(he) has given sufficient commitment to the role.
- Considering succession planning taking into account the challenges and opportunities facing the Company, and what skills and expertise are needed from members of the Board in the future.
- Ensuring that on appointment to the Board, the non-executive Directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment.

Management

MANAGEMENT DISCUSSION AND ANALYSIS

This Annual Report has a detailed chapter on Management Discussion and Analysis.

DISCLOSURES

The Company follows the accounting standards and guidelines laid down by the Institute of Chartered Accountants of India (ICAI) in preparation of its financial statements. No material financial and commercial transactions were reported by the management to the Board, in which the management had any personal interest that either had or could have had a conflict with the interest of the Company at large.

There were no transactions with the Directors or Management, their associates or their relatives etc. that either had or could have had a conflict with the interest of the Company at large. There were no penalties or strictures imposed on the Company by the stock exchange, the SEBI or any statutory authority on any matter related to capital markets, during the last three years.

CODE FOR PREVENTION OF INSIDER TRADING PRACTICES

In compliance with the SEBI regulations on prevention of insider trading, the Company has instituted a comprehensive Code of Conduct for its management and staff. The Code lays down guidelines which advise management and staff on procedures to be followed and disclosures to be made while dealing in the shares of the Company, and cautions them on the consequences of violations.

RISK MANAGEMENT

Cairn India follows well-established and detailed risk assessment and minimisation procedures, which are periodically reviewed by the Board

CEO / CFO CERTIFICATION

The CEO's and CFO's certification of the financial statements and a declaration that all Board members and senior management have affirmed compliance with the Company's Code of Business Ethics for the year ended 31 March, 2011 is enclosed at the end of this report.

SUBSIDIARY COMPANIES

All subsidiaries of the Company are unlisted wholly owned foreign companies. These subsidiaries have their own Board of Directors having the rights and obligations to manage such companies in best interest of the Company. The Company has its representatives on the Boards of subsidiary companies and regularly monitors the performance of such companies.

Shareholders

DISCLOSURES REGARDING APPOINTMENT OR RE-APPOINTMENT OF DIRECTORS

Brief profiles of the persons sought to be appointed / re-appointed as Directors at the ensuing AGM of the Company are given below:

Naresh Chandra, Non-Executive and Independent Director

Mr Naresh Chandra, age 76, was appointed as an Additional Director of the Company on 21 September, 2006. Mr Naresh Chandra holds M.Sc. in Mathematics from Allahabad University and is a retired IAS officer. Previously, Mr Chandra was the Chairman of the Committee on Corporate Governance, India's Ambassador to the USA, Advisor to the Prime Minister, Governor of Rajasthan, Cabinet Secretary to the Government of India, and Chief Secretary to the Government of Rajasthan. A reputed administrator and diplomat, Mr. Chandra serves as a Director on the boards of a number of companies. He does not hold any shares of the company as on 31 March, 2011.

Edward T. Story, Non-Executive and Independent Director

Mr Edward T. Story, 67, was appointed as an additional Director with effect from 18 March 2009. He is a science graduate from Trinity University, San Antonio, Texas and holds a Masters degree in Business Administration from the University of Texas. He has also been conferred an honorary Doctorate degree by the Institute of Finance and Economics of Mongolia and is Chairman of the North America Mongolia Business Council. Mr Story has more than 40 years of experience in the international oil and gas industry and is the Founder, President and Chief Executive Officer of SOCO International PLC, an international exploration and production (E&P) company listed on the London Stock Exchange. Soco International has E&P interests in South East Asia and Africa. He does not hold any shares of the company as on 31 March, 2011.

The Directorships and committee positions of these Directors as on 31 March, 2011 are detailed in Table 7.

GENERAL BODY MEETINGS

The Company in its brief history has had four AGMs and four Extraordinary General Meetings (EGMs). The forthcoming AGM is scheduled to take place on 18 August, 2011. The desired details in respect of general meetings are given in Table 8.

MEANS OF COMMUNICATION

Financial Results

The Company intimates un-audited/ audited financial results to the Stock Exchanges, immediately after the Board meetings at which they are approved. The results of the Company are also published in at least one prominent national and one regional newspaper having wide circulation. The financial results are displayed on the Company's website: www.cairnindia.com and posted on the corporate filing and dissemination system at www.corpfiling.co.in. Further, as a good corporate governance practice, the company has started sending its results to the shareholders through E-mail.

7 Details of Directorship and Committee Positions held in other Companies

Name of Director	Mr. Naresh Chandra	Mr. Edward T Story
Directorship held in other companies	• Hindustan Motors Ltd.	• Soco International.
	• Electrosteel Castings Ltd.	• Baanthong Properties-Thailand
	• Bajaj Auto Ltd.	• Tex Mon Resources-Minerals
	• AVTEC Ltd.	• TMB-Mongolian Health Clinic
	• ACC Ltd.	
	• Balrampur Chini Mills Ltd.	
	• Gammon Infrastructure Projects Ltd.	
	• Ambuja Cement Ltd.	
	• Bajaj Finserv Ltd.	
	• Bajaj Holdings & Investment Ltd.	
	• EROS International Media Ltd.	
	• Vedanta Resources PLC	
	• EROS International PLC	
	• Cairn Energy Asia Pty. Ltd.	
	• G4S Corporate Services (India) Pvt. Ltd.	
	• Emergent Ventures India Pvt. Ltd.	
	• EROS Energy Pvt. Ltd.	
Committee position* in Cairn India Limited	Audit Committee	• Audit Committee • Shareholders'/Investors' Grievance Committee
Membership/Chairmanship of Committees* of other Indian public companies:		
Audit Committee	• Hindustan Motors Ltd. – Chairman	None
	• Electrosteel Castings Ltd. - Member	
	• Bajaj Auto Ltd. - Member	
	• ACC Ltd. - Member	
	• Gammon Infrastructure Projects Ltd. - Member	
	• Bajaj Finserv Ltd. - Member	
	• Bajaj Holdings & Investment Ltd. – Member	
	• EROS International Media Ltd. - Member	
Shareholders'/Investors' Grievance Committees	• Bajaj Auto Ltd. – Member	None

* Only Audit and Shareholders'/Investors' Grievance Committees included.

8 Location and Time of general meetings

Financial Year	Location of the meeting	Date	Time
AGMs			
2006	Birla Matushri Sabhagar, 19 New Marine Lines, Mumbai	20-Sep-07	11.00A.M
2007	Birla Matushri Sabhagar, 19 New Marine Lines, Mumbai	25-Jun-08	11.00A.M
2008-09	Birla Matushri Sabhagar, 19 New Marine Lines, Mumbai	18-Aug-09	11.00A.M
2009-10	Rangsharda Auditorium, K.C. Marg, Bandra Reclamation, Bandra (West), Mumbai	15-Sep-10	11.00A.M
EGMs			
2006	50 Lothian Road, Edinburgh	08-Sep-06	03.00 PM
2006	50 Lothian Road, Edinburgh	21-Sep-06	02.00 PM
2006	50 Lothian Road, Edinburgh	17-Nov-06	02.15 PM
2008	Birla Matushri Sabhagar, 19 New Marine Lines, Mumbai	16-Apr-08	02.30 PM

News Releases, Analyst Presentation, etc.

Official news releases, detailed presentations made to media, institutional investors, financial analysts etc. are displayed on the Company's website: www.cairnindia.com.

Website

The Company's website (www.cairnindia.com) contains a separate dedicated section 'Investor Relations' where shareholders information is available. The full Annual Report, shareholding pattern and Corporate Governance Report etc. is also available on the website of the company.

SPECIAL RESOLUTIONS PASSED IN THE LAST THREE YEARS

At AGM

25 June, 2008

- Keeping register of members and other related documents

At EGM

16 April, 2008

- Allotment of the equity shares of the Company on preferential basis

Postal Ballot

23 January, 2009

- Change in the financial year from calendar year to April-March every year

17 July, 2009

- Shifting of registered office from the state of Maharashtra to the state of Rajasthan.

2 March, 2010

- Utilisation of the share premium account, not exceeding INR 15,000 crores, of the company to adjust the goodwill arising pursuant to the scheme of arrangement between Cairn India Ltd., Cairn Energy India Pty Ltd., Cairn Energy India West B.V and Cairn Energy Cambay B.V and Cairn Energy Gujarat B.V and their respective shareholders and creditors.

RESOLUTION PASSED THROUGH POSTAL BALLOT LAST YEAR

During the year under review, the Company passed following resolution through postal ballot, as per the details provided below:

Ordinary resolution to issue and allot not exceeding 6,200,000 equity shares of Rs. 10 each/- to employees of the Company under Employee Stock Option Plan (2006) and Cairn India Performance Option Plan (2006). All members on the books as of 15 September, 2010 were sent a postal ballot form along with postage pre-paid business reply envelope. The Scrutinizer, Mr. Nesar Ahmed Practicing Company Secretary had carried out the scrutiny of all the Postal Ballot Forms received upto 2.00 p.m. on 1 November 2010 and submitted his Report dated 3 November, 2010. Table 9 shows the details of the voting pattern.

COMPLIANCE WITH CLAUSE 49

Mandatory Requirements

The Company is fully compliant with the applicable mandatory requirements of the revised Clause 49 except with respect to composition of the Board as stated earlier in this chapter, which it intends to comply with fully.

Non-Mandatory Requirements

Remuneration Committee — The Board has constituted a Remuneration Committee, details of which have been given earlier.

Audit qualifications — The Company's financial statements are free from any qualifications by the Auditors.

Training of Board Members — The Board of Directors is periodically updated on the business model, company profile, and the risk profile of the business parameters of the Company.

Whistleblower Policy — The Company has formulated and adopted a Whistleblower Policy, to support the Code of Business Ethics. The policy is designed to enable employees, directors, consultants and contractors to raise concerns internally at a significantly senior level and to disclose information which the individual believes, shows malpractice or wrongdoing which could affect the business or reputation of the Company. Any allegations that fall within the scope of the concerns identified are investigated and dealt with appropriately.

9	Voting Result of Ordinary Resolution passed through Postal Ballot
Number of valid postal ballot forms received	7,535
Number of invalid postal ballot forms received	51
Votes in favour of the resolution	1,516,719,161
Votes against the resolution	55,490,765
Resolution passed by % of valid votes received	96.47

Additional Shareholder Information

ANNUAL GENERAL MEETING

Date 18 August, 2011
Time 11:00 AM
Venue: Rangsharda Auditorium,
K C Marg, Bandra Reclamation,
Bandra West, Mumbai-400050

FINANCIAL CALENDAR

For the year ended 31 March, 2011, results were announced on

27 July, 2010: First quarter
28 October, 2010: Second quarter
10 February,2011 : Third quarter
25 May, 2011 :Fourth (last) quarter and the financial year's results

For the year ending 31 March, 2012, results will be announced by

Last week of July 2011: First quarter
Last week of October 2011: Half yearly
Last week of January 2012: Third quarter
Last week of May 2012: Fourth quarter and full financial year's results.

BOOK CLOSURE

The dates of book closure are from Thursday, 11th August, 2011 to Thursday, 18 August, 2011, inclusive of both days.

LISTING

The equity shares of the Company are listed on Bombay Stock Exchange Limited (BSE) and the National Stock Exchange of India Limited (NSE). The annual listing fee for the financial year 2011- 12 has been paid to BSE and NSE. The stock codes are given in Table 1 below.

MARKET PRICE DATA

Table 2 and Chart A give the details.

DISTRIBUTION OF SHAREHOLDING

Tables 3 and 4 list the distribution of the Shareholding and Shareholding pattern of the Company by size and by ownership class as on 31 March, 2011. Further details of top twenty shareholders are given in Table 5.

DEMATERIALISATION OF SHARES

As on 31 March, 2011, over 99.99% shares of the Company were held in dematerialised form. The shares of the Company are permitted to be traded only in dematerialised form under ISIN INE910H01017.

1 Stock Exchange Codes

Name of the Stock Exchange	Stock Code
The National Stock Exchange of India	CAIRN
Bombay Stock Exchange Limited	532792

2 High, Low and Volume of Company's Shares Traded
During the year ended 31 March, 2011 at the BSE and The NSE

Months	BSE			NSE		
	High Price	Low Price	No. of Shares traded	High Price	Low Price	No. of Shares traded
April-2010	317.85	296.50	6,374,153	317.90	296.00	39,107,060
May-2010	321.30	266.65	10,686,107	321.30	266.30	65,995,095
June-2010	320.10	283.70	7,789,680	316.90	283.70	41,635,399
July-2010	339.00	290.05	8,721,155	338.95	293.25	53,454,780
August-2010	368.00	328.50	27,000,148	368.05	330.10	122,703,231
September-2010	345.80	322.00	6,084,141	355.00	325.70	58,490,110
October-2010	355.90	316.25	6,137,582	355.00	315.25	46,780,839
November-2010	335.25	285.00	4,072,163	335.90	283.25	41,318,968
December-2010	340.00	313.50	4,567,441	339.55	313.60	40,835,925
January-2011	347.00	320.15	4,826,491	348.00	321.00	38,449,977
February-2011	340.70	306.15	5,346,560	341.00	306.00	54,516,241
March-2011	358.50	336.00	5,198,633	359.00	335.60	54,180,257

Chart A: Share Performance vs Nifty and Sensex

Note: Share prices, Nifty and Sensex indexed to 100 as on the first working day of the financial year 2010-11, i.e.1 April, 2010.

3 Distribution of Shareholding
As on 31 March, 2011

Number of Shares	No of Shareholders	% of Shareholders	Total Shares	% of Shares
Up to 5,000	215,735	92.67	23,978,439	1.26
5,001-10,000	12,828	5.51	7,927,434	0.42
10,001-20,000	2,012	0.86	2,917,738	0.15
20,001-30,000	576	0.25	1,484,324	0.08
30,001-40,000	267	0.12	947,430	0.05
40,001-50,000	213	0.09	1,012,418	0.05
50,001-100,000	379	0.16	2,806,039	0.15
100,001 and above	796	0.34	1,860,843,279	97.84
Total	**232,806**	**100**	**1,901,917,101**	**100**

4 Shareholding Pattern as on 31 March, 2011

A	Promoters Holding	No. of Equity Shares face Value INR 10/- Each	Shares held %
1	Indian Promoters	-	-
2	Foreign Promoters	1,183,243,791	62.21
3	Persons acting in concert	-	-
B	NON-PROMOTER HOLDINGS		
a)	Banks, Financial Institutions, Insurance Companies (Central/ State Govt. Institutions/Non-Government Institutions)	105,606,731	5.55
b)	Foreign Institutional Investors	222,070,593	11.68
c)	Public	42,990,007	2.26
d)	Mutual Funds	31,338,914	1.65
e)	NRI (Rapatriable)	940,126	0.05
f)	NRI (Non-Rapatriable)	359,390	0.02
g)	Bodies Corporate	26,697,955	1.40
h)	Foreign Bodies Corporate	284,333,527	14.95
i)	Clearing Member	1,453,762	0.08
j)	Directors/relatives	2,852,390	0.15
k)	Trusts	29,915	0.00
	Grand Total	1,901,917,101	**100.00**

OUTSTANDING GDRS / ADRS /WARRANTS OR ANY CONVERTIBLE INSTRUMENTS, CONVERSION DATES AND LIKELY IMPACT ON EQUITY

There are no outstanding GDRs / ADRs / warrants or any convertible instruments issued by the Company. However, the Company has outstanding employee stock options, the details of which as on 31 March, 2011 are given in Table 6.

DETAILS OF FUNDS RAISED DURING LAST YEAR

During the year, the company has raised INR 1350 crores by issue of non convertible debentures of INR 100,000 each.

SHARE SUSPENSE ACCOUNT

As per Clause 5A of the Listing Agreement, the status of the equity shares lying in the Suspense Account is given in Table 7.

SHARE TRANSFER SYSTEM

Link Intime India Private Limited is the Registrar and Transfer Agent of the Company. All share transfers and related operations are conducted by Link Intime, which is registered with the SEBI. The Company has a Shareholders'/Investors' Grievance Committee for redressing the complaints/ queries of shareholders and investors.

ADDRESS FOR INVESTOR CORRESPONDENCE

Either

Link Intime India Private Limited
(Unit: Cairn India Limited)
C-13, Pannalal Silk Mills Compound
L.B.S Marg, Bhandup (West)
Mumbai 400 078, India.
E-Mail: rnt.helpdesk@linkintime.co.in
Tel +91 22 25946970
Fax +91 22 25946969

Or

The Company Secretary
Cairn India Limited
4th Floor, Vipul Plaza, Sun City, Sector 54
Gurgaon 122 002, India.
E-Mail investor.complaints@cairnindia.com
Tel +91 124 4593000
Fax +91 124 2889320

5 Top Twenty Shareholders As On 31 .03.2011

S.No.	Name	No. of Equity Shares	Shares Held (%)
1	Cairn UK Holdings Limited (CUKHL)	1,183,243,791	62.21
2	Petronas International Corporation Limited	283,431,438	14.90
3	Life Insurance Corporation Of India	54,490,982	2.87
4	LIC Of India Market Plus - 1	17,644,895	0.93
5	LIC Of India - Market Plus	13,837,529	0.73
6	Europacific Growth Fund	12,812,190	0.67
7	Merrill Lynch International Investment Funds	11,705,952	0.62
8	Morgan Stanley Mauritius Company Limited	8,857,522	0.47
9	Pca India Equity Open Limited	7,315,300	0.38
10	Schroder International Selection Fund Emerging Asia	6,837,780	0.36
11	New World Fund Inc	6,587,000	0.35
12	Abu Dhabi Investment Authority – Gulab	6,134,906	0.32
13	Vanguard Emerging Markets Stock Index Fund, Aseries Of Vanguard International Equity Index Fund	5,850,774	0.31
14	Merrill Lynch Capital Markets Espana S.A. S.V.	5,204,296	0.27
15	Reliance Life Insurance Company Limited	4,673,039	0.25
16	LIC Of India Money Plus	4,324,643	0.23
17	CIFM Asia Pacific Advantage Fund	4,200,000	0.22
18	Franklin Templeton Investment Funds	3,900,000	0.21
19	State Bank Of India	3,862,003	0.20
20	Flagship Indian Investment Company (Mauritius) Ltd.	3,782,103	0.20

* Includes 6 Nos. of shares held by the nominees of CUKHL.

6 Outstanding ESOPs

ESOP Scheme	No. of outstanding options	Last date for exercise	Exercise Price (INR)
CIESOP	538,018	31 December,2016	160.00
	1,326,092	19 September,2017	166.95
	3,248,541	28 July,2018	227.00
	18,388	9 December,2018	143.00
	4,750,153	28 July,2019	240.05
	2,849,534	26 July,2020	331 .25
CIPOP*	-	31 March,2010	10.00
	-	2 February,2011	10.00
	714,238	28 October,2011	10.00
	895,234	28 October,2012	10.00
	538,192	26 October,2013	10.00
CISMP	2,238,077	18 months after the vesting date, which will occur on Company achieving 30 days' consecutive production of over 150,000 bopd from the Rajasthan Block	33.70
Total	**17,116,467**		

Note * The vesting period is a minimum of three years, subject to the fulfilment of performance conditions as defined in the Plan. The exercise period is three months from the date of vesting of options. The last date of exercise in case of CIPOP is considered on the assumption that the options shall vest after three years of their grant. If all the outstanding stock options granted get vested and exercised, the number of equity shares will increase by 17,116,467.

7	Status of Equity lying in the Suspense Account		
S. No.	Particulars	No. of Shareholders	No. of Shares
1	Aggregate number of shareholders and the outstanding shares in the suspense account lying on 1 April, 2010	57	10,360
2	No. of shareholders who approached for transfer of shares from suspense account during the 12 months period ended 31 March, 2011	2	700
3	No. of Shareholders to whom shares were transferred from suspense account during the 12 months period ended 31 March, 2011	2	700
4	Aggregate number of shareholders and the outstanding shares in the suspense account lying on 31 March, 2011	55	9,660

Investors can e-mail their queries/ complaints to investor.complaints@ cairnindia.com. The weblink to this E-Mail ID is also available on Company's website www.cairnindia.com under the 'Investor Relations' section.

INVESTOR RELATIONS

The Company has a dedicated Shares Investor Relations Department which helps investors, including FIIs and institutional investors, in making informed decisions. This team also maintains close liaison with investors and shares information through periodic meetings including teleconferencing in India and abroad, regular press meeting with investment bankers, research analysts, the media, institutional investors etc. The 'Investor Relations' section on the Company's website (www.cairnindia. com) updates information sought by investors and analysts. It provides the latest information on financial statements, investor-related events and presentations, annual reports and shareholding pattern along with media releases and the current Company overview, and thus helps existing and potential investors to interact with the Company.

OPERATIONAL LOCATIONS

The Company's oil and gas fields are located at:
Ravva (Andhra Pradesh)
Cambay Basin (Gujarat)
Barmer (Rajasthan)

REGISTERED OFFICE ADDRESS

Cairn India Limited
101, West View,
Veer Savarkar Marg,
Prabhadevi, Mumbai- 400 025

Tel +91 22 24338306
Fax +91 22 24311160

Certificate of the CEO & CFO

THE BOARD OF DIRECTORS
Cairn India Limited
101, West View,
Veer Savarkar Marg,
Prabhadevi, Mumbai- 400 025

Dear Sirs,

We, Rahul Dhir, Managing Director & Chief Executive Officer, and Indrajit Banerjee, Executive Director & Chief Financial Officer, of Cairn India Limited hereby certify to the Board that:

a. We have reviewed financial statements and the cash flow statement for the financial year ended 31 March, 2011 and that to the best of our knowledge and belief:
   i. These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
   ii. These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
b. There are, to the best of our knowledge and belief, no transactions entered into by Cairn India Limited during the year which are fraudulent, illegal or violative of the Company's Code of Business Ethics.
c. We are responsible for establishing and maintaining internal controls for financial reporting in Cairn India Limited, and we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting. We have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
d. We have indicated to the auditors and the Audit Committee
   i. Significant changes in internal control over financial reporting during the year;
   ii. Significant changes in accounting policies during the year and the same have been disclosed in the notes to the financial statements; and
   iii. Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.
e. We affirm that we have not denied any personnel access to the Audit Committee of the Company (in respect of matters involving alleged misconduct).

We further declare that all Board members and senior management have affirmed compliance with the Company's Code of Business Ethics for the financial year ended 31 March, 2011.

Rahul Dhir
Managing Director & CEO

Indrajit Banerjee
Executive Director & CFO

Date 25 May, 2011
Place Gurgaon

Auditors' Certificate

TO THE MEMBERS OF CAIRN INDIA LIMITED

We have examined the compliance of conditions of corporate governance by Cairn India Limited ('the Company'), for the year ended on March 31, 2011, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, *subject to the fact that the proportion of the independent directors to the total strength of the Board being 40% is less than the minimum prescribed limit of 50%, the Chairman of the Board being related to the promoter of the Company in terms of clarification dated October 23, 2008 issued by the Securities Exchange Board of India*, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

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

per **Raj Agrawal**
Partner
Membership No.: 82028

Place: Gurgaon
Date: 25 May, 2011

Directors' Report

The Members,

Your Directors have pleasure in presenting the Fifth Annual Report on the business and operations of the Company and the Audited Financial accounts for the year ended 31 March, 2011.

FINANCIAL HIGHLIGHTS

In INR million

	Standalone		Consolidated	
	For the financial year ended		For the financial year ended	
	31 March, 2011	31 March, 2010	31 March, 2011	31 March, 2010
Total Income	951	1,634	104,067	20,307
Total Expenditure	3,077	2,367	35,167	10,143
Profit/(loss) before tax	(2,126)	(734)	68,900	10,163
Taxes	-	(44)	5,556	(348)
Profit/(loss) after tax	(2,126)	(689)	63,344	10,511

The consolidated statements provide the results of Cairn India Limited together with those of its subsidiaries for the financial year ended 31 March, 2011.

DIVIDEND

In view of inadequacy of profits in Cairn India Limited, your Directors regret their inability to recommend any dividend.

CHANGES IN CAPITAL STRUCTURE

During the financial year under review, 4,942,969 equity shares of INR 10/- each were allotted on exercise of Employee Stock Options by the employees of the Company or of its subsidiaries. Accordingly, the issued and paid up capital of the Company has increased to INR 19,019,171,010 divided into 1,901,917,101 equity shares of INR 10/- each.

Subsequent to the close of the financial year, the Company allotted 213,131 equity shares of INR 10/- each on exercise of Stock Options by the employees. Accordingly, the issued and paid up capital of the Company has increased to INR 19,021,302,320 divided into 1,902,130,232 Equity shares of INR 10/- each.

CONSOLIDATED FINANCIAL STATEMENTS

Your Company is also presenting the audited consolidated financial statements prepared in accordance with the Accounting Standard 21 issued by the Institute of Chartered Accountants of India. Information in aggregate for each subsidiary in respect of capital reserves, total assets, liabilities, investments, turnover, etc. is disclosed separately and forms part of the annual report.

OPERATIONS

A detailed review of operations has been included in the Management Discussion and Analysis Report, which forms a part of this Annual Report.

EMPLOYEE STOCK OPTION SCHEMES

Your Company has established share incentive schemes viz., Cairn India Senior Management Plan (CISMP), Cairn India Performance Option Plan (CIPOP) and Cairn India Employee Stock Option Plan (CIESOP) pursuant to which options to acquire shares have been granted to select employees and Directors of the Company and its subsidiaries. The Company also has cash awards option plan (phantom stock options) for expatriate employees of the Company and its subsidiaries.

During the year, stock/cash options have been granted to the executive Directors and employees of the Company or of its subsidiaries. On exercise of the options so granted, the paid-up equity share capital of the Company will increase in terms of the Stock Option Plans mentioned above. The details of stock options granted by the Company are disclosed in compliance with Clause 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and set out in Annexure I to this Report.

During the period under review, 4,942,969 equity shares of INR 10/- each were allotted pursuant to the exercise of stock options.

SUBSIDIARY COMPANIES

As on 31 March, 2011, the Company had 30 subsidiaries including indirect subsidiaries. All these companies are beneficially owned 100% by Cairn India Limited. During the year under review, Cairn Energy Developments Pte. Ltd., subsidiary Company in Singapore was voluntarily dissolved w.e.f. 8 March, 2011.

The subsidiaries have their own Boards of Directors having the rights and obligations to manage such companies in the best interest of such Companies. The Company has its representatives on the board of subsidiary Companies and monitors the performance of such Companies regularly.

The Ministry of Corporate Affairs, vide its circular nos. 2/2011 & 3/2011 dated 8 February, 2011 & 21 February, 2011 respectively had granted general exemption to holding companies from attaching the financial statements of its subsidiaries to the company's Annual Report. In accordance with the said circulars, the Balance Sheet, Profit & Loss Account and other documents of the subsidiary companies are not being attached with the Balance Sheet of the Company. The Company will make available the Annual Accounts of the subsidiary companies to any member of the Company who may be interested in obtaining the same. The annual accounts of the subsidiary companies will also be kept open for inspection at the Registered office of the Company and respective subsidiary Companies. The consolidated financial statements presented by the Company include the financial results of its subsidiary companies.

SCHEME OF ARRANGEMENT

In order to simplify and consolidate the multi layered structure comprising foreign subsidiaries, your Company had proposed a scheme of arrangement between Cairn India Limited, Cairn Energy India Pty Limited, Cairn Energy India West B.V., Cairn Energy Cambay B.V., Cairn Energy Gujarat B.V. and their Respective shareholders and creditors (the 'Scheme'). The members of the Company had approved the scheme with overwhelming majority in the Court Convened meeting held on 18 February, 2010.

The Hon'ble High Courts of Madras and Bombay sanctioned the Scheme in April, 2010 and June, 2010 respectively. The Scheme is now subject to receipt of certain contractual and regulatory approvals. The Scheme when approved is proposed to be effective from 1 January, 2010.

OPEN OFFER TO SHAREHOLDERS BY VEDANTA RESOUCES PLC

During the year under review, Cairn Energy PLC and Cairn UK Holdings Limited, promoters of the Company, agreed to sell a substantial part of their equity stake in the Company to Vedanta Resources PLC and persons acting in concert ('Vedanta') by way of a share purchase deed dated 15 August, 2010. In terms of the provisions of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, Vedanta issued a Public Announcement on 17 August, 2010 to make an open offer to the equity shareholders of the Company. Vedanta also filed the draft Letter of Offer with SEBI, which was received by them on 31 August, 2010. After the receipt of SEBI's nod, the offer opened on 11 April, 2011 and closed on 30 April 2011. Vedanta acquired 155,033,172 number of equity shares under the open offer. Vedanta also acquired 200,000,000 equity shares of the Company from Petronas International Corporation Ltd. Subsequent to these acquisitions, Vedanta now holds 18.66% of the equity capital of the Company.

The deal for sale of shares by Cairn Energy PLC and Cairn UK Holdings Limited, promoters, to Vedanta is pending for regulatory approvals.

DIRECTORS

Mr. Philip Tracy ceased to be an alternate director with effect from 17 August, 2010. He was again appointed as an alternate Director to Ms. Jann Brown on 10 February, 2011 and ceased to be so on 23 May 2011.

In accordance with the Articles of Association of the Company, Mr. Naresh Chandra and Mr. Edward T Story, shall retire by rotation as Directors at the ensuing Annual General Meeting and being eligible, offer themselves for re- appointment.

A brief profile of the above-named directors forms part of the Corporate Governance report.

CORPORATE GOVERNANCE

The Corporate Governance and Management Discussion and Analysis reports form an integral part of this report and are set out as separate sections to this annual report. The Certificate of S. R. Batliboi & Co., chartered accountants, the statutory auditors of the Company certifying compliance with the conditions of corporate governance as stipulated in clause 49 of the listing agreement with stock exchanges is annexed with the report on corporate governance.

AUDITORS

M/s. S. R. Batliboi & Co., chartered accountants, auditors of the Company, retire at the conclusion of the ensuing annual general meeting and being eligible, offer themselves for re-appointment. The audit committee in its meeting held on 25 May, 2011 has also recommended the re-appointment of M/s. S. R. Batliboi & Co., as Statutory Auditors of the Company. Your directors also recommend their appointment.

FIXED DEPOSITS

The Company has not invited any deposits from the public under Section 58A of the Companies Act, 1956.

HUMAN RESOURCES

Company's industrial relations continued to be harmonious during the period under review.

PARTICULARS OF EMPLOYEES

Particulars of employees required to be furnished under Section 217(2A) of the Companies Act, 1956 ('the Act') form part of this report. However, as per the provisions of Section 219(1)(b)(iv) of the Act, the report and accounts are being sent to the shareholders of the Company excluding the particulars of employees under Section 217(2A) of the Act. Any shareholder interested in obtaining a copy of the said statement may write to the Company Secretary for the same.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Information on Conservation of Energy Technology Absorption and Foreign Exchange Earnings and Outgo is given in Annexure II to this report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors confirm that:

(i) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures

(ii) Appropriate accounting policies have been selected and applied consistently and have made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31 March 2011 and of the profit of the Company for the year ended 31 March 2011

(iii) Proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities

(iv) The annual accounts have been prepared on a going concern basis

CORPORATE SOCIAL RESPONSIBILITY

At Cairn, Corporate Social Responsibility (CSR) emcompasses much more than social outreach programs and is an integral part of the way the Company conducts its business. Detailed information on the initiatives of the Company towards CSR activities is provided in the Corporate Social Responsibility section of the Annual Report.

LISTING

The Company has paid the annual listing fee for the year 2011-12 to Bombay Stock Exchange Limited and National Stock Exchange Limited of India.

APPRECIATION

Your Directors wish to place on record their sincere appreciation of the concerned efforts and dedicated service of all employees, which contributed to the continuous growth and consequent performance of the Company. Your Directors wish to place on record their gratitude for the valuable assistance and co-operation extended to the Company by the Central Government, State Governments, Joint Venture Partners, Banks, Institutions, Investors and Customers.

For and on behalf of the Board of Directors

Sir William B.B. Gammell
Chairman

Place Gurgaon
Date 25 May, 2011

Annexures to the Directors' Report

ANNEXURE I

Disclosure pursuant to the provisions of Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines,1999

S. No.	Particulars	Cairn India Senior Management Plan	Cairn India Performance Option Plan (2006)	Cairn India Employee Stock Option Plan (2006)
1	Options granted during April 2010 - March 2011	Nil	584,144	3,027,463
2.	The Pricing Formula	Rs. 33.70 per Share	Rs. 10 per Share	Price determined by the Remuneration Committee but not less than the fair market value of a share on the date of grant
3.	Options Vested during April 2010 - March 2011	NIL	777,498	3,903,265
4.	Options Exercised during April 2010 - March 2011	NIL	922,045	4,020,924
5.	Total number of Shares arising as a result of exercise of options during April 2010 - March 2011	NIL	922,045	4,020,924
6.	Options lapsed during April 2010 - March 2011	NIL	141,268	922,020
7.	Variation of terms of options	None	None	None
8.	Money realized by exercise of options during April 2010 - March 2011	NIL	Rs. 9,220,450	Rs. 661,259,192
9.	Total number of options in force as on 31 March 2011	2,238,077	2,147,664	12,730,726
10.	Employee wise details of options granted during the year to:			
	(i) Senior Managerial Person	None	Indrajit Banerjee 41,036 Manu Kapoor 22,041 S V Nair 40,308 P Elango 35,451 Santosh Chandra 30,231	None
	(ii) Any other employee who receives a grant in any one year of option amounting to 5% or more of options granted during the year	None	Venkatesan T K 30,778 Ajay Gupta 35,944	None
	iii) Identified employees who were granted options during any 1 year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants & conversions) of the Company at the time of grant	None	None	None
11.	Diluted Earnings Per Share (EPS) pursuant to issue of Shares on exercise of options calculated in accordance with Accounting Standard 20	(1.12)	(1.12)	(1.12)
12.	(i) Method of calculation of employee compensation cost		Intrinsic Value Method	
	(ii) Difference between the employee compensation cost so computed at 12(i) above and the employee compensation cost that shall have been recognised if it had used the fair value of the options (Rs. in thousands)		456,750	
	(iii) The impact of this difference on profits and on EPS of the Company			
	Profit after Tax (PAT) (Rs. in thousands)		(2,126,721)	
	Less: Additional employee Compensation cost based on fair value (Rs. in thousands)		456,750	
	Adjusted PAT (Rs. in thousands)		(2,583,471)	
	Adjusted EPS Basic (Rs.)		(1 .36)	
	Adjusted EPS Diluted (Rs.)		(1 .36)	

13.	Weighted-average exercise prices of options granted during April 2010 - March 2011	NA	10.00	331.25
	Weighted-average fair value of each option outstanding as on 31 March 2011	135.31	248.94	123.83
14.	A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted-average information:			
(i)	risk-free interest rate	7.05%	7.28%	7.61%
(ii)	expected life (in years)	2.45	3.09	6.50
(iii)	expected volatility	44.08%	44.16%	42.98%
(iv)	expected dividends	NA	NA	NA
(v)	price of the underlying Share in market at the time of option grant	160.00	256.93	244.48

ANNEXURE II

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

CONSERVATION OF ENERGY

Energy conservation measures taken

As a responsible Corporate Citizen and in adherence to our climate change strategy, we are continuously taking effective steps to conserve energy and to reduce methane and other Green House Gas (GHG) emissions, wherever feasible. GHG emissions in 2010 were within targets set at the beginning of the year notwithstanding a rise in energy use.

Cairn India recognises the responsibility to minimise environmental impact from its activities. Last year saw on-ground implementation of many such planned measures in Rajasthan upstream as well as pipeline projects that were targeted at prevention & control of pollution and improvement of environmental performance. We have also continued with our initiatives on energy and resource conservation at our Ravva and Suvali facilities.

The Company regularly monitored air emission sources and the ambient air quality, and was able to maintain emission levels within regulatory standards in 2010-11.

Measures taken for reduction of energy consumption & consequent impact

During the period under review, several energy conservation initiatives were adopted, some of which are listed below:

- Augmenting renewable energy harnessing potential. Additional windmills were installed at Ravva offshore platforms in March 2010. Installation of 400 Watt wind mills at the platforms has resulted in energy saving of 0.589 MWH.

- Solar powered lights were installed in the plant, living quarters and explosive magazine area at Ravva in July 2010. Installation of the 14 Watt solar powered lights have resulted in energy saving of 0.1232 MWH.

- During the ongoing Ravva infill drilling campaign new well designs have been implemented by using different technology to previous campaigns.

These technologies are:
- 'Stand alone screens with SSD' for zonal isolation and swell packer for compartmentalization of open hole section.
- 'Stand alone screen with ICDs and swell packers' in the horizontal section of RD-10 to provide uniform drainage.
- Slimline TRSVs for 4-1/2" Tubing inside 7" casing.

- Absorption of these technologies has helped us reduce total carbon footprint and total cost of each well by:
  - Reduction in Casing size in top hole section.
  - Replacing the Casing, Cementing, Perforation and Gravel Packing in the reservoir section with Stand Alone screens and swell packers for zonal isolation and sand control.
  - Saving of 2 days of rig time by elimination of the above operations.

- Energy conservation at our Suvali plant was achieved by installation of new "Energy Efficient" Air compressor in February 2011. Determination of energy savings and performance monitoring is in progress.

- Several energy conservation initiatives at the Cairn's Gurgaon office have resulted in saving of approximately 200,708 kwh (units) of electricity. These initiatives are:
  - Ensuring that all except the emergency lights are turned off after working hours and on holidays.
  - Air handling units start at 7 am and are turned off when the employees leave office.
  - Lights in empty cubicles are turned off post 6 pm.
  - On all working days, lights are turned on only by the employees when they arrive on duty.

Additional investments and proposals being implemented for conservation of energy

Additional funds were allocated during the year for energy conservation. New technologies were absorbed & adapted to reduce the carbon foot print of the Company like installation of wind mills and solar arrays on platforms, solar water heaters and LED street lights, wherever feasible.

TECHNOLOGY ABSORPTION, ADAPTION & INNOVATION

Research & Development (R&D)

Specific areas in which R & D was carried out by the Company

Cairn has been actively pursuing the application of EOR (Enhanced Oil Recovery) technology in the Mangala, Bhagyam and Aishwariya Fields. Studies by research institutes to define optimum formulations for increased oil recovery have been conducted. A field scale EOR pilot plant has been set up within the Mangala Processing Terminal. Eight wells have been drilled and completed for the EOR pilot. The injection sequence planned in the pilot is nearly 5 months each of initial water flood followed sequentially by polymer slug, alkali-surfactant-polymer (ASP) slug, chase polymer slug and chase water flood. The water flood phase of the EOR pilot has already commenced and the facilities for polymer flood are under construction. Re-injection of produced water separated at the Ravva terminal, back into the reservoir helps reduce discharge of waste water to sea and extraction of ground water for injection purposes. Produced Water Re-Injection (PWRI) has been designed and implemented to treat and handle a maximum capacity of 45,000 barrels of water per day. The PWRI is presently re-injecting 50% of the produced water.

Various other technology absorption, adaption and innovation initiatives/ methods like Rapid Rig for drilling wells, customised well designs, multi well pad approach reducing the environmental imprint by 85% over single wells, Rotary steerable drilling and high end Logging. While Drilling technology, customised compact well head equipment, usage of environmentally friendly bio degradable base oil in the synthetic oil based mud system on onshore drilling applications which is not only environmentally friendly but also re used in multiple wells thus avoiding dumping of thousands of barrels of drilling fluids. The use of modern horizontal well technology, sand control technology integral with sleeve devices, hydraulic fracturing technology, Sand Jet Perforating, Micro seismic for frac modelling and multiphase metering technology were taken/used for the well construction for the development of the oil fields in Rajasthan.

Benefits derived as a result of this R&D

All these initiatives are helping the Company in improving the overall efficiency, lowering the land impact & environmental concerns, cost effectiveness & project economics thus leading to drilling and completing the wells faster than most companies in the world leading to much less fuel oil and energy consumed / utilised for this project than one would normally do in this scale of development. Cairn's research in EOR applications for the MBA fields has the potential to unlock additional oil reserves within these fields and a long term strategy for EOR is being developed with this end in mind. Cairn's study with the National Geophysical Research Centre (NGRI) on salinity changes of ground water sets an example of 'good industry practice'. We are also reassured that our operation in Ravva does not have an adverse impact on ground water and the environment.

Expenditure on R&D

Details outlined in the Table below.

In INR

No.	Particulars	Amount
1	Capital	1,002,025,131*
2	Recurring	48,300,192
3	Total	1,050,325,323
4	Total R&D expenditure as a % of total turnover	1.01%

*These are consolidated numbers for the Twelve months period ended 31 March 2011

FOREIGN EXCHANGE EARNINGS AND OUTGO

Activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services; and export plans

India imports approximately 75% of its oil and gas requirement and in this situation, the export of crude oil and natural gas, which are the main products of Cairn are not relevant in this sector.

However, by discovering new oil & gas finds and bringing them into production, Cairn is working towards enhancing energy security and increasing the self sufficiency of the nation which is in line with policy of the Indian Government. At peak production rate, Rajasthan block is expected to contribute more than 20% of domestic crude oil production.

Foreign exchange used and earned

During the period ended 31 March, 2011, the Company earned INR 23.94 million and incurred expenditure of INR 345.76 million in foreign exchange.

For and on behalf of the Board of Directors

Sir William B.B. Gammell
Chairman

Place Gurgaon
Date 25 May, 2011

AUDITED FINANCIAL STATEMENTS

Auditors' Report

To
The Members of Cairn India Limited

1. We have audited the accompanying balance sheet of Cairn India Limited ('the Company') as at March 31, 2011 and also the profit and loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. The accompanying financial statements include Company's share of net assets, expenses and cash flows aggregating to INR 3,864 thousand, INR 193,242 thousand and INR 4,252 thousand respectively in the unincorporated joint ventures not operated by the Company or its subsidiaries, the accounts of which have been audited by the auditors of the respective unincorporated joint ventures and relied upon by us.

4. As required by the Companies (Auditor's Report) Order, 2003 (as amended) ('the Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order. In respect of clauses (ii), (ix)(a), (ix)(b), (ix)(c) and (xxi), our comments are restricted to the operations of the Company and does not cover the unincorporated joint ventures where any third party is the operator.

5. Further to our comments in the Annexure referred to above, we report that:
   i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
   ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
   iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
   iv. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
   v. On the basis of the written representations received from the directors, as on March 31, 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
   vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
      a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2011;
      b) in the case of the profit and loss account, of the loss for the year ended on that date; and
      c) in the case of cash flow statement, of the cash flows for the year ended on that date.

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

per Raj Agrawal
Partner
Membership No.:82028

Place Gurgaon **Date** 25 May, 2011

Auditors' Report

Annexure referred to in paragraph 4 of our report of even date

Re: Cairn India Limited ('the Company')

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
(b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.
(c) There was no disposal of a substantial part of fixed assets during the year.

(ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.
(b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
(c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification carried out at the end of the year.

(iii) (a-d) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii)(a) to (d) of the Order are not applicable to the Company and hence not commented upon.

(e-g) According to information and explanations given to us, the Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii)(e) to (g) of the Order are not applicable to the Company and hence not commented upon.

(iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control system of the Company in respect of these areas. Since none of the oil and gas blocks in which the Company has interests has started any commercial production, there has not been any sale of goods.

(v) (a-b) In our opinion, there are no contracts or arrangements that need to be entered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(v)(b) of the Order is not applicable to the Company and hence not commented upon.

(vi) The Company has not accepted any deposits from the public.

(vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

(viii) Since none of the oil and gas blocks in which the Company has interests has started any production, in our opinion, the provisions of clause 4(viii) of the Order are not applicable to the Company.

(ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, income-tax, service tax, customs duty, wealth tax, cess and other material statutory dues applicable to it. Further, since the Central Government has till date not prescribed the amount of cess payable under section 441 A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the Company in depositing the same. The provisions relating to employees' state insurance, sales tax and excise duty are not applicable to the Company.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, income-tax, service tax, wealth tax, customs duty, cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable. The provisions relating to employees' state insurance, sales tax and excise duty are not applicable to the Company.

(c) According to the information and explanations given to us, there are no dues of income tax, service tax, wealth tax, customs duty and cess which have not been deposited on account of any dispute. The provisions relating to sales tax and excise duty are not applicable to the Company.

Auditors' Report

(x) The Company has been registered for a period of less than five years and hence we are not required to comment on whether or not the accumulated losses at the end of the financial year is fifty per cent or more of its net worth and whether it has incurred cash losses in such financial year and in the immediately preceding financial year.

(xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.

(xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.

(xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the Company.

(xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.

(xvi) Based on the information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.

(xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.

(xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.

(xix) The Company has unsecured debentures outstanding during the year on which no security or charge is required to be created.

(xx) The Company neither raised any monies through public issuies during the year nor did it have any unutilised amount of monies raised by public issues at the beginning of the year.

(xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

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

per Raj Agrawal
Partner
Membership No.:82028

Place Gurgaon   Date 25 May, 2011

Balance Sheet

AS AT MARCH 31, 2011

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

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

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

As per our report of even date

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

per Raj Agrawal
Partner
Membership No. 82028

For and on behalf of the Board of Directors

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

Place Gurgaon   Date 25 May, 2011

Profit and Loss Account

FOR THE YEAR ENDED MARCH 31, 2011

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

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

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

As per our report of even date

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

per Raj Agrawal
Partner
Membership No. 82028

For and on behalf of the Board of Directors

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

Place Gurgaon   Date 25 May, 2011

Statement of Cash Flows

FOR THE YEAR ENDED MARCH 31, 2011

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

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

Statement of Cash Flows Continued

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

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

Notes :

i) The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in Accounting Standard-3 on "Cash flow statements".

ii) Amounts in bracket indicate a cash outflow or reduction.

iii) Bank balance in deposit accounts includes INR 17,662 thousand, previous year INR 1,790,000 thousand, pledged with the banks.

As per our report of even date

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

per Raj Agrawal
Partner
Membership No. 82028

For and on behalf of the Board of Directors

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

Place Gurgaon Date 25 May, 2011

Schedules to the Financial Statements

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

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

Notes :

i) Issued, subscribed and fully paid up share capital includes 1,183,243,791 equity shares (previous year - 1,183,243,791 equity shares) of INR 10 each held by Cairn UK Holdings Limited, the holding company, together with its nominees. Also, refer note no. 24 in schedule 21.

ii) Shares held by the holding company include 861,764,893 equity shares (previous year - 861,764,893 equity shares) of INR 10 each, allotted as fully paid up pursuant to contracts for consideration other than cash.

iii) 10,517,681 (previous year 5,574,712) shares have been allotted pursuant to exercise of employee stock option schemes.

iv) For stock options outstanding, refer note no. 6 in schedule 21.

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

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

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

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

Schedules to the Financial Statements Continued

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

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

Notes:

i) The debenture holders have a negative lien on the assets of Cairn India Limited.

ii) The Company has an option to prepay the debenture issued under series A and B at the end of 12 months from the date of issue.

Schedule 6

Fixed Assets

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

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

Schedule 7

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

Schedules to the Financial Statements Continued

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

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

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

	As at March 31, 2011	As at March 31, 2010
Schedule 12		
Other current assets		
Interest accrued on bank deposits	205,370	12,360
	205,370	**12,360**

Schedules to the Financial Statements Continued

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

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

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

	As at March 31, 2011	As at March 31, 2010
Schedule 14		
Current liabilities		
Sundry Creditors		
- Total outstanding dues to Micro and Small Enterprises (refer note no. 21 in schedule 21)	-	-
- Total outstanding dues to other than Micro and Small Enterprises	458,843	201,178
Amounts payable to Cairn Energy Plc., the ultimate holding company	5,965	-
Amounts payable to subsidiary companies	638,819	672,931
Interest accrued but not due	527,175	-
Other liabilities	41,782	606,553
	1,672,584	**1,480,662**

	As at March 31, 2011	As at March 31, 2010
Schedule 15		
Provisions		
Provision for taxation (previous year net of advance tax INR 565,566 thousand)	-	22,234
Provision for gratuity	7,994	6,647
Provision for compensated absences	1,043	1,181
	9,037	**30,062**

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

Schedules to the Financial Statements Continued

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

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

		Year ended March 31, 2011		Year ended March 31, 2010
Schedule 18				
Administrative expenses				
Legal and professional expenses		158,385		197,777
Contract employee charges		6,601		4,370
Rent		1,994		1,642
Auditor's remuneration				
As Auditors				
- Fees for statutory audit and consolidated financial statements	5,736		4,440	
- Fees for audit of interim financial statements	331		-	
- Fees for limited review	6,287		5,460	
- Fees for statutory reporting for parent companies consolidated financial statements	-		2,041	
- Fees for certifications	303		2,160	
- Out of pocket expenses	628	13,285	394	14,495
Directors' sitting fees		820		1,160
Advertisement and publicity		20,880		9,538
Public relation expenses		6,553		18,248
Sponsorship		29,444		11,500
Printing & stationery		1,381		3,489
Security Expenses		157		361
Repairs and maintenance (others)		991		2,639
Travelling and conveyance		35,557		19,358
Insurance expenses		109		199
Communication expenses		7,541		16,104
Rates and taxes		5,081		-
Sundry balances written off		-		824
Miscellaneous expenses		2,058		1,255
		290,837		**302,959**

	Year ended March 31, 2011	Year ended March 31, 2010
Schedule 19		
Finance costs		
Interest		
- on term loan	801,081	599,684
- on debentures	527,175	-
- others	-	126
Other finance charges	38,363	-
Loan facility and management fees	497,219	59,574
Bank charges	3,073	3,422
	1,866,911	**662,806**

Schedules to the Financial Statements Continued

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

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

Schedules to the Financial Statements Continued

SCHEDULE 21–NOTES TO ACCOUNTS

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

1. NATURE OF OPERATIONS

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

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

The Company is participant in various Oil and Gas blocks/fields (which are in the nature of jointly controlled assets), granted by the Government of India through Production Sharing Contracts ('PSC') entered into between the Company and Government of India and other venture partners. The Company has interest in the following Oil & Gas blocks / fields, which are presently under exploration phase:

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

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(A) Basis of preparation

The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards notified under the Companies (Accounting Standard) Rules, 2006 (as amended) under the historical cost convention and on an accrual basis. The accounting policies, in all material respects, have been consistently applied by the Company and are consistent with those used in the previous year.

(B) Oil and gas assets

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

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

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

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

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

Where costs are incurred after technical feasibility and commercial viability of producing oil and gas is demonstrated and it has been determined that the wells are ready for commencement of commercial production, they are capitalised within producing properties for each cost

Schedules to the Financial Statements Continued

SCHEDULE 21–NOTES TO ACCOUNTS

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

centre. Subsequent expenditure is capitalised when it enhances the economic benefits of the producing properties or replaces part of the existing producing properties. Any costs remaining associated with such part replaced are expensed in the financial statements.

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

(C) Depletion

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

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

(D) Site restoration costs

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

(E) Impairment

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

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

(F) Tangible fixed assets, depreciation and amortization

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

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

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

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

(G) Intangible fixed assets and amortization

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

Computer software	2 to 4 years

(H) Leases

As lessee

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

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

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

(I) Investments

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

Schedules to the Financial Statements Continued

SCHEDULE 21–NOTES TO ACCOUNTS

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

temporary in the value of the investments.

(J) Joint ventures

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

(K) Revenue recognition

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

Revenue from operating activities

As operator from joint venture

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

Interest income

Interest income is recognised on a time proportion basis.

(L) Borrowing costs

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

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

(M) Foreign currency transactions and translations

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

Exchange differences arising on the settlement of monetary items or on reporting the Company's monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, are recognised as income or as expenses in the period in which they arise.

(N) Income taxes

Tax expense comprises of current tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act.

Deferred tax assets and liabilities are measured, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If the Company has carry forward of unabsorbed depreciation and tax losses, deferred tax assets are recognised only if there is virtual certainty, supported by convincing evidence, that such deferred tax assets can be realised against future taxable profits. Unrecognised deferred tax assets of earlier periods are re-assessed and recognised to the extent that it has become reasonably certain or virtually certain as the case may be, that future taxable income will be available against which such deferred tax assets can be realised.

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

(O) Earnings per share

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

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

(P) Provisions

A provision is recognised when the Company has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

(Q) Cash and cash equivalents

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

Schedules to the Financial Statements Continued

SCHEDULE 21–NOTES TO ACCOUNTS

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

(R) Employee benefits

Retirement and gratuity benefits

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

Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year.

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

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

Employee stock compensation cost

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

The Company measures compensation cost relating to employee stock options using the intrinsic value method. Compensation expense is amortized over the vesting period of the option on a straight line basis.

(S) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(T) Segment reporting policies

Identification of segments

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

(U) Inventory

Inventories of stores and spares related to exploration, development and production activities are valued at cost or net realizable value whichever is lower. Cost is determined on first in first out (FIFO) basis. Net realisable value is estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

(V) Deferred revenue expenditure

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

3. SEGMENTAL REPORTING

Business segments

The primary reporting of the Company has been prepared on the basis of business segments. The Company has only one business segment, which is the exploration, development and production of oil and gas and operates in a single business segment based on the nature of the products, the risks and returns, the organisation structure and the internal financial reporting systems. Accordingly, the figures appearing in these financial statements relate to the Company's single business segment.

Geographical segments

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

4. RELATED PARTY TRANSACTIONS

(A) Names of related parties:

Companies having control

- Cairn UK Holdings Limited, UK
  Holding Company
- Cairn Energy Plc., UK
  Ultimate holding company

Subsidiary companies

1 Cairn Energy Australia Pty Limited
2 Cairn Energy India Pty Limited
3 CEH Australia Pty Limited
4 Cairn Energy Asia Pty Limited
5 Sydney Oil Company Pty Limited
6 Cairn Energy Investments Australia Pty Limited

Schedules to the Financial Statements Continued

SCHEDULE 21–NOTES TO ACCOUNTS

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

7 Wessington Investments Pty Limited
8 CEH Australia Limited
9 Cairn India Holdings Limited
10 CIG Mauritius Holding Private Limited
11 CIG Mauritius Private Limited
12 Cairn Energy Holdings Limited
13 Cairn Energy Discovery Limited
14 Cairn Exploration (No. 2) Limited
15 Cairn Exploration (No. 6) Limited
16 Cairn Energy Hydrocarbons Limited
17 Cairn Petroleum India Limited
18 Cairn Energy Gujarat Block 1 Limited
19 Cairn Exploration (No. 4) Limited
20 Cairn Exploration (No. 7) Limited
21 Cairn Energy Development Pte Limited (Liquidated during the year)
22 Cairn Lanka (Pvt) Limited
23 Cairn Energy Group Holdings BV
24 Cairn Energy India West BV
25 Cairn Energy India West Holding BV
26 Cairn Energy Gujarat Holding BV
27 Cairn Energy India Holdings BV
28 Cairn Energy Netherlands Holdings BV
29 Cairn Energy Gujarat BV
30 Cairn Energy Cambay BV
31 Cairn Energy Cambay Holding BV

Key Management Personnel

- Rahul Dhir, Managing Director and Chief Executive Officer
- Winston Frederick Bott Jr., Executive Director and Chief Operating Officer
- Indrajit Banerjee, Executive Director and Chief Financial Officer

(B) Transactions during the year :

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

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

Schedules to the Financial Statements Continued

SCHEDULE 21–NOTES TO ACCOUNTS

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

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

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

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

6. EMPLOYEES STOCK OPTION PLANS

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

Particulars	CISMP	CIPOP	CIESOP
Date of Board Approval	17th Nov 2006	17th Nov 2006	17th Nov 2006
Date of Shareholder's approval	17th Nov 2006	17th Nov 2006	17th Nov 2006
Number of options granted till March 2011	8,298,713	7,311,868	21,225,258
Method of Settlement	Equity	Equity	Equity
Vesting Period	Refer vesting conditions below	3 years from grant date	3 years from grant date
Exercise Period	18 months from vesting date	3 months from vesting date	7 years from vesting date
Number of options granted till March 2011			
Date of grant			
24th Nov 2006	8,298,713	-	-
1st Jan 2007	-	1,708,195	3,467,702
20th Sept 2007	-	3,235,194	5,515,053
29th July 2008	-	789,567	3,773,856
10th Dec 2008	-	-	36,040
29th July 2009	-	994,768	5,405,144
27th July 2010	-	584,144	3,027,463
Total	**8,298,713**	**7,311,868**	**21,225,258**

The vesting conditions of the above plans are as under:

CISMP plan

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

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

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

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

Schedules to the Financial Statements Continued

SCHEDULE 21–NOTES TO ACCOUNTS

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

CIPOP plan

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

CIESOP plan

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

Details of activities under employees stock option plans

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

CIPOP Plan	Current year		Previous year	
	Number of options	Weighted average exercise price in INR	Number of options	Weighted average exercise price in INR
Outstanding at the beginning of the year	2,626,830	10.00	3,200,096	10.00
Granted during the year	584,144	10.00	994,768	10.00
Expired during the year	Nil	NA	Nil	NA
Exercised during the year	922,043	10.00	190,983	10.00
Forfeited / cancelled during the year	141,268	10.00	1,377,051	10.00
Outstanding at the end of the year	2,147,663	10.00	2,626,830	10.00
Exercisable at the end of the year	Nil	NA	168,382	10.00
Weighted average fair value of options granted on the date of grant is INR 186.37 (previous year INR 174.47)				
Weighted average share price at the date of exercise of stock options is INR 323.30 (previous year INR 272.22)				

CIESOP Plan	Current year		Previous year	
	Number of options	Weighted average exercise price in INR	Number of options	Weighted average exercise price in INR
Outstanding at the beginning of the year	14,646,209	206.43	10,914,244	185.39
Granted during the year	3,027,463	331.25	5,405,144	240.05
Expired during the year	Nil	NA	Nil	NA
Exercised during the year	4,020,926	164.45	115,333	160.00
Forfeited / cancelled during the year	922,020	253.08	1,557,846	179.09
Outstanding at the end of the year	12,730,726	246.00	14,646,209	206.43
Exercisable at the end of the year	1,864,110	164.94	1,981,770	160.00
Weighted average fair value of options granted on the date of grant is INR 112.48 (previous year INR 107.64)				
Weighted average share price at the date of exercise of stock options is INR 328.61 (previous year INR 274.23)				

Schedules to the Financial Statements Continued

SCHEDULE 21–NOTES TO ACCOUNTS

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

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

Scheme	Range of exercise price (INR)	No. of options outstanding	Weighted average remaining contractual life of options (in years)	Weighted average exercise price (INR)
CISMP Plan	33.70	2,238,077	0.08	33.70
CIPOP Plan	10.00	2,147,663	1.25	10.00
CIESOP Plan	143-331.25	12,730,726	1.10	246.00

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

CISMP Plan	33.70	2,238,077	1.08	33.70
CIPOP Plan	10.00	2,626,830	1.36	10.00
CIESOP Plan	143-240	14,646,209	1.28	206.43

Inputs for Fair valuation of Employees Stock Option Plans

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

Variables - CISMP	A	B
Grant date	24th Nov 2006	24th Nov 2006
Stock price/fair value of the equity shares on the date of grant (INR)	160.00	160.00
Vesting date	Refer vesting conditions	Refer vesting conditions
Vesting %	Refer vesting conditions	Refer vesting conditions
Volatility (Weighted average)	44.08%	46.59%
Risk free rate (Weighted average)	7.05%	6.94%
Time to maturity in years (Weighted average)	2.45	2.00
Exercise price (INR)	33.70	33.70
Fair Value of the options (Weighted average) - INR	131.69	130.69

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

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

Schedules to the Financial Statements Continued

SCHEDULE 21–NOTES TO ACCOUNTS

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

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

Effect of Employees Stock Option Plans on Financial Position

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

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

Impact of Fair Valuation Method on net profits and EPS

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

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

7. LEASE OBLIGATIONS DISCLOSURES

Operating Lease

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

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

8. DERIVATIVE INSTRUMENTS AND UNHEDGED FOREIGN CURRENCY EXPOSURE

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

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

9. The Company has a gratuity plan, wherein every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The gratuity plan of the Company is an unfunded scheme.

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

Schedules to the Financial Statements Continued

SCHEDULE 21–NOTES TO ACCOUNTS

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

Profit and Loss account

Net employee benefit expense (recognised in staff cost)

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

Balance sheet

Details of Provision for Gratuity

Particulars	31st March 2011	31st March 2010
Defined benefit obligation	7,994	6,647
Less: Unrecognized past service cost	Nil	Nil
Plan asset / (liability)	**(7,994)**	**(6,647)**
Changes in the present value of the defined benefit obligation are as follows:		
Opening defined benefit obligation	6,647	3,994
Current service cost	1,474	1,605
Interest cost	532	319
Benefits paid	Nil	Nil
Actuarial (gains) / losses on obligation	(659)	729
Closing defined benefit obligation	**7,994**	**6,647**
The principal assumptions used in determining gratuity liability for the Company's plans are shown below:		
Discount rate	8.00%	8.00%
Future salary increase	10.00%	10.00%
Employee turnover	5.00%	5.00%
Mortality Rate	LIC (1994-96) Ultimate Table	LIC (1994-96) Ultimate Table

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

Gratuity liabilities are as follows :

Particulars	31st March 2011	31st March 2010	31st March 2009
Defined benefit obligation	7,994	6,647	3,994
Surplus / (deficit)	(7,994)	(6,647)	(3,994)
Experience adjustments on plan liabilities (loss) / gain	512	(583)	(45)

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

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

Description	No. of equity shares	Issue price in INR	Share capital	Securities premium
Balance as on 1st April 2009	**1,896,667,816**		**18,966,678**	**301,090,274**
Exercise of share options-CIPOP	190,983	10.00	1,910	Nil
Exercise of share options -CIESOP	115,333	160.00	1,153	17,300
Share options liability transferred to securities premium upon exercise of the options				28,648
Waiver of parent company outstanding balance, pertaining to share issue expenses paid by parent company, which had earlier been adjusted from securities premium				25,000

Schedules to the Financial Statements Continued

SCHEDULE 21–NOTES TO ACCOUNTS

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

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

11. In accordance with the provisions of Accounting Standard 22 'Accounting for taxes on income', the Company would have had deferred tax assets of INR 811,000 thousand (previous year INR 361,000 thousand) and INR 393,000 thousand (previous year INR 224,720 thousand) in respect of accumulated tax losses and differences in block of fixed assets/exploration assets as per tax books and financial books respectively. However, as the management is not virtually certain of subsequent realization of the asset, the same has not been recognized in these financial statements.

12. The shareholders of the Company have approved a Scheme of Arrangement between the Company and some of its wholly owned subsidiaries, to be effective from 1st January 2010. The Scheme of Arrangement has been approved by the Hon'ble High Court of Madras and the Hon'ble High Court of Bombay. However, it is pending for approval from other regulatory authorities. Pending receipt of such approvals, no accounting impact of the scheme has been given in these financial statements. After the implementation of the scheme, the Company will directly own the Indian businesses, which are currently owned by some of its wholly owned subsidiaries and as contemplated in the scheme, any goodwill arising in the Company pursuant to the scheme, shall be adjusted against the securities premium account.

13. The reversal in fringe benefit tax (FBT) in the previous year is on account of the abolishment of FBT with effect from 1st April 2009, as the Company was accounting for FBT liability on stock options on a pro-rata basis over the vesting period.

14. MANAGERIAL REMUNERATION

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

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

15. EARNINGS IN FOREIGN CURRENCY (ACCRUAL BASIS)

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

16. EXPENDITURE IN FOREIGN CURRENCY (ACCRUAL BASIS)

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

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

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

Schedules to the Financial Statements Continued

SCHEDULE 21–NOTES TO ACCOUNTS

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

18. VALUE OF IMPORTS CALCULATED ON CIF BASIS

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

19. CAPITAL COMMITMENTS (NET OF ADVANCES)

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

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

21.

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

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

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

Schedules to the Financial Statements Continued

SCHEDULE 21–NOTES TO ACCOUNTS

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

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

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

Schedules to the Financial Statements Continued

SCHEDULE 21–NOTES TO ACCOUNTS

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

14	128,910,540 units of SBI mutual fund under SBI SHF-Ultra Short Term Fund - Daily Dividend Reinvestment plan	1,289,879
15	130,570,088 units of Tata mutual fund under Tata Floater Fund - Daily Dividend Reinvestment plan	1,310,349
16	2,128,161 units of UTI mutual fund under UTI Treasury Advantage Fund - Daily Dividend Reinvestment plan	2,128,618
	Total	**16,816,876**
The following mutual fund units were purchased and sold during the current year:-		
1	184,963,305 units of Birla Sun Life Cash Manager Fund-IP under Birla Sun Life Mutual Fund - Daily Dividend Reinvestment plan	
2	236,722,187 units of Birla Sun Life Cash Plus Fund under Birla Sun Life Mutual Fund - Daily Dividend Reinvestment plan	
3	281,914 units of Birla Sun Life Interval Income Fund - Quarterly Plan - Series II under Birla Sun Life Mutual Fund - Daily Dividend Reinvestment plan	
4	127,772,229 units of Birla Sun Life Saving Funds under Birla Sun Life Mutual Fund - Daily Dividend Reinvestment plan	
5	50,247,291 units of BSL Floating Rate Fund - Long Term under Birla Sun Life Mutual Fund - Daily Dividend Reinvestment plan	
6	126,271,819 units of BSL Floating Rate Fund - Long Term under Birla Sun Life Mutual Fund - Weekly Dividend Reinvestment plan	
7	8,454,757 units of Canara Robeco Liquid Fund under Canara Robeco mutual fund - Daily Dividend Reinvestment plan	
8	388,635 units of Canara Robeco Treasury Advantage under Canara Robeco mutual fund - Daily Dividend Reinvestment plan	
9	706,513 units of DSP Blackrock Floating Rate Fund - Institutional Plan under DSP Blackrock mutual fund - Daily Dividend Reinvestment plan	
10	24,381,382 units of DSP Blackrock FMP 3M Series 22 under DSP Blackrock mutual fund - Daily Dividend Reinvestment plan	
11	1,849,130 units of DSP Blackrock Liquidity Fund under DSP Blackrock mutual fund - Daily Dividend Reinvestment plan	
12	1,926,786 units of DSP Blackrock Money Manager Fund - Institutional Plan under DSP Blackrock mutual fund - Daily Dividend Reinvestment plan	
13	24,362,246 units of Fidelity FMP Series 3 Plan C under Fidelity Mutual Fund - Daily Dividend Reinvestment plan	
14	24,802,039 units of Fidelity FMP Series 4 Plan C under Fidelity Mutual Fund - Daily Dividend Reinvestment plan	
15	24,282,241 units of Fidelity FMP Series II under Fidelity Mutual Fund - Daily Dividend Reinvestment plan	
16	173,096,552 units of HDFC Cash Management Fund - Treasury Advantage under HDFC mutual fund - Daily Dividend Reinvestment plan	
17	220,207,149 units of HDFC Floating Rate Income Fund - Short Term Plan under HDFC mutual fund - Daily Dividend Reinvestment plan	
18	24,296,400 units of HDFC FMP 90D June 2010 under HDFC mutual fund - Daily Dividend Reinvestment plan	
19	301,769,796 units of HDFC Liquid Fund-Premium Plan under HDFC mutual fund - Daily Dividend Reinvestment plan	
20	18,850,890 units of ICICI Prudential Flexible Income Plan Premium under ICICI Prudential mutual fund - Daily Dividend Reinvestment plan	
21	221,758 units of ICICI Prudential Interval Fund II - Quarterly Interval Plan F - Inst under ICICI Prudential mutual fund - Daily Dividend Reinvestment plan	
22	20,763,421 units of ICICI Prudential Liquid - Super Institutional Plan under ICICI Prudential mutual fund - Daily Dividend Reinvestment plan	
23	136,984,419 units of IDFC Cash Fund Super Institutional - Plan C under IDFC mutual fund - Daily Dividend Reinvestment plan	
24	118,771,342 units of IDFC Money Manager TP Super Institutional - Plan C under IDFC mutual fund - Daily Dividend Reinvestment plan	
25	796,806 units of IDFC Savings Advantage Fund - Plan A under IDFC mutual fund - Daily Dividend Reinvestment plan	
26	239,265,718 units of J P Morgan India Liquid Fund-SIP under JP Morgan Mutual Fund - Daily Dividend Reinvestment plan	
27	189,953,998 units of J P Morgan India Treasury Fund-SIP under JP Morgan Mutual Fund - Daily Dividend Reinvestment plan	
28	1,280,012 units of Kotak Floater Long Term Fund under Kotak Mahindra mutual fund - Daily Dividend Reinvestment plan	
29	18,809,661 units of Kotak Quarterly Interval Plan Series 2 under Kotak Mahindra mutual fund - Daily Dividend Reinvestment plan	
30	25,051,285 units of Kotak Quarterly Interval Plan Series 4 under Kotak Mahindra mutual fund - Daily Dividend Reinvestment plan	
31	1,410,241 units of Kotak Quarterly Interval Plan Series 8 under Kotak Mahindra mutual fund - Daily Dividend Reinvestment plan	
32	25,092,032 units of Kotak Quarterly Interval Plan Series I under Kotak Mahindra mutual fund - Daily Dividend Reinvestment plan	
33	122,753,371 units of LIC Liquid Fund under LIC Mutual fund - Daily Dividend Reinvestment plan	
34	31,801,852 units of Reliance Liquid Fund - Treasury Plan-Institutional Option under Reliance mutual fund - Daily Dividend Reinvestment plan	
35	179,945,819 units of Reliance Liquidity Fund under Reliance mutual fund - Daily Dividend Reinvestment plan	
36	40,219,549 units of Reliance Medium Term Fund under Reliance mutual fund - Daily Dividend Reinvestment plan	
37	1,050,788 units of Reliance Money Manager Fund-SIP under Reliance mutual fund - Daily Dividend Reinvestment plan	
38	24,082,199 units of Reliance Monthly Interval Fund Series II under Reliance mutual fund - Daily Dividend Reinvestment plan	
39	24,287,212 units of Reliance Quarterly Interval Fund Series I under Reliance mutual fund - Daily Dividend Reinvestment plan	
40	24,347,016 units of SBI Debt Fund Series- 90 Days-34 under SBI mutual fund - Daily Dividend Reinvestment plan	
41	24,778,941 units of SBI Debt Fund Series- 90 Days-36 under SBI mutual fund - Daily Dividend Reinvestment plan	
42	137,890,165 units of SBI Magnum Insta Cash Fund under SBI mutual fund - Daily Dividend Reinvestment plan	
43	144,379,793 units of SBI SHF-Ultra Short Term Fund under SBI mutual fund - Daily Dividend Reinvestment plan	

Schedules to the Financial Statements Continued

SCHEDULE 21–NOTES TO ACCOUNTS

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

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

The following mutual fund units were purchased and sold during the previous year:-	
1	335,214,545 units of Birla Sunlife mutual fund under Birla Cash Plus - Institutional Premium - Daily Dividend Reinvestment
2	19,920,035 units of Canara Robeco mutual fund under Canara Robeco Liquid Collection - Daily Dividend Reinvestment
3	1,073,385 units of DSP Blackrock mutual fund under DSP Blackrock Liquidity Fund - Daily Dividend Reinvestment
4	332,343,248 units of HDFC mutual fund under HDFC Liquid Fund - Premium Plan - Daily Dividend Reinvestment
5	49,198,541 units of ICICI Prudential mutual fund under ICICI Prudential Flexible Income Plan Premium - Daily Dividend Reinvestment
6	368,973,177 units of ICICI Prudential mutual fund under ICICI Prudential Institutional Liquid Plan - Super Inst - Daily Dividend Reinvestment
7	115,181,352 units of IDFC mutual fund under IDFC Cash Fund Super Institutional - Plan C - Daily Dividend Reinvestment
8	8,927,386 units of Kotak Mahindra mutual fund under Kotak Floater Long Term Fund - Daily Dividend Reinvestment
9	173,076,949 units of Kotak Mahindra mutual fund under Kotak Liquid Fund - Institutional Premium - Daily Dividend Reinvestment
10	148,837,398 units of Reliance mutual fund under Reliance Liquid Fund - Treasury Plan - Institutional Option - Daily Dividend Reinvestment
11	76,780,784 units of SBI mutual fund under SBI Magnum Insta Cash Fund - Daily Dividend Reinvestment
12	39,908,068 units of Tata mutual fund under Tata Floater Fund - Daily Dividend Reinvestment
13	2,089,903 units of Tata mutual fund under Tata Liquid Fund - SHIP - Daily Dividend Reinvestment
14	4,152,801 units of UTI mutual fund under UTI Liquid Cash Plan - Inst - Daily Dividend Reinvestment
15	504,918 units of UTI mutual fund under UTI Treasury Advantage Fund - Daily Dividend Reinvestment

23. The Company has made equity investments in CIG Mauritius Holding Private Limited ('CMHPL') mainly for funding the expenditure pertaining to block SL 2007-0-001 held by Cairn Lanka Private Limited (a wholly owned subsidiary of CMHPL). As the block is presently under exploration phase, no diminution in value of the said investments exists at the balance sheet date.

24. The holding company of Cairn India Limited, Cairn UK Holdings Limited, along with its holding company, Cairn Energy Plc. (Company's ultimate holding company) has agreed to sell a substantial portion of its investment in the Company to Twin Star Holdings Ltd. and Vedanta Resources Plc. This transaction has been approved by shareholders of both Cairn Energy Plc. and Vedanta Resources Plc. However, pending receipt of certain regulatory approvals, Cairn Energy Plc. continues to be treated as the promoter of the Company.

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

As per our report of even date

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

per Raj Agrawal
Partner
Membership No. 82028

For and on behalf of the Board of Directors

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

Place Gurgaon Date 25 May, 2011

Balance Sheet Abstract and Company's General Business Profile

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

For and on behalf of the Board of Directors

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

Place Gurgaon Date 25 May, 2011

Auditor's Report on Consolidated Financial Statements

To
The Board of Directors of Cairn India Limited

1. We have audited the accompanying consolidated balance sheet of Cairn India Group, as at March 31, 2011 comprising Cairn India Limited ('the Company') and its subsidiaries (together, 'the Group'), and also the consolidated profit and loss account 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.

2. 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.

3. The accompanying financial statements include Cairn India Group's share of net assets, expenses and cash flows aggregating to INR 850,002 thousand, INR 411,580 thousand, INR 1,517 thousand respectively in the unincorporated joint ventures not operated by the Cairn India Group, the accounts of which have been audited by the auditors of the respective unincorporated joint ventures and relied upon by us.

4. 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).

5. In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

   (a) in the case of the consolidated balance sheet, of the state of affairs of the Cairn India Group as at March 31, 2011;
   (b) in the case of the consolidated profit and loss account, of the profit for the year ended on that date; and
   (c) in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

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

per Raj Agrawal
Partner
Membership No.:82028

Place Gurgaon Date 25 May, 2011

Consolidated Balance Sheet

AS AT MARCH 31, 2011

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

	Schedules	As at March 31, 2011		As at March 31, 2010	
Sources of Funds					
Shareholders' funds					
Share capital	1		19,019,171		18,969,741
Stock options outstanding	2		554,722		463,978
Reserves and surplus	3		383,358,363		319,249,603
			402,932,256		**338,683,322**
Loan funds					
Secured loans	4		13,282,158		34,007,131
Unsecured loans	5		13,500,000		-
			26,782,158		**34,007,131**
Deferred tax liabilities (net)	6		5,750,251		4,619,418
			435,464,665		**377,309,871**
Application of Funds					
Fixed assets					
Gross cost	7	66,539,435		2,227,578	
Less: Accumulated depreciation / amortisation		7,303,788		958,067	
Net book value			59,235,647		1,269,511
Cost of producing facilities (net)	8A		20,849,582		4,994,770
Exploration, development and capital work in progress	8B		39,818,769		91,634,579
Goodwill			253,192,675		253,192,675
Investments	9		10,944,489		17,124,133
Deferred tax assets (net)	6		138,377		166,215
Current assets, loans and advances					
Inventories	10	3,276,994		2,909,438	
Sundry debtors	11	14,828,644		3,067,474	
Cash and bank balances	12	44,847,353		9,294,240	
Other current assets	13	386,367		144,586	
Loans and advances	14	16,269,116		6,565,731	
		79,608,474		**21,981,469**	
Less: Current liabilities and provisions					
Current liabilities	15	12,637,641		9,868,645	
Provisions	16	16,628,311		4,936,971	
		29,265,952		**14,805,616**	
Net current assets			**50,342,522**		**7,175,853**
Miscellaneous Expenditure to the extent not adjusted			942,604		1,752,135
(Ancillary costs of loan)					
			435,464,665		**377,309,871**
Notes to accounts	25				

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

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

per Raj Agrawal
Partner
Membership No. 82028

For and on behalf of the Board of Directors

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

Place Gurgaon Date 25 May, 2011

Consolidated Profit and Loss Account

FOR THE YEAR ENDED MARCH 31, 2011

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

	Schedules	Year ended March 31, 2011		Year ended March 31, 2010	
Income					
Income from operations	17		102,779,277		16,230,261
Other income	18		1,287,956		4,076,616
			104,067,233		**20,306,877**
Expenditure					
Operating expenses	19		15,170,254		4,248,252
Depletion	8A		5,816,674		1,376,477
Unsuccessful exploration costs	8B		1,666,816		2,085,346
Staff costs	20		1,104,633		1,101,635
Administrative expenses	21		2,650,590		1,372,497
(Increase) / decrease in inventories	22		(263,556)		(366,021)
Prior period items (refer note no. 21 in schedule 25)			-		68,716
Depreciation and amortisation	7		6,112,951		108,588
Finance costs	23		2,909,097		148,031
			35,167,459		**10,143,521**
Profit before taxation			**68,899,774**		**10,163,356**
Tax expenses					
Current tax		15,610,615		2,216,325	
MAT credit entitlement		(11,213,560)		(1,372,228)	
Deferred tax charge / (credit)		1,158,671		(1,086,649)	
Fringe benefit tax (refer note no. 22 in schedule 25)		-		(105,218)	
Wealth tax		48		67	
			5,555,774		(347,703)
Profit for the year			**63,344,000**		**10,511,059**
Surplus brought forward from the previous year			18,088,381		7,577,322
Surplus carried to Balance sheet			**81,432,381**		**18,088,381**
Earnings per share in INR	24				
Basic			33.36		5.54
Diluted			33.20		5.52
(Nominal value of shares in INR 10)					
Notes to accounts	25				

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

As per our report of even date

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

per Raj Agrawal
Partner
Membership No. 82028

Place Gurgaon Date 25 May, 2011

For and on behalf of the Board of Directors

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

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED MARCH 31, 2011

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

	Year ended March 31, 2011	Year ended March 31, 2010
Cash flow from operating activities		
Profit before taxation for the year	68,899,774	10,163,356
Adjustments for		
- Employee compensation expense (equity settled stock options)	234,454	89,175
- Depreciation and depletion	12,226,482	1,780,276
- Loss/(Profit) on sale/discard of fixed assets (net)	230,975	(313)
- Unsuccessful exploration costs	1,666,816	2,085,346
- Unrealised exchange loss / (gain) on restatement of assets and liabilities (net)	1,053,277	(2,604,018)
- Interest expense	2,077,458	59,518
- Profit on sale of non trade current investments (net)	(61,054)	(2,385)
- Interest income	(576,183)	(1,375,578)
- Dividend from investments	(650,667)	(224,461)
- Loan facility and management fees	806,042	103,834
- Other finance charges	38,363	-
- Unrealised loss on currency option contracts	1,646	-
- Unrealised loss on commodity hedge contracts	38,876	-
- Balances written back (net)	-	(143,360)
Operating profit before working capital changes	85,986,259	9,931,390
Movements in working capital:		
(Increase)/decrease in inventories	(367,556)	(1,226,630)
(Increase)/decrease in debtors	(11,815,949)	(1,598,096)
(Increase)/decrease in loans and advances and other current assets	882,803	(3,050,580)
Increase/(decrease) in current liabilities and provisions	1,212,364	(1,206,652)
Cash generated from operations	75,897,921	2,849,432
Current tax paid (net of refunds)	(12,591,655)	(1,752,558)
Net cash from operating activities (A)	**63,306,266**	**1,096,874**
Cash flow from investing activities		
Payments made for exploration, development activities and purchase of fixed assets	(25,647,920)	(33,662,150)
Short term investments in mutual funds (net)	6,240,697	(15,416,641)
Fixed deposits made	(43,947,656)	(16,716,524)
Proceeds from matured fixed deposits	13,703,008	57,327,022
Proceeds from sale of fixed assets	-	313
Interest received	252,328	2,138,135
Dividend from short term investments received	650,667	222,195
Net cash (used in) investing activities (B)	**(48,748,876)**	**(6,107,650)**
Cash flow from financing activities		
Proceeds from issue of equity shares	670,480	20,363
Finance lease taken	-	9,406
Repayment of finance lease	(79,576)	(91,483)
Proceeds from issue of non convertible debentures	13,500,000	-
Proceeds from long term borrowings	5,180,000	34,604,616
Repayment of long term borrowings	(25,698,627)	(41,409,564)
Loan facility and management fees paid	(236,140)	(1,908,255)
Interest paid	(1,991,220)	(1,678,228)
Net cash (used in) financing activities (C)	**(8,655,083)**	**(10,453,145)**
Net increase/(decrease) in cash and cash equivalents (A+B+C)	5,902,307	(15,463,921)
Cash and cash equivalents at the beginning of the year	6,366,698	21,732,635
Cash and cash equivalents at the end of the year	12,269,005	6,268,714

Consolidated Statement of Cash Flows Continued

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

	Year ended March 31, 2011	Year ended March 31, 2010
Unrealised exchange gain/(loss) on closing cash and cash equivalents	(223,572)	97,984
Cash and cash equivalents as per cash flow statement	**12,045,433**	**6,366,698**

Components of cash and cash equivalents as at	March 31, 2011	March 31, 2010
Cash in hand	524	452
Balances with banks		
- on current accounts	151,915	390,057
- on site restoration fund	577,537	143,703
- on deposit accounts	44,117,377	8,760,028
- Less: Deposits having maturity of over 90 days	(32,801,920)	(2,927,542)
	12,045,433	**6,366,698**

Notes :

i) The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in Accounting Standard-3 on "Cash flow statements".

ii) Amounts in bracket indicate a cash outflow or reduction.

iii) Bank balance in deposit accounts includes INR 17,662 thousand, previous year INR 1,955,866 thousand, pledged with the banks.

As per our report of even date

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

per Raj Agrawal
Partner
Membership No. 82028

Place Gurgaon Date 25 May, 2011

For and on behalf of the Board of Directors

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

Schedules to the Consolidated Financial Statements

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

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

Notes :

i) Issued, subscribed and fully paid up share capital includes 1,183,243,791 equity shares (previous year - 1,183,243,791 equity shares) of INR 10 each held by Cairn UK Holdings Limited, the holding company, together with its nominees. Also refer note no. 23 in schedule 25.

ii) Shares held by the holding company includes 861,764,893 equity shares (previous year - 861,764,893 equity shares) of INR 10 each, allotted as fully paid up pursuant to contracts for consideration other than cash.

iii) 10,517,681 (previous year 5,574,712) shares have been allotted pursuant to exercise of employee stock option schemes.

iv) For stock options outstanding, refer note no. 7 in schedule 25.

Schedule 2		
Stock options outstanding		
Employee stock options outstanding	780,026	768,120
Less: Deferred employee compensation outstanding	(225,304)	(304,142)
Closing Balance	**554,722**	**463,978**
Schedule 3		
Reserves and surplus		
Securities premium account		
Opening Balance	301,161,222	301,090,274
Add: Additions during the year (refer note no. 14 in schedule 25)	764,760	70,948
Closing Balance	**301,925,982**	**301,161,222**
Profit and Loss Account	81,432,381	18,088,381
	383,358,363	**319,249,603**
Schedule 4		
Secured loans		
Finance lease liabilities	59,866	140,325
Long term loans		
- from financial institutions	2,644,458	5,092,111
- from banks	10,577,834	28,774,695
	13,282,158	**34,007,131**

Notes:

i) Finance lease liabilities are secured by way of hypothecation of the office equipments and leaseholds improvements acquired under such lease.

ii) Long term loans are secured against hypothecation of the shares of Cairn Energy Hydrocarbons Limited, a wholly owned subsidiary of the Company.

iii) As at the end of the previous year there was an additional lien requirement on 35% participating interest in RJ-ON-90/1 block against long term loan facility of INR 40,000,000 thousand. The outstanding amount out of such facility has been fully repaid in the current year.

Schedules to the Consolidated Financial Statements Continued

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

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

Notes:

i. The debenture holders have a negative lien on the assets of Cairn India Limited.

ii. The Company has the option to prepay the debenture issued under series A and B at the end of 12 months from the date of issue.

	As at March 31, 2011	As at March 31, 2010
Schedule 6		
Deferred tax asset / liabilities (net)		
Effect of differences in block of fixed assets/exploration and development assets as per tax books and financial books	5,635,961	4,478,541
Gross deferred tax liabilities	**5,635,961**	**4,478,541**
Effect of lease accounting	7,842	7,877
Expenditure debited to profit and loss account but allowed for tax purposes in following years	16,245	17,461
Gross deferred tax assets	**24,087**	**25,338**
Net deferred tax liabilities	**5,611,874**	**4,453,203**

Notes:

i) Deferred tax liabilities are after setting off net deferred tax assets aggregating to INR 138,377 thousand (previous year INR 166,215 thousand) in respect of certain group companies.

ii) In the absence of virtual certainty, deferred tax assets of INR 811,000 thousand (previous year INR 361,000 thousand) and INR 393,000 thousand (previous year INR 224,720 thousand) in respect of accumulated tax losses and differences in block of fixed assets/exploration assets as per tax books and financial books respectively have not been recognised by the Company.

Schedules to the Consolidated Financial Statements Continued

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

Schedule 7

Fixed Assets

Description	Gross Block				Accumulated Depreciation / Amortisation				Net Block	
	As on 01.04.2010	Additions	Deletions	As on 31.03.2011	As on 01.04.2010	For the year	Deletions	As on 31.03.2011	As on 31.03.2011	As on 31.03.2010
A) Tangible Assets										
Freehold land	43,583	-	-	43,583	-	-	-	-	43,583	43,583
Leasehold land	-	853,800	-	853,800	-	77,391	-	77,391	776,409	-
Buildings	10,289	6,418,017	-	6,428,306	3,115	397,454	-	400,569	6,027,737	7,174
Plant and machinery	777,549	56,619,216	-	57,396,765	21,845	5,543,774	-	5,565,619	51,831,146	755,704
Office equipments	469,624	172,174	(41,325)	600,473	291,398	138,632	(40,518)	389,512	210,961	178,226
Furniture and fittings	311,496	54,760	(178)	366,078	186,625	69,766	(78)	256,313	109,765	124,871
Vehicles	11,565	52,225	-	63,790	5,268	8,754	-	14,022	49,768	6,297
B) Intangible Assets										
Computer software	603,472	206,659	(23,491)	786,640	449,816	174,037	(23,491)	600,362	186,278	153,656
Grand Total	**2,227,578**	**64,376,851**	**(64,994)**	**66,539,435**	**958,067**	**6,409,808**	**(64,087)**	**7,303,788**	**59,235,647**	**1,269,511**
Previous year	**1,434,686**	**1,040,598**	**(247,706)**	**2,227,578**	**801,843**	**403,799**	**(247,575)**	**958,067**	**1,269,511**	**632,843**

Notes :

i) Gross block of furniture and fittings includes leasehold improvements of INR 282,259 thousand (previous year INR 282,259 thousand), accumulated depreciation thereon INR 225,838 thousand (previous year INR 168,063 thousand).

ii) Furniture and fittings and Office equipments of gross book value of INR 281,634 thousand (previous year INR 281,634 thousand) and INR 100,733 thousand (previous year INR 100,733 thousand) respectively have been acquired under finance lease. The depreciation charge for the year on these assets is INR 57,750 thousand (previous year INR 57,556 thousand) and INR 19,962 thousand (previous year INR 27,197 thousand) respectively and the accumulated depreciation thereon is INR 225,661 thousand (previous year INR 167,910 thousand) and INR 63,476 thousand (previous year INR 43,514 thousand) respectively.

iii) Depreciation charge for the year includes INR 296,857 thousand (previous year INR 295,211 thousand) allocated to joint ventures.

iv) Gross block of fixed assets includes INR 65,053,851 thousand (previous year INR 996,883 thousand) jointly owned with the joint venture partners. Accumulated depreciation on these assets is INR 6,216,929 thousand (previous year INR 131,109 thousand) and net book value is INR 58,836,922 thousand (previous year INR 865,773 thousand).

v) Gross block of leasehold land includes INR 23,418 thousand (previous year Nil) for which the lease deed is yet to be executed.

	As at March 31, 2011	As at March 31, 2010
Schedule 8A		
Cost of producing facilities (net)		
Opening balance	4,994,770	3,013,742
Add: Additions	499,935	482,378
Add: Transferred from exploration, development and capital work in progress	21,171,551	2,875,127
Less: Depletion	(5,816,674)	(1,376,477)
Closing balance	**20,849,582**	**4,994,770**
Schedule 8B		
Exploration, development and capital work in progress		
Opening balance	91,634,579	62,027,323
Add: Additions	34,965,461	35,345,278
Less: Transferred to cost of producing facilities	(21,171,551)	(2,875,127)
Less: Transferred to fixed assets	(63,942,904)	(777,549)
Less: Unsuccessful exploration costs	(1,666,816)	(2,085,346)
Closing balance	**39,818,769**	**91,634,579**

Schedules to the Consolidated Financial Statements Continued

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

	As at March 31, 2011	As at March 31, 2010
Schedule 9		
Investments		
Current Investments (at lower of cost and market value)		
Quoted and non-trade		
Nil (previous year 755,275) equity shares of INR 10 each fully paid up in Videocon Industries Limited	-	105,334
Unquoted and non trade		
Mutual Funds	10,944,489	17,018,799
	10,944,489	**17,124,133**
Schedule 10		
Inventories		
Stores and spares	2,560,383	2,456,383
Finished goods	716,611	453,055
	3,276,994	**2,909,438**
Schedule 11		
Sundry Debtors		
Debts - Unsecured and outstanding for a period exceeding six months :		
- Considered good	73,920	78,687
Other unsecured debts :		
- Considered good	14,754,724	2,988,787
	14,828,644	**3,067,474**
Schedule 12		
Cash and bank balances		
Cash in hand	524	452
Balances with banks:		
- on current accounts	151,915	390,057
- on deposit accounts (including deposits with maturity of more than 90 days)*	44,117,377	8,760,028
- on site restoration fund	577,537	143,703
	44,847,353	**9,294,240**
* includes INR 17,662 thousand (previous year INR 1,955,866 thousand) pledged with the banks.		
Schedule 13		
Other Current Assets		
Interest accrued on bank deposits	347,139	23,285
Dividend receivable	-	7,553
Outstanding currency option contracts	39,228	113,748
	386,367	**144,586**

Schedules to the Consolidated Financial Statements Continued

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

	As at March 31, 2011	As at March 31, 2010
Schedule 14		
Loans and advances		
Unsecured and considered good, unless otherwise stated:		
Advances recoverable in cash or in kind or for value to be received*	8,811,318	8,711,825
Deposits	193,291	197,740
Advance tax and tax deducted at source (net of tax provisions INR 229 thousand, previous year INR 3,697,411 thousand)	645	365,392
MAT credit entitlement	12,164,292	950,733
Fringe benefit tax paid (net of provisions INR 394,040 thousand, previous year INR 394,040 thousand)	4,329	4,329
	21,173,875	**10,230,019**
Less: Provision for doubtful advances	(4,904,759)	(3,664,288)
	16,269,116	**6,565,731**

* includes doubtful balances INR 4,904,759 thousand (previous year INR 3,664,288 thousand) and also capital advances INR 260,751 thousand (previous year INR 549,799 thousand).

	As at March 31, 2011	As at March 31, 2010
Schedule 15		
Current liabilities		
Amount payable to Cairn Energy Plc., the ultimate holding company	5,087	1,773
Sundry creditors	10,507,287	8,652,475
Lease equalisation liability	15,220	12,250
Interest accrued but not due	638,984	7,838
Outstanding commodity hedge contracts	38,876	-
Other liabilities	1,432,187	1,194,309
	12,637,641	**9,868,645**

	As at March 31, 2011	As at March 31, 2010
Schedule 16		
Provisions		
Provision for taxation (net of advance tax - INR 17,205,018 thousand, previous year INR 576,716 thousand)	2,732,371	52,031
Provision for site restoration *	13,523,349	4,466,429
Provision for compensated absences	24,866	22,840
Provision for gratuity	60,670	64,879
Provision for employee stock options (cash settled) **	287,055	330,792
	16,628,311	**4,936,971**
* Provision for site restoration		
Opening balance	4,466,429	3,886,882
Additions for the year	9,056,920	579,547
Closing balance	13,523,349	4,466,429
** Provision for employee stock options (cash settled)		
Opening Balance	330,792	27,201
Additions for the year	238,298	451,596
Payments during the year	(225,684)	(144,762)
Reversed during the year	(56,351)	(3,243)
Closing Balance	287,055	330,792

Schedules to the Consolidated Financial Statements Continued

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

	Year ended March 31, 2011	Year ended March 31, 2010
Schedule 17		
Income from operations		
Revenue from sale of oil, gas and condensate	108,454,963	22,018,998
Less: Government share of profit petroleum	(6,197,678)	(6,396,752)
	102,257,285	15,622,246
Tolling income	50,945	41,406
Income received as operator from joint venture	471,047	566,609
	102,779,277	**16,230,261**
Schedule 18		
Other income		
Interest on bank deposits	563,409	1,375,578
Interest others	12,774	-
Profit on sale of non trade current investments (net)	61,054	2,385
Dividend income from non trade current investments	650,667	222,195
Dividend income from non trade long term investments	-	2,266
Exchange fluctuation (net)*	-	2,325,709
Miscellaneous income	52	4,810
Profit on sale of fixed assets (net)	-	313
Balances written back (net)	-	143,360
	1,287,956	**4,076,616**
* Previous year amount included net gain on derivative contracts of INR 450,547 thousand.		
Schedule 19		
Operating expenses		
Production expenses	4,376,704	1,182,979
Arbitration costs	48,098	71,431
Transportation expenses	830,457	1,198,660
Data acquisition and analysis	94,588	328,887
Royalty	219,975	241,351
Cess	9,537,311	1,148,496
Production bonus	63,121	76,448
	15,170,254	**4,248,252**
Schedule 20		
Staff costs		
Salaries, wages and bonus	4,149,093	3,763,973
Employee compensation expense (stock options)	416,401	537,529
Contribution to provident fund	167,347	177,970
Contribution to superannuation fund	88,175	68,753
Compensated absences	4,056	7,895
Gratuity expenses	32,786	53,570
Staff welfare expenses	394,396	325,567
	5,252,254	**4,935,257**
Less: Cost allocated to joint ventures	(4,147,621)	(3,833,622)
	1,104,633	**1,101,635**

Schedules to the Consolidated Financial Statements Continued

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

	Year ended March 31, 2011	Year ended March 31, 2010
Schedule 21		
Administrative expenses		
Contract employee charges	304,389	439,319
Legal and professional expenses	1,606,788	1,345,401
Repairs and maintenance	316,304	275,984
Rent	292,763	305,214
Travelling and conveyance expenses	441,248	357,480
Exchange fluctuation (net)*	1,111,800	-
Net loss on commodity hedging contracts	27,640	-
Insurance	4,621	860
Inauguration expenses	-	93,149
Capital expenditure on assets not owned by the group	230,975	-
Miscellaneous expenses	414,125	493,843
	4,750,653	**3,311,250**
Less: Cost allocated to joint ventures	(2,100,063)	(1,938,753)
	2,650,590	**1,372,497**
* Includes net loss on derivative contracts of INR 137,972 thousand.		
Schedule 22		
(Increase) / Decrease in inventories		
Inventories at the beginning of the year		
Finished goods	453,055	87,034
Inventories at the end of the year		
Finished goods	716,611	453,055
	(263,556)	**(366,021)**
Schedule 23		
Finance costs		
Interest		
- on term loan	1,080,273	17,807
- on debentures	527,175	-
- others	448,691	11,681
- finance lease charges	21,319	30,030
Other finance charges	38,363	-
Loan facility and management fees	806,042	103,834
Bank charges	5,857	12,153
	2,927,720	**175,505**
Less: Cost allocated to joint ventures	(18,623)	(27,474)
	2,909,097	**148,031**
Schedule 24		
Earnings per share		
Profit for the year as per profit and loss account	63,344,000	10,511,059
Weighted average number of equity shares in calculating basic earnings per share	1,898,666,456	1,896,696,475
Add: Number of equity shares arising on grant of stock options	9,039,600	8,321,392
Weighted average number of equity shares in calculating diluted earnings per share	1,907,706,056	1,905,017,867
Earnings per share in INR		
Basic	33.36	5.54
Diluted	33.20	5.52

Schedules to the Consolidated Financial Statements Continued

SCHEDULE 25–NOTES TO ACCOUNTS

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

1. NATURE OF OPERATIONS

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

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

The Company along with its subsidiaries, (collectively the 'Cairn India Group') is participant in various Oil and Gas blocks/fields (which are in the nature of jointly controlled assets), granted by the Government of India/Sri Lanka through Production Sharing Contract ('PSC')/Production Resources Agreement ('PRA') entered into between these entities and Government of India/Sri Lanka and other venture partners.

2. COMPONENTS OF THE CAIRN INDIA GROUP

The Consolidated Financial Statements represent consolidation of accounts of the Company and its subsidiaries as detailed below (same as in previous year):

S. No.	Name of the Subsidiaries	Country of Incorporation
1	Cairn Energy Australia Pty Limited	Australia
2	Cairn Energy India Pty Limited	Australia
3	CEH Australia Pty Limited	Australia
4	Cairn Energy Asia Pty Limited	Australia
5	Sydney Oil Company Pty Limited	Australia
6	Cairn Energy Investments Australia Pty Limited	Australia
7	Wessington Investments Pty Limited	Australia
8	CEH Australia Limited	British Virgin Islands
9	Cairn India Holdings Limited ('CIHL')	Jersey
10	CIG Mauritius Holding Private Limited ('CMHPL')	Mauritius
11	CIG Mauritius Private Limited	Mauritius
12	Cairn Energy Holdings Limited	United Kingdom
13	Cairn Energy Discovery Limited	United Kingdom
14	Cairn Exploration (No. 2) Limited	United Kingdom
15	Cairn Exploration (No. 6) Limited	United Kingdom
16	Cairn Energy Hydrocarbons Limited	United Kingdom
17	Cairn Petroleum India Limited	United Kingdom
18	Cairn Energy Gujarat Block 1 Limited	United Kingdom
19	Cairn Exploration (No. 4) Limited	United Kingdom
20	Cairn Exploration (No. 7) Limited	United Kingdom
21	Cairn Energy Development Pte Limited (Liquidated during the year)	Singapore
22	Cairn Lanka (Pvt) Limited	Sri Lanka
23	Cairn Energy Group Holdings BV	Netherlands
24	Cairn Energy India West BV	Netherlands
25	Cairn Energy India West Holding BV	Netherlands
26	Cairn Energy Gujarat Holding BV	Netherlands
27	Cairn Energy India Holdings BV	Netherlands
28	Cairn Energy Netherlands Holdings BV	Netherlands
29	Cairn Energy Gujarat BV	Netherlands
30	Cairn Energy Cambay BV	Netherlands
31	Cairn Energy Cambay Holding BV	Netherlands

Schedules to the Consolidated Financial Statements Continued

SCHEDULE 25–NOTES TO ACCOUNTS

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

CIHL and CMHPL are wholly owned subsidiaries of the Company. All other above mentioned companies are direct or indirect wholly owned subsidiaries of either CIHL or CMHPL. The Company's percentage holding in these subsidiaries was same in the previous year.

Cairn India Group has interest in the following Oil & Gas blocks/fields:

Oil & Gas blocks/fields	Area	Participating Interest
Operated block		
Ravva block	Krishna Godavari	22.50%
CB-OS/2 – Exploration	Cambay Offshore	60%
CB-OS/2 - Development & production	Cambay Offshore	40%
RJ-ON-90/1 – Exploration	Rajasthan Onshore	100%
RJ-ON-90/1 – Development & production	Rajasthan Onshore	70%
PR-OSN-2004/1	Palar Basin offshore	35%
SL 2007-01-001	North West Sri Lanka offshore	100%
KG-ONN-2003/1	Krishna Godavari Onshore	49%
KG-OSN-2009/3*	Krishna Godavari Offshore	100%
MB-DWN-2009/1*	Mumbai	100%
*Acquired during the year		
Following blocks have been relinquished		
GV-ONN-2002/1 in July 2009	Ganga Valley Onshore	50%
VN-ONN-2003/1 in Aug 2009	Vindhyan Onshore	49%
GV-ONN-2003/1 in Feb 2010	Ganga Valley Onshore	24%
Non – operated block		
KG-DWN-98/2	Krishna Godavari Deep water	10%
KK-DWN-2004/1	Kerala Konkan Basin offshore	40%
Following blocks have been relinquished		
RJ-ONN-2003/1 in Jan 2010	Rajasthan Onshore	30%
GS-OSN-2003/1 in Nov 2010	Gujarat Saurashtra Onshore	49%

The participating interests were same in the previous year.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(A) Basis of preparation

The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards notified under the Companies (Accounting Standard) Rules, 2006 (as amended) under the historical cost convention and on an accrual basis. The accounting policies, in all material respects, have been consistently applied by Cairn India Group and are consistent with those used in the previous year, except to the extent stated in note 6 below.

Principles of consolidation:

The consolidated financial statements relate to the Cairn India Group. In the preparation of these consolidated financial statements, investments in subsidiaries have been accounted for in accordance with the provisions of Accounting Standard-21 (Consolidated Financial Statements). The financial statements of the subsidiaries have been drawn up to the same reporting date as of Cairn India Limited. The Consolidated Financial Statements are prepared on the following basis:

1. The financial statements of the Company and its subsidiary companies are consolidated on a line-by-line basis by adding together the book values of the like items of assets, liabilities, income and expenses after eliminating all significant intra-group balances and intra-group transactions and also unrealised profits or losses in accordance with Accounting Standard-21 (Consolidated Financial Statements).
2. The Consolidated Financial Statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented, to the extent possible, in the same manner as the Company's separate financial statements. The financial statements of the subsidiaries are adjusted for the accounting principles and policies followed by the Company.
3. The difference between the cost to the Company of its investment in subsidiaries and its proportionate share in the equity of the investee company at the time of acquisition of shares in the subsidiaries is recognized in the financial statements as Goodwill or Capital Reserve, as the case may be. Goodwill is tested for impairment by the management on each reporting date.

Schedules to the Consolidated Financial Statements Continued

SCHEDULE 25–NOTES TO ACCOUNTS

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

(B) Oil and gas assets

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

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 profit and loss account. Following appraisal of successful exploration wells, when a well is ready for commencement of commercial production, the related exploratory and development work in progress are transferred into a single field cost centre within producing properties, after testing for impairment.

Where costs are incurred after technical feasibility and commercial viability of producing oil and gas is demonstrated and it has been determined that the wells are ready for commencement of commercial production, they are capitalised within producing properties for each cost centre. Subsequent expenditure is capitalised when it enhances the economic benefits of the producing properties or replaces part of the existing producing properties. Any costs remaining associated with such part replaced are expensed 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 profit and loss account. Net proceeds from any disposal of producing properties are credited against the previously capitalised cost and any gain or loss on disposal of producing properties is recognised in the profit and loss account, to the extent that the net proceeds exceed or are less than the appropriate portion of the net capitalised costs of the asset.

Amounts which are considered doubtful of recovery from the joint venture partner in oil and gas blocks where Cairn India Group is the operator are treated as exploration, development or production costs, as the case may be.

(C) Depletion

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

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

(D) Site restoration costs

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

(E) Impairment

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

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

(F) Tangible fixed assets, depreciation and amortization

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

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

Vehicles	2 to 5 years

Schedules to the Consolidated Financial Statements Continued

SCHEDULE 25–NOTES TO ACCOUNTS

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

Freehold buildings	10 years
Computers	2 to 5 years
Furniture and fixtures	2 to 5 years
Office equipments	2 to 5 years
Plant and equipment	2 to 10 years
Leasehold land	Lease period

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

(G) Intangible fixed assets and amortization

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

Computer software	2 to 4 years

Goodwill arising on consolidation is tested for impairment only.

(H) Leases

As lessee

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

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

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

(I) Investments

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

(J) Inventory

Inventories of oil and condensate held at the balance sheet date are valued at cost or net realizable value, whichever is lower. Cost is determined on a quarterly weighted average basis.

Inventories of stores and spares related to exploration, development and production activities are valued at cost or net realizable value whichever is lower. Cost is determined on first in first out (FIFO) basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

(K) Joint Ventures

Cairn India Group participates in several Joint Ventures involving joint control of assets for carrying out oil and gas exploration, development and producing activities. Cairn India Group accounts for its share of the assets and liabilities of Joint Ventures along with attributable income and expenses in such Joint Ventures, in which it holds a participating interest. Joint venture cash and cash equivalent balances are considered by the Cairn India Group to be the amounts contributed in excess of the Cairn India Group's obligations to the joint ventures and are, therefore, disclosed within Loans and Advances.

(L) Revenue recognition

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

Revenue from operating activities

From sale of oil, gas and condensate

Revenue represents the Cairn India Group's share (net of Government's share of profit petroleum) of oil, gas and condensate production, recognized on a direct entitlement basis, when significant risks and rewards of ownership are transferred to the buyers. Government's share of profit petroleum is accounted for when the obligation (legal or constructive), in respect of the same arises.

As operator from the joint venture

Cairn India Group recognizes parent company overhead as revenue from joint ventures based on the provisions of respective PSCs.

Schedules to the Consolidated Financial Statements Continued

SCHEDULE 25–NOTES TO ACCOUNTS

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

Tolling income

Tolling income represents Cairn India Group's share of revenues from Pilotage and Oil Transfer Services from the respective joint ventures, which is recognized based on the rates agreed with the customers, as and when the services are rendered.

Interest income

Interest income is recognised on a time proportion basis.

Dividend income

Revenue is recognized when the shareholders' right to receive payment is established by the balance sheet date.

(M) Borrowing costs

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

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

(N) Foreign currency transactions and translations

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

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

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

(O) Income taxes

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the income tax laws prevailing in the respective tax jurisdictions where Cairn India Group operates. Deferred income tax reflects the impact of current period timing differences between taxable income and accounting income for the period and reversal of timing differences of earlier period.

Deferred tax assets and liabilities are measured, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities across various subsidiaries or countries of operation are not set off against each other as Cairn India Group does not have a legal right to do so. Current and deferred tax assets and liabilities are only offset where they arise within the same entity and tax jurisdiction.

Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If Cairn India Group 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.

Minimum Alternative Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay income tax under the normal provisions during the specified period, resulting in utilization of MAT credit. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. Cairn India Group reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that the individual company will utilize MAT credit during the specified period.

Schedules to the Consolidated Financial Statements Continued

SCHEDULE 25–NOTES TO ACCOUNTS

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

(P) Earnings Per Share

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

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

(Q) Provisions

A provision is recognised when Cairn India Group has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

(R) Cash and Cash equivalents

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

(S) Employee Benefits

Retirement and Gratuity benefits

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

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

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

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

Employee Stock Compensation Cost

Measurement and disclosure of the employee share-based payment plans is done in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on Accounting for Employee Share-based Payments, issued by the ICAI. Cairn India Group 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. The cost of awards to employees under the Company's ultimate parent entity's Long Term Incentive Plans ("the LTIP") is recognised based on the amount cross charged by the parent entity.

(T) 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. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(U) Segment Reporting Policies

Identification of segments:

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

(V) Derivative Instruments

As per the ICAI Announcement, accounting for derivative contracts, other than those covered under AS-11, is done on marked to market on a portfolio basis, and the net loss is charged to the income statement. Net gains are ignored.

(W) Deferred Revenue Expenditure

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

Schedules to the Consolidated Financial Statements Continued

SCHEDULE 25–NOTES TO ACCOUNTS

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

4. SEGMENTAL REPORTING

Business segments

The primary reporting of Cairn India Group has been prepared on the basis of business segments. Cairn India Group has only one business segment, which is the exploration, development and production of oil and gas and operates in a single business segment based on the nature of the products, the risks and returns, the organisation structure and the internal financial reporting systems. Accordingly, the figures appearing in these financial statements relate to the Cairn India Group's single business segment.

Geographical segments

The operating interests of the Cairn India Group are confined to the Indian sub-continent in terms of oil and gas blocks and customers. Accordingly, the figures appearing in these financial statements relate to Cairn India Group's single geographical segment, being operations in the Indian sub-continent.

5. RELATED PARTY TRANSACTIONS

(A) Names of related parties:

Companies having control

- Cairn UK Holdings Limited, UK
  Holding Company
- Cairn Energy Plc., UK
  Ultimate holding company

Fellow Subsidiaries

- Capricorn Energy Limited, UK
- Cairn Energy Search Limited, UK

Key Management Personnel

- Rahul Dhir
  Managing Director and Chief Executive Officer
- Winston Frederick Bott Jr.
  Executive Director and Chief Operating Officer
- Indrajit Banerjee
  Executive Director and Chief Finacial Officer
- Philip Tracy
  Alternate Director (till 26th May 2009)

(B) Transactions during the year

Nature of the Transactions	Related Party	Current year	Previous year
Reimbursement of expenses to parent company	Cairn Energy Plc.	7,857	39,919
Expenses incurred on behalf of subsidiary	Cairn Energy Search Limited	13,954	Nil
Professional charges paid	Cairn Energy Plc.	119,303	Nil
	Capricorn Energy Limited	49,517	Nil
	Total	**168,820**	**Nil**
Waiver of outstanding balance by the parent company	Cairn Energy Plc.	Nil	1,083,654
Shares issued including premium and stock option charge	Indrajit Banerjee	21,074	Nil
Remuneration	Rahul Dhir	99,779	106,814
	Winston Frederick Bott Jr.	68,545	95,593
	Indrajit Banerjee	16,791	14,633
	Philip Tracy	Nil	3,865
	Total	**185,115**	**220,905**

In addition to the above remuneration, incentives and bonus of INR 23,234 thousand (previous year INR 28,813 thousand), INR 16,060 thousand (previous year INR 69,151 thousand) and INR 11,538 thousand (previous year INR 38,123 thousand) were paid to Rahul Dhir, Winston Frederick Bott Jr. and Indrajit Banerjee respectively. Further, the remuneration does not include provisions made for gratuity and leave benefits, as they are determined on an actuarial basis for the Cairn India Group as a whole.

Schedules to the Consolidated Financial Statements Continued

SCHEDULE 25–NOTES TO ACCOUNTS

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

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

Nature of the Balance	Related Party	31st March 2011	31st March 2010
Accounts payable	Cairn Energy Plc.	5,087	1,773
Accounts payable	Capricorn Energy Limited	23,912	Nil

6. During the current year, Cairn India Group has changed the accounting policy for valuation of oil and condensate inventory from "net realizable value" to "cost or net realizable value, whichever is lower". The management believes that such change will result in a more appropriate presentation of the financial statements as profits on unsold inventories would be recorded only when the goods have been sold to the customers. Accordingly, value of inventory as at March 31, 2011 is lower by INR 3,220,544 thousand and profit after tax for the year is lower by INR 3,143,717 thousand. Had Cairn India Group, accounted for its inventories on the basis of "cost or net realizable value, whichever is lower" in the previous year, value of inventory and profit after tax would have been lower by INR 312,827 thousand and INR 245,814 thousand respectively in the previous year.

7. EMPLOYEES STOCK OPTION PLANS

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

Particulars	CISMP	CIPOP	CIESOP	CIPOP Phantom	CIESOP Phantom
Date of Board Approval	17th Nov 2006	17th Nov 2006	17th Nov 2006	Not applicable	Not applicable
Date of Shareholder's approval	17th Nov 2006	17th Nov 2006	17th Nov 2006	Not applicable	Not applicable
Number of options granted till March 2011	8,298,713	7,311,868	21,225,258	2,331,445	667,490
Method of Settlement	Equity	Equity	Equity	Cash	Cash
Vesting Period	Refer vesting conditions below	3 years from grant date	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	Immediately upon vesting
Number of options granted till 31st March 2011					
Date of Grant					
24th Nov 2006	8,298,713	-	-	-	-
1st Jan 2007	-	1,708,195	3,467,702	-	-
20th Sept 2007	-	3,235,194	5,515,053	-	-
29th July 2008	-	789,567	3,773,856	822,867	324,548
10th Dec 2008	-	-	36,040	-	38,008
22nd June 2009	-	-	-	69,750	-
29th July 2009	-	994,768	5,405,144	1,060,472	211,362
27th July 2010	-	584,144	3,027,463	354,711	93,572
23rd Dec 2010	-	-	-	23,645	-
Total	**8,298,713**	**7,311,868**	**21,225,258**	**2,331,445**	**667,490**

The vesting conditions of the above plans are as under-

CISMP Plan

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

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

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

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

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

Schedules to the Consolidated Financial Statements Continued

SCHEDULE 25–NOTES TO ACCOUNTS

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

the extent to which pre-determined performance conditions have been satisfied. Phantom options are exercisable proportionate to the period of service rendered by the employee subject to completion of one year.

CIESOP plan (including phantom options)

There are no specific vesting conditions under CIESOP plan other than completion of the minimum service period. Phantom options are exercisable proportionate to the period of service rendered by the employee subject to completion of one year.

Details of activities under employees stock option plans

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

CIPOP Plan	Current year		Previous year	
	Number of options	Weighted average exercise price in INR	Number of options	Weighted average exercise price in INR
Outstanding at the beginning of the year	2,626,830	10.00	3,200,096	10.00
Granted during the year	584,144	10.00	994,768	10.00
Expired during the year	Nil	NA	Nil	NA
Exercised during the year	922,043	10.00	190,983	10.00
Forfeited / cancelled during the year	141,268	10.00	1,377,051	10.00
Outstanding at the end of the year	2,147,663	10.00	2,626,830	10.00
Exercisable at the end of the year	Nil	NA	168,382	10.00
Weighted average fair value of options granted on the date of grant is INR 186.37 (previous year INR 174.47)				
Weighted average share price at the date of exercise of stock options is INR 323.30 (previous year INR 272.22)				

CIESOP Plan	Current year		Previous year	
	Number of options	Weighted average exercise price in INR	Number of options	Weighted average exercise price in INR
Outstanding at the beginning of the year	14,646,209	206.43	10,914,244	185.39
Granted during the year	3,027,463	331.25	5,405,144	240.05
Expired during the year	Nil	NA	Nil	NA
Exercised during the year	4,020,926	164.45	115,333	160.00
Forfeited / cancelled during the year	922,020	253.08	1,557,846	179.09
Outstanding at the end of the year	12,730,726	246.00	14,646,209	206.43
Exercisable at the end of the year	1,864,110	164.94	1,981,770	160.00
Weighted average fair value of options granted on the date of grant is INR 112.48 (previous year INR 107.64)				
Weighted average share price at the date of exercise of stock options is INR 328.61 (previous year INR 274.23)				

Schedules to the Consolidated Financial Statements Continued

SCHEDULE 25–NOTES TO ACCOUNTS

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

CIPOP Plan – Phantom options	Current year		Previous year	
	Number of options	Weighted average exercise price in INR	Number of options	Weighted average exercise price in INR
Outstanding at the beginning of the year	1,728,641	10.00	784,859	10.00
Granted during the year	448,106	10.00	1,977,426	10.00
Expired during the year	Nil	NA	Nil	NA
Exercised during the year	655,600	10.00	795,230	10.00
Forfeited / cancelled during the year	173,718	10.00	238,414	10.00
Outstanding at the end of the year	1,347,429	10.00	1,728,641	10.00
Exercisable at the end of the year, subject to vesting conditions	Nil	NA	812,543	10.00
Weighted average fair value of options granted on the date of grant is INR 341 .52 (previous year INR 296.39)				
Weighted average share price at the date of exercise of stock options is INR 327.68 (previous year INR 276.62)				

CIESOP Plan – Phantom options	Current year		Previous year	
	Number of options	Weighted average exercise price in INR	Number of options	Weighted average exercise price in INR
Outstanding at the beginning of the year	844,688	195.03	362,556	218.19
Granted during the year	93,572	331 .25	936,862	181 .98
Expired during the year	Nil	NA	Nil	NA
Exercised during the year	446,354	169.27	392,977	178.22
Forfeited / cancelled during the year	110,328	210.92	61,753	240.05
Outstanding at the end of the year	381,578	253.96	844,688	195.03
Exercisable at the end of the year, subject to vesting conditions	Nil	NA	695,079	185.34
Weighted average fair value of options granted on the date of grant is INR 161 .08 (previous year INR 136.51)				
Weighted average share price at the date of exercise of stock options is INR 319.43 (previous year INR 266.52)				

The details of exercise price for stock options outstanding as at March 31, 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
CIPOP Plan – Phantom options	10.00	1,347,429	1.38	10.00
CIESOP Plan – Phantom options	227-331 .25	381,578	1.14	253.96
The details of exercise price for stock options outstanding as at March 31, 2010 are:				
CISMP Plan	33.70	2,238,077	1.08	33.70
CIPOP Plan	10.00	2,626,830	1.36	10.00
CIESOP Plan	143-240	14,646,209	1.28	206.43
CIPOP Plan – Phantom options	10.00	1,728,641	1.71	10.00
CIESOP Plan – Phantom options	143-240	844,688	1.09	195.03

Effect of Employees Stock Option Plans on Financial Position

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

Particulars	Current year	Previous year
Total Employee Compensation Cost pertaining to share-based payment plans	416,401	552,002
Compensation Cost pertaining to equity-settled employee share-based payment plan included above	234,454	103,649
Compensation Cost pertaining to cash-settled employee share-based payment plan included above	181,947	448,353
Equity settled employee stock options outstanding as at year end	554,722	463,978
Liability for cash settled employee stock options outstanding as at year end	287,055	330,792
Deferred compensation cost of equity settled options	225,304	304,142
Deferred compensation cost of cash settled options	220,178	315,490

Schedules to the Consolidated Financial Statements Continued

SCHEDULE 25–NOTES TO ACCOUNTS

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

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	24th Nov 2006	24th Nov 2006
Stock price/fair value of the equity shares on the date of grant (INR)	160.00	160.00
Vesting date	Refer vesting conditions	Refer vesting conditions
Vesting %	Refer vesting conditions	Refer vesting conditions
Volatility (Weighted average)	44.08%	46.59%
Risk free rate (Weighted average)	7.05%	6.94%
Time to maturity in years (Weighted average)	2.45	2.00
Exercise price (INR)	33.70	33.70
Fair Value of the options (Weighted average) - INR	131.69	130.69

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

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

Schedules to the Consolidated Financial Statements Continued

SCHEDULE 25–NOTES TO ACCOUNTS

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

Variables – CIPOP Phantom					
Grant date	**29th July 2008**	**22nd June 2009**	**29th July 2009**	**27th July 2010**	**23rd Dec 2010**
Stock price of the equity shares on the reporting date (INR)	350.95	350.95	350.95	350.95	350.95
Vesting date	29th July 2011	22nd June 2012	29th July 2012	27th July 2013	23rd Dec 2013
Vesting %	Refer vesting conditions	Refer vesting conditions	Refer vesting conditions	Refer vesting conditions	Refer vesting conditions
Volatility	22.55%	27.07%	27.03%	38.20%	47.92%
Risk free rate	7.62%	7.39%	7.37%	7.36%	7.39%
Time to maturity (years)	0.33	1.23	1.33	2.33	2.73
Exercise price (INR)	10.00	10.00	10.00	10.00	10.00
Fair Value of the options (INR)	341.20	341.82	341.89	342.52	342.78

Variables – CIESOP Phantom				
Grant date	**29th July 2008**	**10th Dec 2008**	**29th July 2009**	**27th July 2010**
Stock price of the equity shares on the reporting date (INR)	350.95	350.95	350.95	350.95
Vesting date	29th July 2011	10th Dec 2011	29th July 2012	27th July 2013
Vesting %	Refer vesting conditions	Refer vesting conditions	Refer vesting conditions	Refer vesting conditions
Volatility	22.55%	25.75%	27.03%	38.20%
Risk free rate	7.62%	7.49%	7.37%	7.36%
Time to maturity (years)	0.33	0.70	1.33	2.33
Exercise price (INR)	227.00	143.00	240.05	331.25
Fair Value of the options (INR)	129.57	215.21	135.67	113.44

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

Impact of Fair Valuation Method on net profits and EPS

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

	Current year	Previous year
Profit as reported	63,344,000	10,511,059
Add: Employee stock compensation under intrinsic value method	416,401	552,002
Less: Employee stock compensation under fair value method	(864,945)	(948,058)
Proforma profit	62,895,456	10,115,003
Earnings Per Share (in INR)		
Basic		
- As reported	33.36	5.54
- Proforma	33.13	5.33
Diluted		
- As reported	33.20	5.52
- Proforma	32.97	5.31

Schedules to the Consolidated Financial Statements Continued

SCHEDULE 25–NOTES TO ACCOUNTS

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

8. LEASE OBLIGATIONS DISCLOSURES

Finance Lease:

Fixed assets include office equipments and leaseholds improvements obtained under finance lease. The lease term is for 3 to 6 years and renewable for further period/years at the option of the Cairn India Group. There is no escalation clause in the lease agreements. There are no restrictions imposed by lease arrangements and there are no subleases.

Current year	Minimum lease payments	Principal amount due	Interest due
Within one year of the balance sheet date	48,020	43,930	4,090
Due in a period between one year and five years	16,608	15,936	672
Due after five years	Nil	Nil	Nil
Total	**64,628**	**59,866**	**4,762**

Previous year	Minimum lease payments	Principal amount due	Interest due
Within one year of the balance sheet date	72,047	60,928	11,119
Due in a period between one year and five years	85,391	79,397	5,994
Due after five years	Nil	Nil	Nil
Total	**157,438**	**140,325**	**17,113**

Note: The interest rate on finance lease ranges from 3.77 % to 14.61%

Operating Lease:

Cairn India Group has entered into operating leases for office premises and office equipments, some of which are cancellable and some are non-cancellable. The leases have a life of 3 to 6 years. There is an escalation clause in the lease agreement during the primary lease period. There are no restrictions imposed by lease arrangements and there are no subleases. There are no contingent rents.

Particulars	31st March 2011	31st March 2010
Lease payments made during the year	145,179	132,390
Within one year of the balance sheet date	35,361	140,321
Due in a period between one year and five years	Nil	34,536
Due after five years	Nil	Nil

9. CONTINGENT LIABILITIES

(A) Ravva Joint Venture Arbitration proceedings : ONGC Carry

Ravva is an unincorporated Joint Venture (JV) in which Cairn India Group has an interest. The calculation of the Government of India's (GoI) share of petroleum produced from the Ravva oil field has been a matter of disagreement for some years. An arbitration panel opined in October 2004 and Cairn has been willing to be bound by the award, although it was not as favourable as had been hoped. The GoI, however, had lodged an appeal in the Malaysian courts in respect of one element of the award which was in Cairn's favour, namely the "ONGC Carry" issue. The "ONGC Carry" issue relates to whether Contractor Parties under Ravva PSC are entitled to include in their accounts for the purposes of calculating the PTRR certain costs paid by Contractor Parties in consideration for ONGC having paid 100% of costs prior to the signing of the Ravva PSC in 1994. Cairn India Group challenged both the GoI's right to appeal and the grounds of that appeal.

A judgment was delivered by the Malaysian High Court on 12th January 2009, ruling in favour of the GoI and setting the arbitration award aside. This had the effect of negating the original award in favour of Cairn India Group.

Cairn India Group appealed against above judgment to the Malaysian Court of Appeal. A judgment was delivered by the Malaysian Court of Appeal on 15th September 2009, which reversed the ruling of the High Court in Malaysia of 12th January 2009 and had the effect of reinstating the original award in favour of Cairn India Group. The Government of India had applied for leave to appeal this judgment to the Federal Court of Malaysia (the apex court). The Federal Court heard the matter on 19th January, 2011 and reserved the verdict.

In addition, consistent with GoI's view that the set-aside meant they have a binding judgment in their favour, GoI has demanded and commenced recovery from Cairn's buyers, of revenues from sale proceeds to set-off against the sums they claim are due as a result of the Malaysian judgment being in their favour. This recovery action was contested by Cairn in the Indian courts, pursuant to which, the Government has given an undertaking to stop recoveries post January 2010. The amounts recovered by the Government aggregate to approximately INR 10,359,589 thousand (USD 232 million). The net effective deduction as on 31st March 2011, after adjusting the current year's profit petroleum, amounts to approximately INR 485,732 thousand (USD 11 million).

In the event that the GoI's appeal is successful, then Cairn India Group would be required to pay approximately INR 2,888,000 thousand (USD 64 million) and potential interest of INR 1,489,931 thousand (USD 33 million). The same dispute existed at the end of the previous year.

Schedules to the Consolidated Financial Statements Continued

SCHEDULE 25–NOTES TO ACCOUNTS

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

(B) Ravva Joint Venture Arbitration Proceedings : Base Development Cost

Ravva joint venture had received a claim from the Director General of Hydrocarbons (DGH) for the period from 2000-2005 for USD 166.4 million for an alleged underpayment of profit petroleum to the Indian Government, out of which, Cairn India Group's share will be USD 37.4 million (approximately INR 1,688,000 thousand) plus potential interest at applicable rate (LIBOR plus 2% as per PSC).

This claim relates to the Indian Government's allegation that the Ravva JV has recovered costs in excess of the Base Development Costs ("BDC") cap imposed in the PSC and that the Ravva JV has also allowed these excess costs in the calculation of the Post Tax Rate of Return (PTRR). Joint venture partners initiated the arbitration proceedings and Arbitration Tribunal published the Award on 18th January, 2011 at Kuala Lumpur, allowing Claimants (including Cairn) to recover the Development costs spent to the tune of USD 278 million and disallowed over run of USD 22.3 million spent in respect of BDC along with 50% legal costs reimbursable to the Joint venture partners. Government of India has appealed before High Court in Malaysia against the Award and currently, service of notice of appeal is in progress.

(C) Service Tax

One of the constituent company of the Cairn India Group has received five show cause notices from the tax authorities in India for nonpayment of service tax as a recipient of services from foreign suppliers.

These notices cover periods from 16th August 2002 to 31st March 2010. A writ petition has been filed with Chennai High Court challenging the liability to pay service tax as recipient of services in respect of first show cause notice (16th August 2002 to 31st March 2006) and another challenging the scope of some services in respect of second show cause notice (1st April 2006 to 31st March 2007). Writ petition for the first show cause notice was decided in favour of Cairn India Group, resulting in quashing of demand notice of INR 474,692 thousand.

The replies to the second, third, fourth and fifth show cause notices have also been filed before the authorities.

Should future adjudication go against Cairn India Group, it will be liable to pay the service tax of approximately INR 1,281,850 thousand (previous year INR 1,679,000 thousand) plus potential interest of approximately INR 463,395 thousand (previous year INR 634,000 thousand), although this could be recovered in part, where it relates to services provided to Joint Venture of which Cairn India is operator.

(D) Tax holiday on gas production

Section 80-IB (9) of the Income Tax Act, 1961 allows the deduction of 100% of profits from the commercial production or refining of mineral oil. The term 'mineral oil' is not defined but has always been understood to refer to both oil and gas, either separately or collectively.

The 2008 Indian Finance Bill appeared to remove this deduction by stating [without amending section 80-IB (9)] that "for the purpose of section 80-IB (9), the term 'mineral oil' does not include petroleum and natural gas, unlike in other sections of the Act". Subsequent announcements by the Finance Minister and the Ministry of Petroleum and Natural Gas have confirmed that tax holiday would be available on production of crude oil but have continued to exclude gas.

Cairn India Group filed a writ petition to the Gujarat High Court in December 2008 challenging the restriction of section 80-IB to the production of oil. Gujarat High Court did not admit the writ petition on the ground that the matter needs to be first decided by lower tax authorities. A Special Leave Petition has been filed before Supreme Court against the decision of Gujarat High court.

In the event this challenge is unsuccessful, the potential liability for tax and related interest on tax holiday claimed on gas production for all periods to 31st March 2011 is approximately INR 2,400,000 thousand (previous year INR 2,321,000 thousand).

Based on the legal opinions received, the management is of the view that the liability in the cases mentioned in (a) to (d) above are not probable and accordingly no provision has been considered necessary there against.

10. The Company has not created debenture redemption reserve aggregating to INR 831,913 thousand (previous year Nil) due to inadequacy of profits.

11. CAPITAL COMMITMENTS (NET OF ADVANCES)

1 In respect of Cairn India Group's share of Joint Ventures' Exploration activities – INR 14,749,812 thousand (previous year – INR 11,688,763 thousand).

2 In respect of the Cairn India Group's share of Joint Ventures' Development activities – INR 13,627,203 thousand (previous year – INR 28,096,949 thousand).

Schedules to the Consolidated Financial Statements Continued

SCHEDULE 25–NOTES TO ACCOUNTS

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

12. DERIVATIVE INSTRUMENTS

Cairn India Group has taken USD put/INR call options aggregating to USD 135,000 thousand (previous year USD 233,000 thousand) and forward contracts for sale of USD 10,000 thousand (previous year Nil).

Particulars of Unhedged Foreign Currency Exposure at the Balance Sheet date

Particulars	31st March 2011	31st March 2010
Loans	13,222,292	20,416,806
Sundry debtors	14,772,883	3,067,474
Investments	127,197	201,923
Cash and bank	34,881,550	3,894,233
Other current assets	97,347	4,392
Loans and advances	20,415,731	13,539,375
Current liabilities	6,147,870	4,545,666

Cairn India Group has also taken certain derivative contracts to hedge the discount percentage on sale / purchase of crude oil. Accordingly, a net quantity of 1.5 mmbbls of crude oil have been hedged as at 31st March 2011.

13. Cairn India Group has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

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

Profit and Loss account

Net employee benefit expense (recognised in staff cost)

Particulars	31st March 2011	31st March 2010
Current service cost	36,446	31,030
Interest cost on benefit obligation	12,951	8,674
Expected return on plan assets	(9,119)	(3,598)
Net actuarial (gain) / loss recognised in the year	(7,492)	17,464
Past service cost	Nil	Nil
Net benefit expense	32,786	53,570
Actual return on plan assets	9,547	6,604

Balance sheet

Details of Provision for Gratuity

Particulars	31st March 2011	31st March 2010
Defined benefit obligation	200,008	161,887
Fair value of plan assets	139,338	97,008
Less: Unrecognized past service cost	Nil	Nil
Plan asset / (liability)	(60,670)	(64,879)

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

Particulars	31st March 2011	31st March 2010
Opening defined benefit obligation	161,887	108,425
Current service cost	36,446	31,030
Interest cost	12,951	8,674
Benefits paid	(4,213)	(4,038)
Actuarial (gains) / losses on obligation	(7,063)	17,796
Closing defined benefit obligation	200,008	161,887

Schedules to the Consolidated Financial Statements Continued

SCHEDULE 25–NOTES TO ACCOUNTS

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

Changes in the fair value of plan assets are as follows:

Particulars	31st March 2011	31st March 2010
Opening fair value of plan assets	97,008	68,854
Expected return	9,119	3,598
Contributions by employer	36,995	28,262
Benefits paid	(4,213)	(4,038)
Actuarial gains / (losses)	429	332
Closing fair value of plan assets	139,338	97,008

Note : The Group's expected contribution to the fund in the next year is INR 47,771 thousand (previous year INR 40,582 thousand).
The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

Particulars	31st March 2011	31st March 2010
Investments with insurer	100%	100%

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

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

Particulars	31st March 2011	31st March 2010
Discount rate	8.00%	8.00%
Future salary increase	10.00%	10.00%
Expected rate of return on assets	9.40%	9.40%
Employee turnover	5.00%	5.00%
Mortality Rate	LIC (1994-96) Ultimate Table	LIC (1994-96) Ultimate Table

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

Gratuity liabilities for the current and previous years / period are as follows:

Particulars	31st March 2011	31st March 2010	31st March 2009	31st Dec 2007
Defined benefit obligation	200,008	161,887	108,425	66,142
Plan assets	139,338	97,008	68,854	29,163
Surplus / (deficit)	(60,670)	(64,879)	(39,571)	(36,979)
Experience adjustments on plan assets (loss)/gain	428	365	3,132	2,970
Experience adjustments on plan liabilities (loss)/gain	6,938	(13,839)	(11,964)	(6,960)

Notes :

i) The Group had adopted AS-15, Employee Benefits, for the first time during the year ended December 31, 2007. 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 December 31, 2007 onwards.

ii) The Group is maintaining a fund with the Life Insurance Corporation of India (LIC) to meet its gratuity liability. The present value of the plan assets represents the balance available with the LIC as at the end of the year. The total value of plan assets amounts to INR 139,338 thousand (Previous year INR 97,008 thousand) is as certified by the LIC.

Schedules to the Consolidated Financial Statements Continued

SCHEDULE 25–NOTES TO ACCOUNTS

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

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

Description	No. of equity shares	Issue price in INR	Share capital	Securities premium
Balance as on 1st April 2009	**1,896,667,816**		**18,966,678**	**301,090,274**
Exercise of share options-CIPOP	190,983	10.00	1,910	Nil
Exercise of share options-CIESOP	115,333	160.00	1,153	17,300
Share options liability transferred to securities premium upon exercise of the options				28,648
Waiver of parent company outstanding balance, pertaining to share issue expenses paid by parent company, which had earlier been adjusted from securities premium				25,000
Balance as on 31st March 2010	**1,896,974,132**		**18,969,741**	**301,161,222**
Exercise of share options-CIPOP	922,043	10.00	9,220	Nil
Exercise of share options-CIESOP	1,443,752	160.00	14,438	216,563
Exercise of share options-CIESOP	2,577,174	166.95	25,772	404,487
Share options liability transferred to securities premium upon exercise of the options				143,710
Balance as on 31st March 2011	**1,901,917,101**		**19,019,171**	**301,925,982**

15. The price contract for sale of gas with one customer is due for revision with effect from December 2008 and currently the same is under negotiation. Pending finalization of the price contract, revenue has been recognised based on the last agreed prices on a conservative basis, as the management is expecting an upward price revision.

16. The goodwill of Cairn India Group amounting to INR 253,192,675 thousand has arisen on consolidation of financial statements of the Company with its subsidiaries and represents the difference between the cost of its investment in Cairn India Holdings Limited (which largely represent Cairn India Group's operations in India through its subsidiaries) and consolidated net book value of assets in Cairn India Holdings Limited, at the time of acquisition of shares in Cairn India Holdings Limited. The management has carried out the tests for impairment of goodwill at the year-end as per requirements of AS 28 (Impairment of Assets) by computing the value in use of the assets and comparing the same with the carrying amount of the net assets. Value in use is based on the discounted future net cash flows of the oil and gas assets held by the Cairn India Group. For all blocks in the exploration stage, valuation has been carried out using risked net present value per barrel of oil equivalent. The result of the impairment tests indicate that the value in use is higher than the carrying amounts and no impairment provision is required to be created at the reporting date.

17. In respect of the RJ-ON-90/1 block, the Joint Venture partner Oil & Natural Gas Corporation Limited (ONGC) has raised a dispute during the year that the Royalty payable under the Production Sharing Contract (PSC) should be considered as contract cost for cost recovery purposes. As per the PSC provisions, the cost of royalty shall be borne by the licensee and the licensee under the PSC is ONGC. Based on PSC provisions and legal advice received, management is of the view that royalty is not a contract cost eligible for cost recovery.

18. The shareholders of the Company have approved a Scheme of Arrangement between the Company and some of its wholly owned subsidiaries, to be effective from 1st January 2010. The Scheme of Arrangement has been approved by the Hon'ble High Court of Madras and the Hon'ble High Court of Bombay. However, it is pending for approval from other regulatory authorities. Pending receipt of such approvals, no accounting impact of the scheme has been given in these financial statements. After the implementation of the scheme, the Company will directly own the Indian businesses, which are currently owned by some of its wholly owned subsidiaries and as contemplated in the scheme, any goodwill arising in the Company pursuant to the scheme, shall be adjusted against the securities premium account.

19. Operating expenses include cess on crude oil produced from Rajasthan block. The Group has initiated arbitration proceedings against the Government of India and its joint venture partner as it believes that the same should not be borne by the Group.

Schedules to the Consolidated Financial Statements Continued

SCHEDULE 25–NOTES TO ACCOUNTS

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

20. Cairn India Group's gross reserve estimates are based on forecast production profiles over the remaining life of the field, determined on an asset-by-asset basis, using appropriate petroleum engineering techniques. The management's internal estimates of hydrocarbon reserves and resources at the year end is as follows:

Particulars	Gross proved and probable hydrocarbons initially in place (mmboe)		Gross proved and probable reserves and resources (mmboe)		Net proved and probable reserves and resources (mmboe)	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Rajasthan MBA Fields	2,054	2,054	656	694	459	486
Rajasthan MBA EOR	-	-	308	308	216	216
Rajasthan Block Other Fields	1,976	1,976	152	152	107	107
Ravva Fields	709	708	88	100	20	23
CBOS/2 Fields	180	175	15	16	6	7
KG-DWN-98/2	650	650	353	353	35	35
KG-ONN-2003/1	57	-	11	-	5	-
Total	**5,626**	**5,563**	**1,583**	**1,623**	**848**	**874**

Cairn India Group's net working interest in proved and probable reserves is as follows:

Particulars	Proved and probable reserves		Proved and probable reserves (developed)	
	Oil (mmstb)	Gas (bscf)	Oil (mmstb)	Gas (bscf)
Reserves as at 1st April 2009*	**339.80**	**28.60**	**14.20**	**28.60**
Additions / revision during the year	2.37	5.93	54.12	5.93
Production during the year	6.26	7.85	6.26	7.85
Reserves as at 31st March 2010**	**335.91**	**26.68**	**62.06**	**26.68**
Additions / revision during the year	(2.21)	1.69	105.98	1.69
Production during the year	29.10	8.20	29.10	8.20
Reserves as at 31st March 2011***	**304.60**	**20.17**	**138.94**	**20.17**

* Includes probable oil reserves of 57.70 mmstb (of which 5.7 mmstb is developed) and probable gas reserves of 12.80 bscf (of which 12.80 bscf is developed)

** Includes probable oil reserves of 57.61 mmstb (of which 14.75 mmstb is developed) and probable gas reserves of 11.13 bscf (of which 11.13 bscf is developed)

*** Includes probable oil reserves of 55.93 mmstb (of which 26.7 mmstb is developed) and probable gas reserves of 9.45 bscf (of which 9.45 bscf is developed)

mmboe = million barrels of oil equivalent
mmstb = million stock tank barrels
bscf = billion standard cubic feet
1 million metric tonnes = 7.4 mmstb
1 standard cubic meter = 35.315 standard cubic feet
MBA = Mangala, Bhagyam & Aishwarya
EOR = Enhanced Oil Recovery

21. Prior period items in previous year represent miscellaneous expenses.

22. The reversal in fringe benefit tax (FBT) in the previous year is on account of the abolishment of FBT with effect from 1st April 2009, as Cairn India Group was accounting for FBT liability on stock options on a pro-rata basis over the vesting period.

23. The holding company of Cairn India Limited, Cairn UK Holdings Limited, along with its holding company, Cairn Energy Plc. (Company's ultimate holding company) has agreed to sell a substantial portion of its investment in the Company to Twin Star Holdings Ltd. and Vedanta Resources Plc. This transaction has been approved by shareholders of both Cairn Energy Plc. and Vedanta Resources Plc. However, pending receipt of certain regulatory approvals, Cairn Energy Plc. continues to be treated as the promoter of the Company.

Schedules to the Consolidated Financial Statements Continued

SCHEDULE 25–NOTES TO ACCOUNTS

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

24. Borrowing costs capitalized during the year include :

Particulars	Current year	Previous year
Interest on term loan	422,775	1,532,076
Interest on debentures	121,250	-
Loan facility and management fees	239,629	198,675*
Exchange differences to the extent considered as an adjustment to interest cost	51,871	836,999
Less: Interest on temporary fixed deposits	-	(125,203)
Total	**835,525**	**2,442,547**

* Net of balances written back INR 250,040 thousand.

25. Previous year figures have been regrouped wherever necessary to confirm to the current year's classifications.

As per our report of even date

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

per Raj Agrawal
Partner
Membership No. 82028

For and on behalf of the Board of Directors

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

Place Gurgaon Date 25 May, 2011

Financial Information of Subsidiary Companies

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

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

S. No.	Name of the Subsidiary Company	Capital	Reserves	Total Assets	Total Liabilities	Investments (excluding Investments in Subsidiaries)	Details of Investment	Turnover	Profit / (Loss) before taxation	Provision for taxation	Profit / (Loss) after taxation	Proposed dividend
1	Cairn Exploration (No.7) Limited	-	(13,208)	-	-	-	-	-	23	-	23	NIL
2	Cairn Exploration (No.4) Limited	-	(435)	-	-	-	-	-	(184)	-	(184)	NIL
3	Cairn Exploration (No.2) Limited	-	(37,846)	-	-	-	-	-	(6,625)	-	(6,625)	NIL
4	Cairn Energy Discovery Limited	1,956	(62,501)	-	-	-	-	-	609	-	609	NIL
5	Cairn Energy Hydrocarbons Limited	21,399,502	35,535,324	91,497,036	91,497,036	33,588	Mutual Funds	46,303,447	32,474,878	554,868	31,920,010	NIL
6	Cairn Energy Petroleum India Limited	-	-	-	-	-	-	-	-	-	-	NIL
7	Cairn Energy Holdings Limited	19,026,756	9,002,879	27,894,245	27,894,245	8,864	Mutual Funds	447,105	437,137	161,318	275,819	NIL
8	Cairn Energy Netherlands Holdings B.V.	28,304	23,402,674	23,455,892	23,455,892	7,546	Mutual Funds	-	(9,819)	-	(9,819)	NIL
9	Cairn Energy Group Holdings B.V.	22,790	26,085,900	26,104,549	26,104,549	-	-	-	(12,577)	-	(12,577)	NIL
10	Cairn Energy India Holdings B.V.	790	6,967	4,449	4,449	1,267	Mutual Funds	-	81	-	81	NIL
11	Cairn Energy Gujarat Holding B.V.	790	(15)	790	790	-	-	-	4	-	4	NIL
12	Cairn Energy Gujarat B.V.	790	1,063,016	1,786,627	1,786,627	3,460	Mutual Funds	891,115	723,961	306,470	417,491	NIL
13	Cairn Energy India West Holding B.V.	791	(15)	790	790	-	-	-	4	-	4	NIL
14	Cairn Energy India West B.V.	790	1,405,320	2,549,505	2,549,505	2,232	Mutual Funds	1,176,271	961,289	406,431	554,858	NIL
15	Cairn Energy Cambay Holding B.V.	789	46	859	859	-	-	-	(6)	-	(6)	NIL
16	Cairn Energy Cambay B.V.	790	1,090,686	1,807,585	1,807,585	4,428	Mutual Funds	900,026	733,974	310,968	423,006	NIL
17	Cairn Energy Australia Pty Limited	36,917,165	5,782,325	42,786,486	42,786,486	7,992	Mutual Funds	-	(9,309)	-	(9,309)	NIL
18	CEH Australia Limited	6,343,395	-	6,343,395	6,343,395	-	-	-	-	-	-	NIL
19	CEH Australia Pty Limited	6,343,395	-	6,343,395	6,343,395	-	-	-	-	-	-	NIL
20	Cairn Energy Asia Pty Limited	20,021,107	1,705,203	21,645,413	21,645,413	3,928	Mutual Funds	-	13,430	-	13,430	NIL
21	Wessington Investments Pty. Limited	194,543	(194,543)	-	-	-	-	-	-	-	-	NIL
22	Cairn Energy Investments Australia Pty Limited	22,419,091	(1,494,807)	20,924,284	20,924,284	-	-	-	-	-	-	NIL
23	Sydney Oil Company Pty. Limited	20,992,104	971,727	21,963,830	21,963,830	-	-	-	-	-	-	NIL
24	Cairn Energy India Pty Limited	35,505,924	46,859,446	115,241,461	115,241,461	49,252	Mutual Funds	53,037,371	34,956,534	3,815,719	31,140,815	NIL
25	Cairn India Holdings Limited	48,993,044	22,001,038	69,776,238	69,776,238	4,638	Mutual Funds	-	407,137	-	407,137	NIL
26	Cairn Energy Gujarat Block 1 Limited	46	53,922	-	-	-	-	-	(653)	-	(653)	NIL
27	Cairn Exploration (No.6) Limited	-	(699)	-	-	-	-	-	(212)	-	(212)	NIL
28	Cairn Lanka Private Limited	991,483	(851,166)	184,111	184,111	-	-	-	(223,936)	-	(223,936)	NIL
29	Cairn Energy Developments Pte Limited*	-	(776)	-	-	-	-	-	776	-	776	NIL
30	CIG Mauritius Holding Pvt Limited	1,002,792	(6,894)	996,549	996,549	-	-	-	(2,749)	-	(2,749)	NIL
31	CIG Mauritius Private Limited	994,737	(2,484)	993,014	993,014	-	-	-	(2,051)	-	(2,051)	NIL

* Cairn Energy Developments Pte Limited, a subsidiary company in singapore, was voluntarily dissolved w.e.f. 8th March 2011.

Exchange Rate As on 31.3.2011: 1 USD = INR 44.595

For and on behalf of the Board of Directors

Rahul Dhir Managing Director and Chief Executive Officer

Aman Mehta Director

Indrajit Banerjee Executive Director and Chief Financial Officer

Neerja Sharma Company Secretary

Place Gurgaon Date 25 May, 2011

GLOSSARY

abbreviations and full forms for main terms used in this report

CORPORATE

AGM	Annual General Meeting
Board	The Board of Directors of Cairn India Limited
BSE	Bombay Stock Exchange Ltd
Cairn	Cairn India Limited and its subsidiaries
CCEA	Cabinet Committee on Economic Affairs
CEIL or CEIPL	Cairn Energy India Pty Limited
CIG	Cairn India Group
CIHL	Cairn India Holdings Limited
CIL or Company	Cairn India Limited
DGH	Directorate General of Hydrocarbons
DGMS	Directorate General of Mines and Safety
EGM	Extraordinary General Meeting
FDP	Field Development Plan
GDP	Gross Domestic Product
GoI	Government of India
GoM	Group of Ministers
IOCL	Indian Oil Corporation Limited
IP	Institutional Plan
IPO	Initial Public Offering
ISIN	International Securities Identifying Number
ITC	Item code No.
JV	Joint Venture
KPI	Key Performance Indicator
LTIP	Long Term Incentive Plans
MENA	Middle East and North Africa
MoPNG	Ministry of Petroleum and Natural Gas
MPT	Mangala Processing Terminal
NELP	New Exploration Licensing Policy
NRI	Non Resident Indian
NSE	National Stock Exchange of India Limited
ONGC	Oil and Natural Gas Corporation Limited
OPEC	Organisation of Petroleum Exporting Countries
PICL	PETRONAS International Corporation Ltd
PMS	Performance Management System
PRA	Production Resources Agreement
PSC	Production Sharing Contract
PSU	Public Sector Undertaking
RGT	Raageshwari Gas Terminal
RoU	Right of Use
SEBI	Securities and Exchange Board of India

TECHNICAL

1P	Proved
2P	Proved plus Probable
3D	3 Dimensional
3P	Proved plus Probable and Possible
AGI	Above Ground Installation
API	American Petroleum Institute
ASP	Alkali Surfactant Polymer
boepd	barrels of oil equivalent per day
bopd	barrels of oil per day
bcf	billion standard cubic feet
°C	Degree Celcius
CO_2	Carbon Dioxide
CRMS	Corporate Responsibility Management System
DA	Development Area
DoC	Declaration of Commerciality
E & P	Exploration and Production
EIA	Environmental Impact Assessment
EOR	Enhanced Oil Recovery
GBA	Gas Balancing Agreement
GHG	Green House Gas
GIIP	Gross Intial In Place
HDD	Horizontal Directional Drilling
HSE	Health, Safety and Environment
HSEA	Health, Safety, Environment & Assurance
ICDs	Inflow Control Devices
ISO	International Organisation for Standardization
JIP	Joint Industry Project
Km	Kilometre
Km^2	Square Kilometre
LAO	Land Acquisition Officer
LTI	Loss Time Injury
LTIFR	Lost Time Injury Frequency Rate
MARS	Mangala, Aishwariya, Raageshwari and Saraswati
MBA	Mangala, Bhagyam and Aishwariya
mmbbls	million barrels
mmboe	million barrels of oil equivalent
mmscfd	million standard cubic feet of gas per day
mmstb	million stock tank barrels
MW	Mega Watt
MWh	Mega Watt Hour
MWP	Minimum Work Programme
OHSAS	Occupational Health & Safety Advisory Services
OISD	Oil Industry Safety Directorate
PEL	Petroleum Exploration License
PEIA	Preliminary Environmental Impact Assessment
PWRI	Produced Water Re Injection
QMS	Quality Management System
R&D	Research and Development
SEHMS	Skin Effect Heat Management System
SIA	Social Impact Assessment
STOIIP	Stock Tank Oil Initially in Place
TRCFR	Total Recordable Case Frequency Rate
WAS	Worker Accommodation Standards

ACCOUNTING

ADR	American Depository Receipt
AS	Accounting Standard
BDC	Base Development Costs
CAGR	Compounded Annual Growth Rate
CIESOP	Cairn India Employee Stock Option Plan
CIPOP	Cairn India Performance Option Plan
CISMP	Cairn India Senior Management Plan
CY	Calendar Year
EPS	Earnings per share
ESOP	Employee Stock Option Plan
FBT	Fringe Benefit Tax
FY	Financial Year
GDR	Global Depository Receipt
H1	First Half
ICAI	Institute of Chartered Accounts of India
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
INR	Indian Rupees
LIBOR	London Inter Bank Offered Rate
MAT	Minimum Alternate Tax
NCD	Non-convertible debentures
PTRR	Post Tax Rate of Return
Q3	Third Quarter
USD	United States Dollar

CORPORATE RESPONSIBILITY

CR	Corporate Responsibility
CSR	Corporate Social Responsibility
EC	Enterprise Centre
GSK	Gramin Suvidha Kendra
NGO	Non-Governmental Organisation
NGRI	National Geophysical Research Centre

NOTES

COMPANY INFORMATION

BOARD OF DIRECTORS*

Sir William B.B. Gammell (Chairman)
Jann Brown
Naresh Chandra
Dr Omkar Goswami
Aman Mehta
Edward T Story
Rahul Dhir (Managing Director & Chief Executive Officer)
Indrajit Banerjee (Executive Director & Chief Financial Officer)

BOARD COMMITTEES

Audit Committee

Aman Mehta (Chairman)
Naresh Chandra
Dr Omkar Goswami
Edward T Story
Jann Brown

Remuneration Committee

Naresh Chandra (Chairman)
Sir William B.B. Gammell
Aman Mehta
Dr Omkar Goswami

Nomination Committee

Sir William B.B. Gammell (Chairman)
Rahul Dhir
Jann Brown
Edward T Story

Shareholders' / Investors' Grievance Committee

Dr Omkar Goswami (Chairman)
Edward T Story
Rahul Dhir

COMPANY SECRETARY

Neerja Sharma

STATUTORY AUDITORS

S.R. Batliboi & Co.
Golf View Corporate Tower B
Sector 42, Sector Road
Gurgaon 122 002, India

BANKERS

State Bank of India | Standard Chartered Bank | Deutsche Bank | Citibank

STOCK EXCHANGES LISTED ON

Bombay Stock Exchange Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai – 400 001
Tel +91 22 2272 1233/4
Fax +91 22 2272 1919

National Stock Exchange of India Limited
Exchange Plaza,
Plot No, C/1, G Block,
Bandra-Kurla Complex,
Bandra (E),
Mumbai – 400 051
Tel +91 22 2659 8100-8114
Fax +91 22 2659 8120

REGISTERED OFFICE

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Veer Savarkar Marg
Prabhadevi
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Tel +91 22 2433 8306
Fax +91 22 2431 1160

CORPORATE OFFICE

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Sun City, Sector 54
Gurgaon 122 002, India
Tel +91 124 459 3000
Fax +91 124 288 9320

REGISTRAR & SHARE TRANSFER AGENT

Link Intime India Private Limited
C-13, Pannalal Silk Mills Compound
L.B.S. Marg, Bhandup (West)
Mumbai 400 078, India

*Mr Malcolm Shaw Thoms (Deputy Chairman) and Mr Rick Bott (Executive Director & Chief Operating Officer) stepped down from the Board of Directors in June 2011

Cairn India Limited
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