

# INDEPENDENT AUDITOR'S REPORT

To the Members of Cairn India Limited

## **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Cairn India Limited (the "Company") and its subsidiaries (together, the "Group") as referred to in section 129 (3) of the Companies Act 2013 ("the Act"), which comprise of the consolidated Balance Sheet as at March 31, 2015, the consolidated Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

## **Management's Responsibility for the Consolidated Financial Statements**

The Company's Board of Directors is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

## **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Group's management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

# INDEPENDENT AUDITOR'S REPORT (CONTINUED)...

## Opinion

In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the consolidated state of affairs of the Group as at March 31, 2015, its consolidated profit, and its consolidated cash flows for the year ended on that date

## Report on Other Legal and Regulatory Requirements

As required by section 143 (3) of the Act, we report that:

- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- (b) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;

## Other Matter

The accompanying consolidated financial statements include total assets of ₹ 244.69 crore as at March 31, 2015, and loss before tax of ₹ 118.27 crore for the year ended on that date, in respect of an unincorporated joint venture not operated by the Company, whose financial information has not been audited by us and whose unaudited financial information has been furnished to us by the management and our opinion, in respect of the said unincorporated joint venture is based solely on such information. Our opinion is not modified in respect of this matter.

## For S.R. Batliboi & Co. LLP

Chartered Accountants

ICAI Firm Registration Number: 301003E

## Per Raman Sobti

Partner

Membership Number: 89218

Place of Signature: Gurgaon

Date: 23 April 2015

# CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2015

(All amounts are in ₹ crore, unless otherwise stated)

	Notes	31 March 2015	31 March 2014
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
Share capital	3	1,874.85	1,907.63
Reserves and surplus	4	56,995.35	55,530.06
		<b>58,870.20</b>	<b>57,437.69</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities (net)	11	1,271.83	735.59
Long-term provisions	5	1,618.25	3,113.14
		<b>2,890.08</b>	<b>3,848.73</b>
<b>Current liabilities</b>			
Trade payables	6	919.23	620.77
Other current liabilities	6	3,098.77	2,097.24
Short-term provisions	5	1,056.03	1,687.80
		<b>5,074.03</b>	<b>4,405.81</b>
<b>Total</b>		<b>66,834.31</b>	<b>65,692.23</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets			
Tangible assets	7	8,454.75	9,883.65
Intangible assets	8	15,178.44	15,192.17
Development capital work in progress	9	2,352.39	3,621.06
Exploration intangible assets under development	10	3,554.28	2,075.83
Loans and advances	12	16,228.37	7,402.71
Other non-current assets	13.2	1,663.17	5,382.70
		<b>47,431.40</b>	<b>43,558.12</b>
<b>Current assets</b>			
Current investments	14	15,233.42	16,363.84
Inventories	15	343.88	297.05
Trade receivables	13.1	1,124.97	2,512.40
Cash and bank balances	16	851.69	1,763.38
Loans and advances	12	1,621.43	1,046.68
Other current assets	13.2	227.52	150.76
		<b>19,402.91</b>	<b>22,134.11</b>
<b>Total</b>		<b>66,834.31</b>	<b>65,692.23</b>
Summary of significant accounting policies	2.1		

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

As per our report of even date

For and on behalf of the Board of Directors

**For S. R. Batliboi & Co. LLP**

Chartered Accountants  
ICAI Firm Registration No.:301003E

**per Raman Sobti**  
Partner  
Membership No. 89218

**Navin Agarwal**  
Chairman  
DIN 00006303

**Mayank Ashar**  
Managing Director  
& Chief Executive officer  
DIN 07001153

**Aman Mehta**  
Director  
DIN 00009364

Place: Gurgaon  
Date: 23 April 2015

**Sudhir Mathur**  
Chief Financial Officer

**Neerja Sharma**  
Director- Assurance & Communication  
and Company Secretary  
ICSI Membership No. A9630

# CONSOLIDATED STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31 MARCH 2015

(All amounts are in ₹ crore, unless otherwise stated)

	Notes	31 March 2015	31 March 2014
<b>INCOME</b>			
Revenue from operations	17	14,646.20	18,761.70
Other income	18	1,809.27	1,502.71
<b>Total revenue</b>		<b>16,455.47</b>	<b>20,264.41</b>
<b>EXPENSES</b>			
Cess on crude oil		2,799.43	2,898.59
Share of expenses from producing oil and gas blocks		1,767.24	1,174.15
(Increase)/Decrease in inventories of finished goods	19	(1.14)	(14.13)
Employee benefit expense	20	110.46	274.12
Depletion, depreciation and amortization expense	21	2,569.47	2,297.36
Finance costs	22	20.34	41.48
Exploration costs written off	10	1,098.04	412.38
Other expenses	23	349.54	330.87
		<b>8,713.38</b>	<b>7,414.82</b>
<b>Profit before tax and exceptional items</b>		<b>7,742.09</b>	<b>12,849.59</b>
Exceptional items	24	2,633.00	-
<b>PROFIT BEFORE TAX</b>		<b>5,109.09</b>	<b>12,849.59</b>
<b>Tax expenses</b>			
Current tax		1,001.73	2,553.14
Less: MAT credit entitlement		(908.48)	(2,406.85)
Net current tax expense		93.25	146.29
Deferred tax charge/(credit)		1,107.84	271.51
Deferred tax (credit) on exceptional items		(571.60)	-
<b>Total tax expense</b>		<b>629.49</b>	<b>417.80</b>
<b>PROFIT FOR THE YEAR</b>		<b>4,479.60</b>	<b>12,431.79</b>
<b>Earnings per equity share in ₹</b> [nominal value of share ₹ 10 (31 March 2014: ₹ 10)]	25		
<b>Computed on the basis of profit before exceptional items</b>			
Basic		34.82	65.08
Diluted		34.71	64.95
<b>Computed on the basis of profit for the year</b>			
Basic		23.85	65.08
Diluted		23.77	64.95
Summary of significant accounting policies	21		

The accompanying notes are an integral part of the financial statements

As per our report of even date

For and on behalf of the Board of Directors

**For S. R. Batliboi & Co. LLP**

Chartered Accountants  
ICAI Firm Registration No.:301003E

**per Raman Sobti**

Partner  
Membership No. 89218

**Navin Agarwal**

Chairman  
DIN 00006303

**Mayank Ashar**

Managing Director  
& Chief Executive officer  
DIN 07001153

**Aman Mehta**

Director  
DIN 00009364

Place: Gurgaon  
Date: 23 April 2015

**Sudhir Mathur**

Chief Financial Officer

**Neerja Sharma**

Director- Assurance & Communication  
and Company Secretary  
ICSI Membership No. A9630

CAIRN INDIA ANNUAL REPORT 2014 - 15

# CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2015

(All amounts are in ₹ crore, unless otherwise stated)

	31 MARCH 2015	31 MARCH 2014
<b>Profit before tax</b>	<b>5,109.09</b>	<b>12,849.59</b>
Adjustments for:		
Depletion, depreciation and amortization (including exceptional item)	4,754.52	2,354.52
Exploration cost written off	1,098.04	412.38
Employee stock compensation expense (equity settled)	29.27	198.68
Unrealized foreign exchange (gain)/loss (net)	(218.98)	30.48
Impairment losses	505.20	-
Gain on sale of current investments (net)	(691.01)	(366.14)
Interest expense	14.88	14.60
Share buy back expenses	1.83	3.75
Other finance charges	4.72	26.46
Interest income	(583.65)	(388.12)
Other non-operating income	(10.24)	(4.89)
Dividend income	-	(4.52)
<b>Operating profit before working capital changes</b>	<b>10,013.67</b>	<b>15,126.79</b>
Movements in working capital :		
Increase in trade payables, other liabilities and provisions	329.89	73.36
Decrease / (increase) in trade receivables	1,443.49	(284.41)
(Increase) in inventories	(314.63)	(272.00)
(Increase) in loans and advances and other assets	(864.92)	(926.84)
<b>Cash generated from operations</b>	<b>10,607.50</b>	<b>13,716.90</b>
Direct taxes paid (net of refunds)	(1,087.32)	(2,622.70)
<b>Net cash flow from operating activities (A)</b>	<b>9,520.18</b>	<b>11,094.20</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets (including CWIP and capital advances)	(5,574.43)	(2,873.27)
Proceeds from sale of KG-DWN-98/2 block	-	172.25
Deposit made on escrow account	-	(143.13)
Proceeds from sale/maturity of current investments (net)	1,821.43	(5,615.46)
Loan given to related party	(7,742.50)	-
Proceeds from redemption/ maturity of deposits having original maturity of more than 3 months	6,870.15	6,218.32
Deposits made having original maturity of more than 3 months	(1,824.49)	(6,174.83)
Interest received	545.76	309.70
Dividend received on current investments	-	4.52
Payments made to site restoration fund	(37.27)	(27.18)
<b>Net cash flow (used in) investing activities (B)</b>	<b>(5,941.35)</b>	<b>(8,129.08)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of equity share capital (including securities premium)	14.69	14.81
Payment made for buy back of equity shares	(1,119.93)	(105.53)
Expenses paid for buy back of equity shares	(1.83)	(3.75)
Dividend paid on equity shares	(1,943.09)	(2,388.05)
Tax on equity dividend paid	(366.34)	(405.85)
Interest paid	(12.14)	(9.37)
Payment of borrowing costs (other than interest)	(4.72)	(26.46)
<b>Net cash flow (used in) financing activities (C)</b>	<b>(3,433.36)</b>	<b>(2,924.20)</b>
<b>Net increase in cash and cash equivalents (A + B + C)</b>	<b>145.47</b>	<b>40.92</b>
Effect of exchange differences on cash & cash equivalents held in foreign currency	(1.76)	(2.48)
Cash and cash equivalents at the beginning of the year	84.78	46.34
<b>Cash and cash equivalents at the end of the year</b>	<b>228.49</b>	<b>84.78</b>

# CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2015 (CONTINUED)...

(All amounts are in ₹ crore, unless otherwise stated)

	31 MARCH 2015	31 MARCH 2014
<b>COMPONENTS OF CASH AND CASH EQUIVALENTS</b>		
Cash on hand	0.01	0.01
With banks		
- on deposits with original maturity of upto 3 months	10.73	82.65
- on current accounts	3.80	0.68
- unpaid dividend accounts*	213.95	1.44
<b>Total cash and cash equivalents (note 16)</b>	<b>228.49</b>	<b>84.78</b>

\* The Company can utilize these balances only towards settlement of the respective unpaid dividend account.

Notes:

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

As per our report of even date

**For S. R. Batliboi & Co. LLP**

Chartered Accountants  
ICAI Firm Registration No.:301003E

**per Raman Sobti**

Partner  
Membership No. 89218

**Navin Agarwal**

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Place: Gurgaon  
Date: 23 April 2015

**Sudhir Mathur**

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**Neerja Sharma**

Director- Assurance & Communication  
and Company Secretary  
ICSI Membership No. A9630

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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

(All amounts are in ₹ crore, unless otherwise stated)

## 1 NATURE OF OPERATIONS

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

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

The Company along with its subsidiaries, (collectively the 'Cairn India Group') participates in various Oil and Gas blocks/fields, which are in the nature of jointly controlled assets, granted by the Government of India/Sri Lanka/South Africa through Production Sharing Contract ('PSC')/Production Resources Agreement ('PRA') entered into between these entities and Government of India/Sri Lanka/South Africa and other venture partners.

### Components of the Cairn India Group

The Consolidated Financial Statements represent consolidation of accounts of the Company and its subsidiaries as detailed below :

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 Lanka (Pvt) Limited	Sri Lanka
22	Cairn Energy Group Holdings BV **	Netherlands
23	Cairn Energy India West BV*	Netherlands
24	Cairn Energy India West Holding BV **	Netherlands
25	Cairn Energy Gujarat Holding BV **	Netherlands
26	Cairn Energy India Holdings BV **	Netherlands
27	Cairn Energy Netherlands Holdings BV*	Netherlands
28	Cairn Energy Gujarat BV*	Netherlands
29	Cairn Energy Cambay BV*	Netherlands
30	Cairn Energy Cambay Holding BV **	Netherlands
31	Cairn South Africa Proprietary Limited	South Africa

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.

\*Liquidated during the year. \*\*Liquidated in previous year

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (CONTINUED)...

(All amounts are in ₹ crore, unless otherwise stated)

## 1 NATURE OF OPERATIONS CONTINUED...

Cairn India Group has interest in the following Oil and Gas blocks/fields-

Oil & Gas blocks/fields	Area	Participating Interest
<b>OPERATED BLOCKS</b>		
Ravva block	Krishna Godavari	22.50%
CB-OS/2 - Exploration	Cambay Offshore	60.00%
CB-OS/2 - Development & production	Cambay Offshore	40.00%
RJ-ON-90/1 - Exploration	Rajasthan Onshore	100.00%
RJ-ON-90/1 - Development & production	Rajasthan Onshore	70.00%
PR-OSN-2004/1	Palar Basin Offshore	35.00%
SL 2007-01-001	North West Sri Lanka Offshore	100.00%
KG-OSN-2009/3	Krishna Godavari Offshore	100.00%
MB-DWN-2009/1	Mumbai Deep Water	100.00%
South Africa Block 1	Orange Basin South Africa Offshore	60.00%
<b>NON OPERATED BLOCK</b>		
KG-ONN-2003/1 *	Krishna Godavari Onshore	49.00%

\*Operatorship has been transferred to Oil and Natural Gas Corporation (ONGC) w.e.f 7 July 2014

The participating interests were same in the previous year.

## 2. BASIS OF PREPARATION

The financial statements of the Cairn India Group have been prepared in accordance with the generally accepted accounting principles in India (Indian GAAP). Cairn India Group has prepared these financial statements to comply in all material respects with the accounting standards notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules 2014. The financial statements have been prepared on an accrual basis and under the historical cost convention. The accounting policies, in all material respects, have been consistently applied by the Cairn India Group and are consistent with those used in the previous year, except to the extent stated in note 2.1 a below.

### 2.1 Summary of significant accounting policies

#### a. Changes in accounting policies

##### (i) Depreciation on Fixed Assets

With the implementation of Schedule II of the Companies Act 2013, from 1 April 2014, Cairn India Group has decided to change the method of depreciation on some of its oil and gas assets from 'Straight Line' method to the 'Unit of Production' method, with retrospective effect, so as to be in compliance with the requirements of 'Guidance Note on Accounting for Oil and Gas Producing Activities (Revised 2013)' issued by the Institute of Chartered Accountants of India (ICAI). The additional depreciation charge arising due to the same for the period up to 31 March 2014 is ₹ 2,127.80 crore and has resulted in a reduction in profit after tax by ₹ 1,627.39 crore. Further, the depreciation charge for the year ended 31 March 2015 is higher by ₹ 400.58 crore and the profit after tax is lower by ₹ 245.75 crore due to the aforementioned change.

##### (ii) Employee Stock Compensation Cost

Till 27 October 2014, the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, dealt with the grant of share-based payments to employees. Hence, Cairn India Group being a listed entity was required to comply with these Guidelines as well as the Guidance Note on Accounting for Employee Share-based Payments with regard to accounting for employee share-based payments. Particularly, in case of conflict between the two requirements, the SEBI guidelines were prevailing over ICAI Guidance.

From 28 October 2014, the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 have been replaced by the SEBI (Share Based Employee Benefits) Regulations, 2014. The new regulations don't contain any specific accounting treatment; rather, they require ICAI Guidance Note to be followed. Consequent to the application of the new regulations, the Group has changed its accounting for equity settled option expiring unexercised after vesting in line with accounting prescribed in the Guidance Note, i.e., expense is not reversed through the statement of profit and loss. The management has decided to apply the revised accounting policy prospectively from the date of notification of new regulation, i.e., 28 October 2014.

Since there are no material equity settled options expiring unexercised after 28 October 2014, the change in accounting policy did not have any material impact on these consolidated financial statements. However due to application of the regulation, the manner of presentation of "Employee Stock Option Outstanding Account" under the head "Reserves and Surplus" has changed. Cairn India Group has changed this presentation for the current as well as previous year.

#### b. 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).



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (CONTINUED)...

(All amounts are in ₹ crore, unless otherwise stated)

## 2. BASIS OF PREPARATION CONTINUED...

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:

- i. 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).
- ii. 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.
- iii. 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.

### c. 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 ICAI on "Accounting for Oil and Gas Producing Activities" (Revised 2013).

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

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

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

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

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

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

Amounts which are not being paid by the joint venture partner in oil and gas blocks where Cairn India Group is the operator and have hence been funded by it are treated as exploration, development or production costs, as the case may be.

### 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 statement of profit and loss.

### e. Impairment

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

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

### f. Other tangible and intangible fixed assets

Tangible assets, other than oil and gas assets, are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Intangible assets, other than oil and gas assets, have finite useful lives and are measured at cost.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (CONTINUED)...

(All amounts are in ₹ crore, unless otherwise stated)

## 2. BASIS OF PREPARATION CONTINUED...

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.

### g. Depletion, depreciation and amortization

#### Oil and gas assets

Depletion is charged on a unit of production basis, based on proved reserves for acquisition costs and proved and developed reserves for successful exploratory wells, development wells, processing facilities, distribution assets, estimated future abandonment cost and all other related costs (also refer note 34). These assets are depleted within each cost centre. Reserves for this purpose are considered on working interest basis which are reassessed atleast annually. Impact of changes to reserves are accounted for prospectively.

#### Other assets

Depreciation on assets, other than oil and gas assets, is provided using the Straight Line Method as per the useful lives of the assets stated below. The same have been determined by the management based on technical estimates.

Vehicles	4 years
Buildings (including lease hold improvements)	6 years to 10 years
Computers	2 years
Furniture and fixtures	4 years
Office equipments	4 years
Computer Software	2 years

The useful lives of assets as mentioned in Schedule II of Companies Act 2013 is higher than those assessed by the management for all its fixed assets.

Leasehold lands are amortised over the lease period which is a maximum of 10 years. Leasehold improvements are amortized over the remaining period of the primary lease (3 to 12 years) or expected useful economic lives, whichever is shorter.

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 recognised as an expense in the statement of profit and loss. Lease management fees, legal charges and other initial direct costs are capitalised.

If there is no reasonable certainty that 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 statement of profit and loss 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 from the date on which such investments are made, are classified as current investments. All other investments are classified as long term investments. Current investments are measured at cost or market value, whichever is lower, determined on an individual investment basis. Long term investments are measured at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the long term investments.

### j. Inventories

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.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (CONTINUED)...

(All amounts are in ₹ crore, unless otherwise stated)

## 2. BASIS OF PREPARATION CONTINUED...

### i. 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. The following specific recognition criteria must also be met before revenue is recognised.

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

##### *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 instrument/unit holders' right to receive payment is established by the balance sheet date.

##### *Treatment of Taxes*

Cairn India Group collects sales taxes and value added taxes (VAT) on behalf of the government and, therefore, these are not economic benefits flowing to the Cairn India Group. Hence, they are excluded from revenue.

### 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 statement of profit and loss in the year 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.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (CONTINUED)...

(All amounts are in ₹ crore, unless otherwise stated)

## 2. BASIS OF PREPARATION CONTINUED...

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 any component of Cairn India Group has carry forward of unabsorbed depreciation and tax losses, deferred tax assets are recognised by the component only if there is virtual certainty, supported by convincing evidence, that all 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.

In the situations where any component of Cairn India Group is entitled to a tax holiday under the Income-tax Act, 1961 enacted in India or tax laws prevailing in the respective tax jurisdictions where it operates, no deferred tax (asset or liability) is recognized in respect of timing differences which reverse during the tax holiday period, to the extent the component's gross total income is subject to the deduction during the tax holiday period. Deferred tax in respect of timing differences which reverse after the tax holiday period is recognized in the year in which the timing differences originate. However, each of the components restricts recognition of deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized. For recognition of deferred taxes, the timing differences which originate first are considered to reverse first.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. Cairn India Group 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 component 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 statement of profit and loss 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.

### 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 year. The weighted average number of equity shares outstanding during the year is adjusted for events of bonus issue, bonus element in a rights issue to existing shareholders, share split and reverse share split (consolidation of shares) that have changed the no of equity shares outstanding, without corresponding change in resources.

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

### 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 comprise of 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, superannuation fund and national pension scheme are defined contribution schemes. Cairn India Group has no obligation, other than the contribution payable to the provident fund and superannuation fund. Cairn India Group recognizes contribution payable to the provident fund and superannuation fund as an expenditure, when an employee renders the related service. If the contribution payable to the fund for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the fund is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset to the extent that the pre payment will lead to, for example, a reduction in future payment or a cash refund.

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 on projected unit credit method.

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

#### Employee Stock Compensation Cost

The Share Based Employee Benefits Regulations, 2014 has come into force from 28 October 2014 and to comply the same the measurement and disclosure of the employee share-based payment plans is done as per SEBI ( Share Based Employee Benefits)

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (CONTINUED)...

(All amounts are in ₹ crore, unless otherwise stated)

## 2. BASIS OF PREPARATION CONTINUED...

Regulations, 2014 and the Guidance Note on Accounting for Employee Share-based Payments, issued by ICAI. Prior to 28 October 2014 the Cairn India Group was following 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.

In accordance with the above guidelines, the Cairn India Group measures compensation cost relating to employee stock options using the fair value method. Compensation expense is amortized over the vesting period of the option on a straight line basis.

### t. Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of Cairn India Group or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. Cairn India Group does not recognize a contingent liability but discloses its existence in the financial statements.

### u. Segment Reporting

#### 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. 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.

## 3. SHARE CAPITAL

	31 March 2015	31 March 2014
<b>Authorised shares</b>		
225.00 crore (31 March 2014: 225.00 crore) equity shares of ₹ 10 each	2,250.00	2,250.00
<b>Issued, subscribed and fully paid up shares</b>		
187.49 crore (31 March 2014: 190.76 crore) equity shares of ₹ 10 each	1,874.85	1,907.63
<b>Total issued, subscribed and fully paid-up share capital</b>	<b>1,874.85</b>	<b>1,907.63</b>

### (a) Reconciliation of the shares outstanding at the beginning and at the end of the year

	31 March 2015		31 March 2014	
	No. crore	₹ crore	No. crore	₹ crore
At the beginning of the year	190.76	1,907.63	191.02	1,910.24
Issued during the period - ESOP	0.07	0.65	0.07	0.66
Shares extinguished pursuant to buy back (refer note 30)	(3.34)	(33.43)	(0.33)	(3.27)
<b>Outstanding at the end of the year</b>	<b>187.49</b>	<b>1,874.85</b>	<b>190.76</b>	<b>1,907.63</b>

### (b) Terms/ rights attached to equity shares

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

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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (CONTINUED)...

(All amounts are in ₹ crore, unless otherwise stated)

## 3. SHARE CAPITAL CONTINUED...

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

	31 March 2015	31 March 2014
Vedanta Limited (formerly Sesa Sterlite Limited), the holding company 35.11 crore (31 March 2014: 35.11 crore) equity shares of ₹ 10 each fully paid	351.14	351.14
Twin Star Mauritius Holdings Limited, subsidiary of Vedanta Limited 73.89 crore (31 March 2014: 73.89 crore) equity shares of ₹ 10 each fully paid	738.87	738.87
Sesa Resources Limited, subsidiary of Vedanta Limited 3.27 crore (31 March 2014: 3.27 crore) equity shares of ₹ 10 each fully paid	32.70	32.70

### (d) Aggregate number of shares issued for consideration other than cash during the period of five years immediately preceding the reporting date:

The Company has issued total 1.46 crore equity shares (31 March 2014: 1.42 crore equity shares) during the period of five years immediately preceding the reporting date on exercise of options granted under the employee stock option plan (ESOP scheme) wherein part consideration was received in form of employee services. No other equity shares have been issued for consideration other than cash during the period five years immediately preceding the end of current period.

### (e) Aggregate number and class of shares bought back during the period of five years immediately preceding the reporting date:

The Company bought back 3.67 crore equity shares (31 March 2014: 0.33 crore) during the period of five years immediately preceding the reporting date. Also refer note 30 below.

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

	31 March 2015		31 March 2014	
	No. crore	% holding in the class	No. crore	% holding in the class
<b>EQUITY SHARES OF ₹ 10 EACH FULLY PAID</b>				
Twin Star Mauritius Holdings Limited	73.89	39.41%	73.89	38.73%
Vedanta Limited	35.11	18.73%	35.11	18.41%
Cairn UK Holdings Limited	18.41	9.82%	18.41	9.65%
Life Insurance Corporation of India	16.98	9.06%	17.04	8.93%

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

### (g) Shares reserved for issue under options

For details of shares reserved for issue under the ESOP scheme of the Company, refer note 27.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (CONTINUED)...

(All amounts are in ₹ crore, unless otherwise stated)

## 4. RESERVES AND SURPLUS

	31 March 2015	31 March 2014
<b>SECURITIES PREMIUM ACCOUNT</b>		
Balance as per the last financial statements	20,107.23	20,187.57
Add: additions on employee stock options exercised	14.03	14.15
Less: adjustment on account of buy back of equity shares (refer note 30)	(1,086.49)	(102.26)
Add: transferred from stock options outstanding	8.19	7.77
<b>Closing Balance</b>	<b>19,042.96</b>	<b>20,107.23</b>
<b>CAPITAL REDEMPTION RESERVE</b>		
Balance as per the last financial statements	3.27	-
Add: transferred from general reserve on buy back of equity shares	33.43	3.27
<b>Closing Balance</b>	<b>36.70</b>	<b>3.27</b>
<b>EMPLOYEE STOCK OPTIONS OUTSTANDING</b>		
Balance as per the last financial statements	208.04	17.12
Add: Stock Options charge for the year	82.88	210.77
Less: Stock Options cancelled during the year	(53.60)	(12.08)
Less: transferred to securities premium on exercise of stock options	(8.19)	(7.77)
<b>Closing Balance</b>	<b>229.13</b>	<b>208.04</b>
<b>GENERAL RESERVE</b>		
Balance as per the last financial statements	3,691.51	2,949.35
Less: transferred to capital redemption reserve on account of buy back of equity shares	(33.43)	(3.27)
Add: transferred from surplus balance in the statement of profit and loss	-	745.43
<b>Closing Balance</b>	<b>3,658.08</b>	<b>3,691.51</b>
<b>SURPLUS IN THE STATEMENT OF PROFIT AND LOSS</b>		
Balance as per the last financial statements	31,520.01	22,635.15
Profit for the year	4,479.60	12,431.79
Less: Appropriations		
Proposed final equity dividend [amount per share ₹ 4.00 (31 March 2014: ₹ 6.50)]	(749.94)	(1,239.96)
Tax on proposed final equity dividend	(149.94)	(220.33)
Interim equity dividend [amount per share ₹ 5.00 (31 March 2014: ₹ 6.00)]	(937.37)	(1,146.39)
Reversal of final dividend for earlier year*	21.73	-
Tax on interim dividend	(159.30)	(194.82)
Reversal of tax on final dividend for earlier year*	3.69	-
Transfer to general reserve	-	(745.43)
<b>Net surplus in the statement of profit and loss</b>	<b>34,028.48</b>	<b>31,520.01</b>
<b>Total reserves and surplus</b>	<b>56,995.35</b>	<b>55,530.06</b>

\* The Company had bought back 3.34 crore equity shares during the current year, prior to declaration of final dividend for financial year 2013-2014. Hence, accrual for final dividend of ₹ 21.73 crore and tax there on ₹ 3.69 crore made in the previous year, on these shares, has now been reversed.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (CONTINUED)...

(All amounts are in ₹ crore, unless otherwise stated)

## 5. PROVISIONS

	Long-term		Short-term	
	31 March 2015	31 March 2014	31 March 2015	31 March 2014
<b>PROVISION FOR EMPLOYEE BENEFITS</b>				
Provision for employee stock options (cash settled)*	5.73	4.88	1.44	2.90
Provision for gratuity (refer note 26)	-	-	17.72	15.45
Provision for compensated absences	-	-	17.21	15.95
	<b>5.73</b>	<b>4.88</b>	<b>36.37</b>	<b>34.30</b>
<b>OTHER PROVISIONS</b>				
Provision for site restoration**	1,612.52	3,108.26	-	-
Provision for taxation (net of advance tax)	-	-	119.78	202.81
Proposed equity dividend	-	-	749.94	1,239.96
Provision for tax on proposed equity dividend	-	-	149.94	210.73
	<b>1,612.52</b>	<b>3,108.26</b>	<b>1,019.66</b>	<b>1,653.50</b>
	<b>1,618.25</b>	<b>3,113.14</b>	<b>1,056.03</b>	<b>1,687.80</b>

	31 March 2015	31 March 2014
<b>* PROVISION FOR EMPLOYEE STOCK OPTIONS (CASH SETTLED) [REFER NOTE 2.1 (S) ABOVE]</b>		
Opening Balance		13.90
Additions for the year		10.83
Payments during the year		(8.53)
Reversed during the year		(8.42)
<b>Closing Balance</b>	<b>7.17</b>	<b>7.78</b>
<b>** PROVISION FOR SITE RESTORATION [REFER NOTE 2.1 (D) ABOVE]</b>		
Opening balance		2,398.33
Additions during the year		709.93
Reversed during the year		-
<b>Closing balance</b>	<b>1,612.52</b>	<b>3,108.26</b>

The site restoration liability has reduced as there have been significant changes in technology and prices, as confirmed by an independent third party report.

## 6. OTHER CURRENT LIABILITIES

	31 March 2015	31 March 2014
<b>TRADE PAYABLES</b>	<b>919.23</b>	<b>620.77</b>
<b>OTHER LIABILITIES</b>		
Others		
Revenue received in excess of entitlement interest	-	4.52
Statutory dues payable	136.40	129.61
Interest accrued on other than borrowings	84.24	81.50
Profit petroleum payable	87.43	63.36
Unpaid/unclaimed dividend	213.95	1.44
Liabilities for fixed assets	2,576.75	1,816.81
	<b>3,098.77</b>	<b>2,097.24</b>
	<b>4,018.00</b>	<b>2,718.01</b>



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (CONTINUED)...

(All amounts are in ₹ crore, unless otherwise stated)

### 7. TANGIBLE ASSETS

	Freehold land	Leasehold land	Buildings	Plant and machinery	Office equipments	Furniture & fixtures	Leasehold improvements	Vehicles	Oil and gas producing facilities	Total
<b>COST OR VALUATION</b>										
<b>At 1 April 2013</b>	<b>4.38</b>	<b>146.39</b>	<b>1,198.63</b>	<b>6,693.19</b>	<b>149.29</b>	<b>26.81</b>	<b>28.16</b>	<b>7.57</b>	<b>7,216.54</b>	<b>15,470.96</b>
Additions for the year	-	5.66	359.32	482.32	37.33	316	-	0.39	1,916.84	2,805.02
Disposals	(2.47)	-	-	-	(6.09)	-	-	(0.26)	-	(8.82)
<b>At 31 March 2014</b>	<b>1.91</b>	<b>152.05</b>	<b>1,557.95</b>	<b>7,175.51</b>	<b>180.53</b>	<b>29.97</b>	<b>28.16</b>	<b>7.70</b>	<b>9,133.38</b>	<b>18,267.16</b>
Additions for the year	-	6.00	423.91	2,845.05	149.88	126.86	49.83	2.97	1,208.38	4,812.88
Disposals	-	-	-	(0.76)	(18.49)	(4.18)	-	-	(1,516.56)	(1,539.99)
<b>At 31 March 2015</b>	<b>1.91</b>	<b>158.05</b>	<b>1,981.86</b>	<b>10,019.80</b>	<b>311.92</b>	<b>152.65</b>	<b>77.99</b>	<b>10.67</b>	<b>8,825.20</b>	<b>21,540.05</b>
<b>DEPRECIATION AND DEPLETION</b>										
<b>At 1 April 2013</b>	-	<b>34.69</b>	<b>265.00</b>	<b>1,775.31</b>	<b>77.53</b>	<b>6.78</b>	<b>28.15</b>	<b>2.43</b>	<b>3,879.95</b>	<b>6,069.84</b>
Charge for the year	-	15.98	149.42	717.46	42.47	4.67	-	0.88	1,389.07	2,319.95
Disposals	-	-	-	-	(6.02)	-	-	(0.26)	-	(6.28)
<b>At 31 March 2014</b>	-	<b>50.67</b>	<b>414.42</b>	<b>2,492.77</b>	<b>113.98</b>	<b>11.45</b>	<b>28.15</b>	<b>3.05</b>	<b>5,269.02</b>	<b>8,383.51</b>
Charge for the year (Refer note 2.1 a)	-	54.23	669.70	2,905.15	35.26	29.22	2.08	4.03	1,022.58	4,722.25
Disposals	-	-	-	(0.11)	(17.71)	(2.64)	-	-	-	(20.46)
<b>At 31 March 2015</b>	-	<b>104.90</b>	<b>1,084.12</b>	<b>5,397.81</b>	<b>131.53</b>	<b>38.03</b>	<b>30.23</b>	<b>7.08</b>	<b>6,291.60</b>	<b>13,085.30</b>
<b>NET BLOCK</b>										
<b>At 31 March 2014</b>	<b>1.91</b>	<b>101.38</b>	<b>1,143.53</b>	<b>4,682.74</b>	<b>66.55</b>	<b>18.52</b>	<b>0.01</b>	<b>4.65</b>	<b>3,864.36</b>	<b>9,883.65</b>
<b>At 31 March 2015</b>	<b>1.91</b>	<b>53.15</b>	<b>897.74</b>	<b>4,621.99</b>	<b>180.39</b>	<b>114.62</b>	<b>47.76</b>	<b>3.59</b>	<b>2,533.60</b>	<b>8,454.75</b>

1. The above gross block includes ₹ 21,321.08 crore (31 March 2014; ₹ 18,110.88 crore) jointly owned with the joint venture partners. Accumulated depreciation on these assets is ₹ 12,959.67 crore (31 March 2014; ₹ 8,263.50 crore) and net book value is ₹ 8,361.41 crore (31 March 2014; ₹ 9,847.38 crore).

2. Disposals to oil and gas producing facilities represents reduction in the site restoration provision. (refer note 5)

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (CONTINUED)...

(All amounts are in ₹ crore, unless otherwise stated)

## 8. INTANGIBLE ASSETS

	Goodwill	Computer Software	Total
<b>GROSS BLOCK</b>			
<b>At 1 April 2013</b>	<b>15,152.24</b>	<b>141.94</b>	<b>15,294.18</b>
Additions for the year	-	37.86	37.86
Deletions	-	(3.49)	(3.49)
<b>At 31 March 2014</b>	<b>15,152.24</b>	<b>176.31</b>	<b>15,328.55</b>
Additions for the year	-	18.58	18.58
Deletions	-	(2.13)	(2.13)
<b>At 31 March 2015</b>	<b>15,152.24</b>	<b>192.76</b>	<b>15,345.00</b>
<b>AMORTIZATION</b>			
<b>AT 1 APRIL 2013</b>	<b>-</b>	<b>105.30</b>	<b>105.30</b>
Charge for the year	-	34.57	34.57
Deletions	-	(3.49)	(3.49)
<b>At 31 March 2014</b>	<b>-</b>	<b>136.38</b>	<b>136.38</b>
Charge for the year	-	32.27	32.27
Deletions	-	(2.09)	(2.09)
<b>At 31 March 2015</b>	<b>-</b>	<b>166.56</b>	<b>166.56</b>
<b>NET BLOCK</b>			
<b>At 31 March 2014</b>	<b>15,152.24</b>	<b>39.93</b>	<b>15,192.17</b>
<b>At 31 March 2015</b>	<b>15,152.24</b>	<b>26.20</b>	<b>15,178.44</b>

The goodwill of Cairn India Group arose 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 ('CIHL') and consolidated net book value of assets in CIHL, at the time of acquisition of shares in CIHL. The valuation of CIHL largely represents the cash flows expected from the RJ-ON-90/1 oil and gas field, which it holds through its step down subsidiaries. The Production Sharing Contract ('PSC') for the said field provides for an extension of the contract by a maximum period of ten years, in case there is a continued production of commercial natural gas. Since the management expects to continue with the production and sale of natural gas for a period of ten years even after the completion of the initial contract period, they believe that market participants would consider cash flows from the said asset for the said additional period of ten years as well. Further, the management has been legally advised that the said extension should not entail any modification in the terms of the PSC. Accordingly, the recoverable amount of the said oil and gas block has been computed after considering the aforesaid extension, basis which no impairment exists in the carrying value of the related cash generating unit.

## 9. DEVELOPMENT CAPITAL WORK IN PROGRESS

	31 March 2015	31 March 2014
Opening balance	3,621.06	3,207.88
Add: Additions for the year	3,300.73	2,356.05
Less: Transferred to tangible assets	(4,569.40)	(1,942.87)
<b>Closing balance *</b>	<b>2,352.39</b>	<b>3,621.06</b>

\* represents ₹ 1,010.14 crore (31 March 2014: ₹ 431.94 crore) relating to oil and gas producing facilities and ₹ 1,342.25 crore (31 March 2014: ₹ 3,189.12 crore) relating to other tangible assets.

## 10. EXPLORATION INTANGIBLE ASSETS UNDER DEVELOPMENT

	31 March 2015	31 March 2014
Opening balance	2,075.83	1,177.11
Add: Additions for the year	3,081.69	1,311.10
Less: Exploration costs written off	(1,098.04)	(412.38)
Less: Impairment Loss*	(505.20)	-
<b>Closing balance</b>	<b>3,554.28</b>	<b>2,075.83</b>

\* The Group had drilled some exploratory wells in SL- 2007-01-001 block in Sri Lanka. Given the current level of gas prices and fiscal terms, the development of hydrocarbons in the said block is not commercially viable. Hence it believes that the said asset does not have any recoverable value and has thus been impaired.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (CONTINUED)...

(All amounts are in ₹ crore, unless otherwise stated)

## 11. DEFERRED TAX LIABILITIES (NET)

	31 March 2015	31 March 2014
<b>DEFERRED TAX LIABILITIES</b>		
Fixed assets: Impact of difference between tax depreciation and book depreciation and amortization charged for the financial reporting	1,283.90	744.47
Gain on sale of bonus units of Mutual Fund taxable in future years	115.43	57.71
<b>Gross deferred tax liabilities</b>	<b>1,399.33</b>	<b>802.18</b>
<b>DEFERRED TAX ASSETS</b>		
Impact of expenditure charged to the statement of profit and loss in the current year but allowed for tax purposes on payment basis	12.06	8.88
Brought forward Capital losses	44.24	57.71
Provision for diminution in long term investment	71.20	-
<b>Gross deferred tax assets</b>	<b>127.50</b>	<b>66.59</b>
<b>Net deferred tax liabilities</b>	<b>1,271.83</b>	<b>735.59</b>

In accordance with the provisions of Accounting Standard 22 'Accounting for taxes on income', the Company would have had deferred tax assets of ₹144.02 crore (31 March 2014: ₹12.53 crore) in respect of additional accumulated capital losses. 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. LOANS AND ADVANCES

	Non-current		Current	
	31 March 2015	31 March 2014	31 March 2015	31 March 2014
<b>UNSECURED AND CONSIDERED GOOD</b>				
Capital advances	179.33	133.35	-	-
Security deposit	67.39	43.77	9.57	10.82
Loan to related parties (refer note 29)	7,830.00	-	-	-
Advances recoverable in cash or kind	-	-	1,299.20	709.54
	<b>8,076.72</b>	<b>177.12</b>	<b>1,308.77</b>	<b>720.36</b>
<b>UNSECURED AND CONSIDERED DOUBTFUL</b>				
Advances recoverable in cash or kind	-	-	264.37	536.03
Less: provision	-	-	(264.37)	(536.03)
	-	-	-	-
<b>OTHER LOANS AND ADVANCES (Unsecured and considered good)</b>				
Advance income-tax (net of provision)	151.10	146.56	227.76	229.69
Recoverable from statutory authorities	-	-	58.10	58.10
MAT credit entitlement	7,987.51	7,079.03	-	-
Safeguard duty paid under protest	13.04	-	-	-
Fringe benefit tax paid (net of provision)	-	-	0.17	0.17
Prepaid expenses	-	-	26.63	38.36
	<b>8,151.65</b>	<b>7,225.59</b>	<b>312.66</b>	<b>326.32</b>
	<b>16,228.37</b>	<b>7,402.71</b>	<b>1,621.43</b>	<b>1,046.68</b>

Notes:

- Recoverable from statutory authorities represents education and secondary and higher education cess paid for the financial year 2013-14, for which the Cairn India Group has filed the refund applications pursuant to circular no 978/2/2014-CX issued by Central Board of Excise & Customs. The said refund applications have been rejected by the tax authorities, which have been appropriately challenged by the Cairn India Group before Commissioner (Appeal), and also a writ petition has been filed before Honorable Rajasthan High Court.
- Considering the current business plans, including production profiles and oil price forecasts, management expects to recover the amount of MAT credit entitlement over the present contracted term of its various oil and gas assets.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (CONTINUED)...

(All amounts are in ₹ crore, unless otherwise stated)

## 13. TRADE RECEIVABLES AND OTHER ASSETS

### 13.1. Trade receivables

	Current	
	31 March 2015	31 March 2014
<b>UNSECURED AND CONSIDERED GOOD</b>		
Outstanding for a period exceeding six months from the date they are due for payment	-	-
Other receivables	1,124.97	2,512.40
	<b>1,124.97</b>	<b>2,512.40</b>

### 13.2. Other assets

	Non-current		Current	
	31 March 2015	31 March 2014	31 March 2015	31 March 2014
<b>UNSECURED AND CONSIDERED GOOD</b>				
Non-current bank balances (refer note 16)	954.90	4,890.86	-	-
Non-current inventory of stores and spares (refer note 15)	703.26	435.44	-	-
Revenue received short of entitlement interest	-	-	8.74	-
Insurance claim receivable	-	-	17.44	39.69
Interest accrued on loans and advances, deposits and investments	5.01	56.40	201.34	111.07
	<b>1,663.17</b>	<b>5,382.70</b>	<b>227.52</b>	<b>150.76</b>

## 14. CURRENT INVESTMENTS (VALUED AT LOWER OF COST AND FAIR VALUE)

	31 March 2015	31 March 2014
Quoted mutual funds	4,705.65	8,364.10
Quoted bonds	6,012.70	4,362.65
Unquoted mutual funds	4,417.88	3,637.09
Unquoted certificate of deposits	97.19	-
	<b>15,233.42</b>	<b>16,363.84</b>
Aggregate amount of quoted investments [Market value: ₹ 11,488.51 crore (31 March 2014: ₹ 13,266.90 crore)]	10,718.35	12,726.75
Aggregate amount of unquoted investments	4,515.07	3,637.09
	<b>15,233.42</b>	<b>16,363.84</b>

## 15. INVENTORIES (VALUED AT LOWER OF COST AND NET REALIZABLE VALUE)

	Non-current		Current	
	31 March 2015	31 March 2014	31 March 2015	31 March 2014
Finished goods (crude oil)*	-	-	140.61	139.47
Stores and spares	703.26	435.44	203.27	157.58
	<b>703.26</b>	<b>435.44</b>	<b>343.88</b>	<b>297.05</b>
Less: amount disclosed under other non-current assets	(703.26)	(435.44)	-	-
	-	-	<b>343.88</b>	<b>297.05</b>

\*includes stock in pipeline ₹ 112.13 crore (31 March 2014: ₹ 97.41 crore).

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (CONTINUED)...

(All amounts are in ₹ crore, unless otherwise stated)

## 16. CASH AND BANK BALANCES

	Non-current		Current	
	31 March 2015	31 March 2014	31 March 2015	31 March 2014
<b>CASH AND CASH EQUIVALENTS</b>				
<b>Balances with banks:</b>				
- Current accounts	-	-	3.80	0.68
- Deposits with original maturity of upto 3 months	-	-	10.73	82.65
- Unpaid dividend accounts	-	-	213.95	1.44
<b>Cash on hand</b>	-	-	0.01	0.01
	-	-	<b>228.49</b>	<b>84.78</b>
<b>Other Bank Balances</b>				
- Deposits with original maturity for more than 12 months	782.22	4,156.26	173.66	647.11
- Deposits with original maturity for more than 3 months but upto 12 months	-	-	306.41	888.36
- Margin money deposit (under lien for securing credit facilities)	-	599.20	-	-
- Escrow account (refer note 30)	-	-	143.13	143.13
- Site restoration fund	172.68	135.40	-	-
	<b>954.90</b>	<b>4,890.86</b>	<b>623.20</b>	<b>1,678.60</b>
Less: amount disclosed under other non-current assets	(954.90)	(4,890.86)	-	-
	-	-	<b>851.69</b>	<b>1,763.38</b>

## 17. REVENUE FROM OPERATIONS

	31 March 2015	31 March 2014
Sale of finished goods		
Crude oil and condensate	19,121.93	24,102.95
Gas	224.07	221.02
Less: Government share of profit petroleum	(4,734.36)	(5,595.64)
	<b>14,611.64</b>	<b>18,728.33</b>
Sale of services (tolling income)	33.73	32.83
Other operating revenue (income received as operator from joint venture)	0.83	0.54
	<b>14,646.20</b>	<b>18,761.70</b>

## 18. OTHER INCOME

	31 March 2015	31 March 2014
Interest income on		
Bank deposits	39.01	202.48
Current investments	347.35	163.28
Loan to a related party	196.55	-
Others	0.74	22.36
Dividend income on current investments	-	4.52
Gain on sale of current investments (net)*	691.01	366.14
Exchange differences (net)	524.37	739.04
Other non-operating income	10.24	4.89
	<b>1,809.27</b>	<b>1,502.71</b>

\*net off adjustment of ₹ 18.98 crore (31 March 2014: ₹ 43.66 crore) to carrying value of current investment on account of mark to market losses.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (CONTINUED)...

(All amounts are in ₹ crore, unless otherwise stated)

## 19. (INCREASE)/DECREASE IN INVENTORIES OF FINISHED GOODS

	31 March 2015	31 March 2014
Inventories at the end of the year	140.61	139.47
Inventories at the beginning of the year	139.47	125.34
	<b>(1.14)</b>	<b>(14.13)</b>

## 20. EMPLOYEE BENEFIT EXPENSE

	31 March 2015	31 March 2014
Salaries, wages and bonus	773.88	594.03
Contribution to provident fund	32.37	25.98
Contribution to superannuation fund	15.09	14.98
Employee stock option scheme (refer note 27)	28.86	201.10
Gratuity expense (refer note 26)	8.78	8.67
Compensated absences	2.68	3.73
Staff welfare expenses	63.80	69.43
	<b>925.46</b>	<b>917.92</b>
Less: Cost allocated to joint ventures	(815.00)	(643.80)
	<b>110.46</b>	<b>274.12</b>

## 21. DEPLETION, DEPRECIATION AND AMORTIZATION EXPENSE

	31 March 2015	31 March 2014
Depreciation and depletion of tangible assets (refer note 7)	4,722.25	2,319.95
Amortization of intangible assets (refer note 8)	32.27	34.57
Less: Cost allocated to joint ventures	(57.25)	(57.16)
Less: Exceptional item [refer note 2.1a(i) and note 24]	(2,127.80)	-
	<b>2,569.47</b>	<b>2,297.36</b>

## 22. FINANCE COSTS

	31 March 2015	31 March 2014
Interest	15.01	14.73
Bank charges	0.74	0.42
Exchange difference to the extent considered as an adjustment to borrowing cost	4.72	26.46
	<b>20.47</b>	<b>41.61</b>
Less: Cost allocated to joint ventures	(0.13)	(0.13)
	<b>20.34</b>	<b>41.48</b>

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (CONTINUED)...

(All amounts are in ₹ crore, unless otherwise stated)

## 23. OTHER EXPENSES

	31 March 2015	31 March 2014
Data acquisition and analysis	0.05	16.46
Arbitration costs	1.43	0.55
Royalty	16.64	17.49
Legal and professional fees	247.29	226.99
Donations to political parties (Bhartiya Janta Party)	-	7.50
Travelling and conveyance	52.45	63.76
Commission to independent directors	3.37	4.98
Share buy back expenses	1.83	3.75
Directors' sitting fees	0.53	0.15
Contract employee charges	101.78	70.89
Rent	79.27	47.73
Rates and Taxes	33.33	34.86
Insurance	16.82	21.82
Corporate social responsibility expenditure	68.46	47.60
Repairs and maintenance		
Buildings	14.38	10.38
Others	54.38	50.65
Miscellaneous expenses	61.31	83.69
	<b>753.32</b>	<b>709.25</b>
Less: Cost allocated to joint ventures	(403.78)	(378.38)
	<b>349.54</b>	<b>330.87</b>

## 24. EXCEPTIONAL ITEMS

	31 March 2015	31 March 2014
Depreciation charge for earlier years [refer note 2.1 (a)(i)]	2,127.80	-
Impairment loss on exploration assets (refer note 10)	505.20	-
	<b>2,633.00</b>	-

## 25. EARNINGS PER SHARE (EPS)

The following reflects the profit and share data used in the basic and diluted EPS computations:

	31 March 2015	31 March 2014
<b>Profit for the year as per Statement of Profit &amp; Loss</b> (used for calculation of both basic and diluted EPS)	<b>4,479.60</b>	<b>12,431.79</b>
Exceptional item (net of tax credit of ₹ 571.60 crore)	2,061.40	-
<b>Profit for the year before exceptional items</b>	<b>6,541.00</b>	<b>12,431.79</b>
	<b>No. crore</b>	<b>No. crore</b>
Weighted average number of equity shares in calculating basic EPS	187.85	191.01
Effect of dilution:		
Stock options granted under employee stock options	0.58	0.39
Weighted average number of equity shares in calculating diluted EPS	188.43	191.40
<b>Earnings per equity share before exceptional items in ₹ computed on the basis of profit for the year before exceptional items</b>		
Basic	34.82	65.08
Diluted	34.71	64.95
<b>Earnings per equity share in ₹ computed on the basis of profit for the year</b>		
Basic	23.85	65.08
Diluted	23.77	64.95

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (CONTINUED)...

(All amounts are in ₹ crore, unless otherwise stated)

## 26. GRATUITY

Cairn India Group has a defined benefit gratuity plan for its employees. Under the gratuity plan, every employee who has completed at least five years of service gets a gratuity on departure @ 15 days of last drawn salary for each completed year of service. The scheme is funded with an insurance company in the form of qualifying insurance policy.

The following tables summarize the components of net benefit expense recognized in the statement of profit and loss, the funded status and amounts recognized in the balance sheet for the respective plans.

### Statement of profit and loss

#### Net employee benefit expense recognized in the employee cost

	31 March 2015	31 March 2014
Current service cost	8.11	7.52
Interest cost on benefit obligation	4.05	2.94
Expected return on plan assets	(2.74)	(1.92)
Net actuarial (gain) / loss recognized in the year	(0.64)	0.13
<b>Net benefit expense</b>	<b>8.78</b>	<b>8.67</b>
Actual return on plan assets	2.30	1.97

### Balance sheet

#### Benefit asset/ liability

	31 March 2015	31 March 2014
Present value of defined benefit obligation	48.56	45.03
Fair value of plan assets	30.84	29.58
<b>Plan asset / (liability)</b>	<b>(17.72)</b>	<b>(15.45)</b>

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

	31 March 2015	31 March 2014
Opening defined benefit obligation	45.03	36.76
Current service cost	8.11	7.52
Interest cost	4.05	2.94
Benefits paid	(7.55)	(2.37)
Actuarial (gains) / losses on obligation	(1.08)	0.18
<b>Closing defined benefit obligation</b>	<b>48.56</b>	<b>45.03</b>

#### Changes in the fair value of plan assets are as follows:

	31 March 2015	31 March 2014
Opening fair value of plan assets	29.58	23.53
Expected return	2.74	1.92
Contributions by employer	6.51	6.45
Benefits paid	(7.55)	(2.37)
Actuarial gains / (losses)	(0.44)	0.05
<b>Closing fair value of plan assets</b>	<b>30.84</b>	<b>29.58</b>

Cairn India Group's expected contribution to the fund in the next year is ₹ 11.47 crore (31 March 2014: ₹ 10.54 crore).

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	31 March 2015	31 March 2014
Investments with insurer	100%	100%

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

	31 March 2015	31 March 2014
Discount rate	7.80%	9.00%
Future salary increase	10.00%	12.00%
Expected rate of return on assets	9.45%	9.45%
Employee turnover	8.00%	10.00%
Mortality rate	IALM (2006 - 08)	IALM (2006 - 08)



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (CONTINUED)...

(All amounts are in ₹ crore, unless otherwise stated)

## 26. GRATUITY CONTINUED...

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. 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.

Amounts for the current and previous four periods are as follows:

	31 March 2015	31 March 2014	31 March 2013	31 March 2012	31 March 2011
Defined benefit obligation	48.56	45.03	36.76	26.98	20.00
Plan assets	30.84	29.58	23.53	18.60	13.94
Surplus / (deficit)	(17.72)	(15.45)	(13.23)	(8.38)	(6.06)
Experience adjustments on plan assets	(0.44)	0.05	0.04	0.01	0.04
Experience adjustments on plan liabilities	(0.74)	(3.96)	(3.74)	(3.08)	0.69

Cairn India 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 is as certified by the LIC.

## 27. EMPLOYEE STOCK OPTION PLANS

Cairn India Group has provided various share based payment schemes to its employees. During the year ended 31 March 2015, the following schemes were in operation:

Particulars	CIPOP	CIESOP	CIPOP Phantom	CIESOP Phantom
Date of Board Approval	17-Nov-06	17-Nov-06	Not applicable	Not applicable
Date of Shareholder's approval	17-Nov-06	17-Nov-06	Not applicable	Not applicable
Number of options granted till March 2015	1,61,67,131	3,01,12,439	48,31,955	7,58,370
Method of Settlement	Equity	Equity	Cash	Cash
Vesting Period	3 years from grant date	3 years from grant date	3 years from grant date	3 years from grant date
Exercise Period	3 months from vesting date	7 years from vesting date	Immediately upon vesting	Immediately upon vesting

Number of options granted till 31 March 2015

Date of Grant	CIPOP	CIESOP	CIPOP Phantom	CIESOP Phantom
24-Nov-06	-	-	-	-
01-Jan-07	17,08,195	34,67,702	-	-
20-Sep-07	32,35,194	55,15,053	-	-
29-Jul-08	7,89,567	37,73,856	8,22,867	3,24,548
10-Dec-08	-	36,040	-	38,008
22-Jun-09	-	-	69,750	-
29-Jul-09	9,94,768	54,05,144	1,230,416*	2,11,362
27-Jul-10	5,84,144	30,27,463	614,999*	93,572
23-Dec-10	-	-	23,645	-
26-Jul-11	10,06,415	47,33,714	3,90,654	66,385
23-Jul-12	8,90,501	41,53,467	4,41,624	24,495
23-Jul-13	32,90,997	-	4,32,259	-
22-Jul-14	36,67,350	-	7,44,272	-
17-Nov-14	-	-	61,469	-
	<b>1,61,67,131</b>	<b>3,01,12,439</b>	<b>48,31,955</b>	<b>7,58,370</b>

\* includes 169,944 & 260,288 options converted from CIPOP to CIPOP Phantom in 29-Jul-09 & 27-Jul-10 grants respectively during the financial year 2011-12.

The vesting conditions of the above plans are as under-

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (CONTINUED)...

(All amounts are in ₹ crore, unless otherwise stated)

## 27. EMPLOYEE STOCK OPTION PLANS CONTINUED...

### CIPOP plan (including phantom options)

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

### CIESOP plan (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

CIPOP Plan	31 March 2015		31 March 2014	
	Number of options	Weighted average exercise price in ₹	Number of options	Weighted average exercise price in ₹
Outstanding at the beginning of the year	44,39,313	10.00	15,05,363	10.00
Granted during the year	36,67,350	10.00	32,90,997	10.00
Expired during the year	Nil	NA	Nil	NA
Exercised during the year	11,270	10.00	Nil	NA
Forfeited / cancelled during the year	18,95,753	10.00	3,57,047	10.00
<b>Outstanding at the end of the year</b>	<b>61,99,640</b>	<b>10.00</b>	<b>44,39,313</b>	<b>10.00</b>
Exercisable at the end of the year	Nil	NA	Nil	NA

Weighted average fair value of options granted on the date of grant is ₹ 300.67 (31 March 2014: ₹ 265.08)

Weighted average share price at the date of exercise of stock options is ₹ 297.18 (31 March 2014: NA)

CIESOP Plan	31 March 2015		31 March 2014	
	Number of options	Weighted average exercise price in ₹	Number of options	Weighted average exercise price in ₹
Outstanding at the beginning of the year	1,25,23,078	300.76	1,39,71,816	298.51
Granted during the year	Nil	NA	Nil	NA
Expired during the year	Nil	NA	Nil	NA
Exercised during the year	6,44,901	227.68	6,62,266	223.66
Forfeited / cancelled during the year	14,89,747	313.80	7,86,472	325.70
<b>Outstanding at the end of the year</b>	<b>1,03,88,430</b>	<b>303.43</b>	<b>1,25,23,078</b>	<b>300.76</b>
Exercisable at the end of the year	74,25,117	294.08	54,99,118	266.86

Weighted average fair value of options granted on the date of grant is NA (31 March 2014: NA)

Weighted average share price at the date of exercise of stock options is ₹ 320.24 (31 March 2014: ₹ 314.11)

CIPOP Plan - Phantom options	31 March 2015		31 March 2014	
	Number of options	Weighted average exercise price in ₹	Number of options	Weighted average exercise price in ₹
Outstanding at the beginning of the year	5,98,774	10.00	8,73,689	10.00
Granted during the year	8,05,741	10.00	4,32,259	10.00
Expired during the year	Nil	NA	Nil	NA
Exercised during the year	Nil	NA	2,36,392	10.00
Forfeited / cancelled during the year	3,58,014	10.00	4,70,782	10.00
<b>Outstanding at the end of the year</b>	<b>10,46,501</b>	<b>10.00</b>	<b>5,98,774</b>	<b>10.00</b>
Exercisable at the end of the year	Nil	NA	Nil	NA

Weighted average fair value of options granted on the date of grant is ₹ 180.27 (31 March 2014: ₹ 280.30)

Weighted average share price at the date of exercise of stock options is NA (31 March 2014: ₹ 303.45)

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (CONTINUED)...

(All amounts are in ₹ crore, unless otherwise stated)

## 27. EMPLOYEE STOCK OPTION PLANS CONTINUED...

CIESOP Plan – Phantom options	31 March 2015		31 March 2014	
	Number of options	Weighted average exercise price in ₹	Number of options	Weighted average exercise price in ₹
Outstanding at the beginning of the year	34,316	327.11	41,975	327.86
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	20,142	327.29	7,659	331.25
<b>Outstanding at the end of the year</b>	<b>14,174</b>	<b>326.85</b>	<b>34,316</b>	<b>327.11</b>
Exercisable at the end of the year	Nil	NA	Nil	NA

Scheme	Range of exercise price in ₹	No. of options outstanding	Weighted average remaining contractual life of options (in years)	Weighted average exercise price in ₹
The details of exercise price for stock options outstanding as at 31 March 2015 are:				
CIPOP Plan	10.00	61,99,640	2.58	10.00
CIESOP Plan	160-331.25	1,03,88,430	0.31	303.43
CIPOP Plan – Phantom options	10.00	10,46,501	1.91	10.00
CIESOP Plan – Phantom options	326.85	14,174	0.31	326.85
The details of exercise price for stock options outstanding as at 31 March 2014 are:				
CIPOP Plan	10.00	44,39,313	1.89	10.00
CIESOP Plan	160-331.25	1,25,23,078	0.46	300.76
CIPOP Plan – Phantom options	10.00	5,98,774	1.78	10.00
CIESOP Plan – Phantom options	326.85-327.75	34,316	1.03	327.11

### Effect of Employees Stock Option Plans on Financial Position:

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

Particulars	31 March 2015	31 March 2014
Total Employee Compensation Cost pertaining to share-based payment plans	28.86	201.10
Compensation Cost pertaining to equity-settled employee share-based payment plan included above	29.27	198.68
Compensation Cost pertaining to cash-settled employee share-based payment plan included above	(0.41)	2.42
Equity settled employee stock options outstanding as at year end	229.13	208.04
Liability for cash settled employee stock options outstanding as at year end	7.17	7.78

### 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 granted during the current year and previous year, based on an independent valuation, are as under:

VARIABLES – CIPOP		
Grant date	22-Jul-14	23-Jul-13
Stock Price/fair value of the equity shares on the date of grant (₹)	345.35	306.70
Vesting date	22-Jul-17	23-Jul-16
Vesting %	Refer vesting conditions	Refer vesting conditions
Volatility	27.95%	28.30%
Risk free rate	8.36%	8.47%
Time to maturity (years)	3.13	3.13

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (CONTINUED)...

(All amounts are in ₹ crore, unless otherwise stated)

## 27. EMPLOYEE STOCK OPTION PLANS CONTINUED...

VARIABLES - CIPOP CONTINUED...		
Grant date	22-Jul-14	23-Jul-13
Exercise price (₹)	10.00	10.00
Fair Value of the options (₹)	300.67	265.08

VARIABLES - CIPOP PHANTOM			
Grant date	17-Nov-14	22-Jul-14	23-Jul-13
Stock Price/fair value of the equity shares on the reporting date (₹)	213.85	213.85	213.85
Vesting date	17-Nov-17	22-Jul-17	23-Jul-16
Vesting %	Refer vesting conditions	Refer vesting conditions	Refer vesting conditions
Volatility	26.36%	27.07%	28.23%
Risk free rate	7.83%	7.83%	7.86%
Time to maturity (years)	2.64	2.31	1.32
Exercise price (₹)	10.00	10.00	10.00
Fair Value of the options (₹)	177.46	180.50	190.23

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.

## 28. LEASES

### Operating Lease: as lessee

Cairn India Group has entered into operating leases for office premises with a non-cancellable lease period of 3 years. There are no restrictions imposed by lease arrangements and there are no subleases. There are no contingent rents. The information with respect to non-cancellable leases are as under :

Particulars	31 March 2015	31 March 2014
Lease payments made during the year	24.34	3.91
Within one year of the balance sheet date	25.27	25.93
Due in a period between one year and three years	21.06	80.24

## 29. RELATED PARTY DISCLOSURES

### Names of related parties and related party relationship

#### Related parties where control exists

Holding / Ultimate holding company	Vedanta Resources Plc.
	Vedanta Resources Holdings Limited
	Volcan Investments Limited
	Vedanta Limited (formerly Sesa Sterlite Limited)*

\* With effect from 26 August 2013 Vedanta Limited became the Company's holding company. Prior to that date, it was a fellow subsidiary and also had significant influence over the Company.

#### Related parties with whom transactions have taken place

Fellow subsidiaries	Twin Star Mauritius Holdings Limited **
	Sterlite Industries (India) Limited (merged into Vedanta Limited on 17 August 2013)]
	Sesa Resources Limited
	THL Zinc Limited

\*\* also has significant influence over the Company.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (CONTINUED)...

(All amounts are in ₹ crore, unless otherwise stated)

## 29. RELATED PARTY DISCLOSURES CONTINUED...

Key management personnel	Mayank Ashar, Managing Director and Chief Executive Officer (from 17 November 2014)
	Sudhir Mathur, Chief Financial Officer (Interim head, from 2 May 2014 to 16 November 2014)
	P. Elango, Wholetime Director and Interim Chief Executive Officer (upto 2 May 2014)

### Related party transactions

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

Nature of the Transactions	Related Party	31 March 2015	31 March 2014
Unsecured loan given (see note b)	THL Zinc Limited	<b>7,830.00</b>	-
Reimbursement of employees benefit expenses and rent	Sterlite Industries (India) Limited	-	0.86
	Vedanta Limited	4.64	1.20
		<b>4.64</b>	<b>2.06</b>
Interest income on unsecured loan (see note b)	THL Zinc Limited	196.55	-
Interest income on bonds	Vedanta Resources Plc.	31.18	9.01
		<b>227.73</b>	<b>9.01</b>
Guarantee received (see note b)	Vedanta Resources Plc.	<b>7,830.00</b>	-
Dividend Paid	Vedanta Limited	403.81	438.93
	Twin Star Mauritius Holdings Limited	849.70	923.59
	Sesa Resources Limited	37.61	40.88
	P. Elango	-	0.22
		<b>1,291.12</b>	<b>1,403.62</b>
Remuneration (see note a)	Mayank Ashar	6.07	-
	Sudhir Mathur	2.61	-
	P. Elango	1.27	5.11
		<b>9.95</b>	<b>5.11</b>

Balances outstanding as at the end of the year:

Nature of the Balance	Related Party	31 March 2015	31 March 2014
Unsecured loan and interest thereon	THL Zinc	7,849.88	-
Investment in bonds (at carrying value) (see note c)	Vedanta Resources Plc.	513.54	321.74
Interest accrued on bonds	Vedanta Resources Plc.	12.42	5.37
Guarantee Received	Vedanta Resources Plc.	7,830.00	-
Other current liabilities including trade payables	Vedanta Limited	0.82	0.07

Notes:

- (a) Remuneration to the key management personnel does not include provisions made for gratuity and leave benefits, as the same is determined on an actuarial basis for the Cairn India Group as a whole.
- (b) The loan of ₹ 7,830.00 crore (USD 1,250 million) to THL Zinc Limited carries an interest rate of 3% + 3 month LIBOR and is repayable after two years from the date of disbursement and is backed by a corporate guarantee from Vedanta Resources Plc.
- (c) The carrying value of bonds is after adjusting marked to market losses of ₹ 60.40 crore (31 March 2014 Nil).

## 30. BUY BACK OF EQUITY SHARES

During the previous year, the Company had approved a proposal for buy back of its equity shares at a price not exceeding ₹ 335 per equity share for an aggregate amount not exceeding ₹ 5,725.00 crore. The buyback had commenced on 23 January 2014 and closed on 22 July 2014. During the said period the Company bought back and extinguished 36,703,839 equity shares for a total consideration of ₹ 1,225.45 crore, which accounted for 21.41% of its Maximum buy-back size. The Company pursuant to the Securities & Exchange Board of India (Buyback of Securities) Regulations, 1998 ("the Regulations") has deposited a sum of ₹ 143.13 crore, being 2.5% of the maximum buy back size, in an escrow account, which was to be released subject to the Company either completing a buyback for 50% of the maximum buyback size or complying with the conditions specified in regulation 15B(8) of the Regulations.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (CONTINUED)...

(All amounts are in ₹ crore, unless otherwise stated)

Although the buyback was for less than ₹ 2,862.50 crore, being 50% of the maximum buy back size, the Company believes that it has complied with the conditions specified in regulation 15B(8) of the Regulations and has accordingly applied to SEBI for a release of the amount deposited in the escrow account. SEBI has informed the Company, that its application is under consideration and the Company believes that it has a good case on merits to obtain this refund.

## 31. CAPITAL AND OTHER COMMITMENTS

### Capital commitments (net of advances)

Cairn India Group's share of Joint Ventures' Exploration activities and Development activities ₹ 442.60 crore (31 March 2014: ₹ 1,861.54 crore) and ₹ 1,822.08 crore (31 March 2014: ₹ 4,443.93 crore) respectively.

### Other commitments

Cairn India Group's share of Joint Ventures' minimum exploration commitments as per the production sharing contracts ₹ 2,123.49 crore (31 March 2014: ₹ 1,095.34 crore).

## 32. CONTINGENT LIABILITIES

### a. Ravva Joint Venture Arbitration proceedings : Base Development Cost

Ravva joint venture had received the notice from Ministry of Petroleum & Natural Gas, Government of India (GOI) for the period from 2000-2005 for USD 129 million for an alleged underpayment of profit petroleum to the Indian Government, out of which, Group's share will be USD 29 million (approximately ₹ 181.65 crore) [31 March 2014: USD 29 million (approximately ₹ 173.76 crore)] 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 had recovered costs in excess of the Base Development Costs ("BDC") cap imposed in the PSC and that the Ravva JV had 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 18 January 2011 at Kuala Lumpur, allowing Claimants (including the Company) 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. High Court of Kuala Lumpur dismissed Government of India's (GOI) application of setting aside the part of the Award on 30 August 2012 with costs. However, GOI appealed before the Court of Appeal against the High Court's order and the same is dismissed the GOI's appeal on June 27, 2014. However, GOI still preferred to challenge the same before the Federal Court, Kuala Lumpur and their Leave to Appeal is pending. GOI's has also issued Show Cause Notice on this matter which the Company has replied to and also filed an application for enforcement of Award before Delhi High Court as an abundant caution. Next hearing is due on 29 June 2015.

### b. Ravva Joint Venture Arbitration proceedings: ONGC Carry

The Company is involved in a dispute with GOI relating to the calculation of payments that it was required to make in connection with the Ravva field. The Ravva PSC obliges the Company to pay proportional share of ONGC's exploration, development, production and contract costs in consideration for ONGC's payment of costs related to construction and other activities it conducted in Ravva prior to the effective date of the Ravva PSC (the "ONGC Carry"). The question as to how the ONGC Carry is to be calculated, along with other issues, was submitted to an international arbitration panel in August 2002 which rendered a decision on the ONGC Carry in the Company's favour and four other issues in favour of GOI in October 2004 ("Partial Award"). The GOI filed a challenge to the ONGC Carry decision in the Malaysian courts, as Kuala Lumpur was the seat of the arbitration. The Federal Court of Malaysia which adjudicated the matter on 11 October 2011, upheld the Partial Award. Company persuaded with Ministry of Petroleum and Natural Gas (MoPNG) to implement the Partial Award while reconciling the statement of accounts as outlined in Partial Award ever since the Federal Court adjudication in place. However, MoPNG has issued a Show Cause Notice on 10 July 2014 alleging that profit petroleum has been short-paid. The Company had requested for Tribunal's reconstitution to publish the Final Award since it has retained the jurisdiction if parties are unable to agree on quantification sums due and payable to each other pursuant to the Partial Award. Accordingly, Tribunal was reconstituted and the next hearing is due in 24 September 2015. While the Company does not believe the GOI will be successful in its challenge, if the arbitral award is reversed and such reversal is binding, the Company could be liable for up to approximately USD 63.90 million (approximately ₹ 400.26 crore) [31 March 2014: USD 63.90 million (approximately ₹ 382.89 crore)] plus interest. GOI has issued a Show Cause Notice to make the payment and Company filed its submissions on 25 March 2015.

### c. Service tax

Cairn India Group has received nine show cause notices (SCN's) related to period 1 April 2006 to 31 March 2014, citing non-payment of service tax on various services. Detailed reply to all SCN's has been filed with the Commissioner of Service. Tax except for the last SCN for the period 1 April 2013 to 31 March 2014, reply to which will be submitted in due course.

Should future adjudication go against the Cairn India Group, it will be liable to pay the service tax of approximately ₹ 119.41 crore (31 March 2014: ₹ 110.21 crore) plus potential interest of approximately ₹ 132.70 crore (31 March 2014: ₹ 102.35 crore), although this could be recovered in part, where it relates to services provided to Joint Venture of which the Group 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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (CONTINUED)...

(All amounts are in ₹ crore, unless otherwise stated)

## 32. CONTINGENT LIABILITIES CONTINUED...

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.

The Company 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. However in an another similar case, the Gujarat High Court has held that tax holiday benefit would extend to production of gas.

In the event this challenge is unsuccessful, the potential liability for tax and related interest on tax holiday claimed on gas is approximately ₹ 282.01 crore (31 March 2014: ₹ 254.97 crore).

### e. Withholding tax on payments made on acquiring a subsidiary

"In March 2014 the Company received a notice from the Indian Tax Authorities ("Tax Authorities") alleging failure by the Company to withhold tax on the consideration paid to Cairn UK Holdings Limited ("CUHL") in the year 2006-07, the then holding company. The said transaction relates to the acquisition of the shares of Cairn India Holdings Limited ("CIHL"), a 100% subsidiary of the Company, from CUHL during the financial year 2006-2007 as a part of group reorganization by the then ultimate parent company Cairn Energy Plc. Based upon the retrospective amendment(s) made in the year 2012 by inserting explanation 5 of section 9(1)(i) of the Income Tax Act, 1961, the Tax Authorities vide its order dated 11 March 2015, have raised a demand of approx. ₹ 20,494.73 crore (comprising tax of approx. ₹ 10,247.36 crore and interest of an equivalent amount) for not withholding tax on the consideration paid to CUHL, for acquiring shares of CIHL. Tax Authorities have stated in the said order that a short term capital gain of ₹ 24,503.50 crore accrued to CUHL on transfer of the shares of CIHL to the Company in financial year 2006-2007, on which tax should have been withheld by the Company. The Company understands that a tax demand has also been raised by the Tax Authorities on CUHL with respect to taxability of alleged capital gain earned by CUHL.

In this regard, Vedanta Resources Plc. filed a Notice of Claim against the Government Of India under the UK-India bilateral investment treaty (the "BIT") in order to protect its legal position and shareholder interests. Management has been advised that Vedanta Resources Plc. has a good case to defend as per provisions of BIT, the benefit of which would ultimately accrue to the Company.

Further, the Company has been advised that there could be no liability on the Company on account of not withholding the taxes in the year 2006-07 based on provisions of law prevailing at the time of transaction as the aforesaid retrospective amendment has cast an impossible obligation on the Company to deduct tax by having to predict and anticipate that the retrospective amendment will be made by legislature on a future date. The Company has approached the Hon'ble Delhi High Court against the said order and also filed an appeal before the Commissioner of Income Tax (Appeals) to defend its said position.

### f. Others

- i) Pursuant to the provisions of the Rajasthan Entry Tax Act, 1999, an entry tax demand has been raised for ₹ 11.85 crore (31 March 2014: ₹ 11.61 crore) plus penalty and interest which Cairn India Group has contested before the Deputy Commissioner. Cairn India Group believes that this levy is not constitutionally valid and its Special Leave Petition in this regard is pending before the Honorable Supreme Court.
- ii) Cairn India Group has terminated a drilling rig contract with one of its contractor. The contractor has claimed demobilisation and early termination fee for an amount ₹ 32.51 crore (US\$ 5.19 million) from Cairn India Group. Cairn India Group's stand is that the contract has been terminated due to contractor's default and therefore the demobilisation fee and early termination fee is not payable to the contractor.

Based on an analysis of the legal positions, the management is of the view that the liabilities in the cases mentioned in (a) to (f) above are not probable and accordingly no provision has been considered necessary there against.

## 33. DERIVATIVE INSTRUMENTS AND UNHEDGED FOREIGN CURRENCY EXPOSURE

Cairn India Group did not take any derivative instruments during the current year / previous year. Particulars of unhedged foreign currency exposures are as follows-

	31 March 2015	31 March 2014
Trade receivables	1,124.97	2,512.40
Investments	2,930.48	2,827.67
Cash and bank balances	1,270.37	6,346.57
Loans and advances and other assets	8,309.18	1,067.03
Other current liabilities including trade payables	153.61	2,072.16

Cairn India Group does not have any derivative instruments outstanding at the end of the year (31 March 2014: Nil).

## 34. OIL & GAS RESERVES AND RESOURCES

Cairn India Group's gross reserve estimates are updated atleast annually based on the forecast of production profiles, determined on an asset-by-asset basis, using appropriate petroleum engineering techniques. The estimates of reserves and resources have been derived in accordance with the Society for Petroleum Engineers "Petroleum Resources Management System (2007)". The changes to the

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (CONTINUED)...

(All amounts are in ₹ crore, unless otherwise stated)

## 34. OIL & GAS RESERVES AND RESOURCES CONTINUED...

reserves are generally on account of future development projects, application of technologies such as enhanced oil recovery techniques and true up of the estimates. The management's internal estimates of hydrocarbon reserves and resources at the period end, based on the current terms of the PSCs, are as follows:

Particulars	Gross proved and probable hydrocarbons initially in place		Gross proved and probable reserves and resources		Net working interest proved and probable reserves and resources	
	(mmboe)		(mmboe)		(mmboe)	
	31 March 2015	31 March 2014	31 March 2015	31 March 2014	31 March 2015	31 March 2014
Rajasthan MBA Fields	2,208	2,208	545	594	382	416
Rajasthan MBA EOR	-	-	226	271	158	190
Rajasthan Block Other Fields	3,833	2,412	505	345	353	241
Ravva Fields	684	667	47	49	11	11
CBOS/2 Fields	220	217	24	22	9	9
Other fields	481	551	74	127	36	89
	<b>7,426</b>	<b>6,055</b>	<b>1,421</b>	<b>1,408</b>	<b>949</b>	<b>956</b>

Cairn India Group's net working interest proved and probable reserves is as follows:

Particulars	Proved and probable reserves		Proved and probable reserves (developed)	
	Oil	Gas	Oil	Gas
	(mmstb)	(bscf)	(mmstb)	(bscf)
<b>Reserves as of 1 April 2013*</b>	<b>279.57</b>	<b>18.58</b>	<b>182.38</b>	<b>17.17</b>
Additions / revision during the year	31.41	59.53	34.84	7.95
Production during the year	49.00	6.85	49.00	6.85
<b>Reserves as of 31 March 2014**</b>	<b>261.98</b>	<b>71.26</b>	<b>168.22</b>	<b>18.27</b>
Additions / revision during the year	5.63	20.79	25.66	11.38
Production during the year	47.67	5.72	47.67	5.72
<b>Reserves as of 31 March 2015***</b>	<b>219.94</b>	<b>86.33</b>	<b>146.21</b>	<b>23.93</b>

\* Includes probable oil reserves of 74.07 mmstb (of which 35.76 mmstb is developed) and probable gas reserves of 11.06 bscf (of which 9.70 bscf is developed)

\*\* Includes probable oil reserves of 84.23 mmstb (of which 32.08 mmstb is developed) and probable gas reserves of 51.70 bscf (of which 9.15 bscf is developed)

\*\*\* Includes probable oil reserves of 67.81 mmstb (of which 23.43 mmstb is developed) and probable gas reserves of 62.71 bscf (of which 7.03 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



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (CONTINUED)...

(All amounts are in ₹ crore, unless otherwise stated)

### 35. ADDITIONAL STATUTORY INFORMATION IN RESPECT OF THE COMPONENTS OF THE CAIRN INDIA GROUP

Sl. No.	Name of the Subsidiary Company	Net Assets/(Liabilities) (total assets minus total liabilities)		31 March 2015		31 March 2014		Share in profit/(loss)	
		Amount	As % of Consolidated net assets/(liabilities)	Amount	As % of Consolidated net assets/(liabilities)	Amount	As % of Consolidated profit/(loss)	Amount	As % of Consolidated profit/(loss)
	<b>PARENT</b>								
1	Cairn India Limited	37,051.10	62.94	38,778.16	67.51	1,320.03	29.47	7,454.33	59.96
	<b>Foreign Subsidiaries</b>								
2	Cairn India Holdings Limited ('CIHL')	18,879.08	32.07	16,201.05	28.21	2,684.86	59.94	5,174.86	41.63
3	Cairn Energy Hydrocarbons Limited	9,831.68	16.70	9,962.66	17.35	1,912.78	42.70	5,548.83	44.63
4	Cairn Lanka (Pvt) Limited	(395.61)	(0.67)	158.00	0.28	(553.61)	(12.36)	(58.45)	(0.47)
5	Cairn South Africa Proprietary Limited	6.09	0.01	(7.60)	(0.01)	(27.02)	(0.60)	(94.97)	(0.76)
6	CIG Mauritius Holding Private Limited ('CMHPL')	0.24	-	947.36	1.65	(948.33)	(21.17)	(0.12)	-
7	CIG Mauritius Private Limited	0.70	-	958.35	1.67	(958.38)	(21.39)	11.67	0.09
8	Cairn Energy Australia Pty Limited	0.90	-	1.14	(0.23)	(0.23)	(0.01)	1.03	0.01
9	Cairn Energy Holdings Limited	(0.62)	-	(7.75)	(0.01)	7.13	0.16	(0.32)	-
10	Cairn Energy Discovery Limited	(1.37)	-	(1.30)	-	(0.07)	-	(0.15)	-
11	Cairn Exploration (No. 2) Limited	(0.15)	-	(0.15)	-	-	-	(0.40)	-
12	Cairn Exploration (No. 6) Limited	(0.02)	-	0.02	-	(0.04)	-	(0.01)	-
13	Cairn Energy Gujarat Block 1 Limited	1.56	-	8.82	0.02	(7.26)	(0.16)	0.66	0.01
14	Cairn Exploration (No. 7) Limited	0.05	-	0.10	-	(0.04)	-	(0.20)	-
15	Cairn Energy Netherlands Holdings BV	-	-	0.23	-	(0.16)	-	(0.09)	-
16	Cairn Energy India Pty Limited	-	-	0.01	-	(0.01)	-	-	-
17	Cairn Energy Group Holdings BV	-	-	-	-	-	-	0.12	-
18	Cairn Exploration (No. 4) Limited	-	-	-	-	-	-	(0.03)	-
19	Cairn Energy India Holdings BV	-	-	-	-	-	-	0.02	-
20	Cairn Energy Asia Pty Limited	-	-	-	-	-	-	(0.24)	-
21	CEH Australia Pty Limited	-	-	-	-	-	-	-	-
22	Sydney Oil Company Pty Limited	-	-	-	-	-	-	-	-
23	Cairn Energy Investments Australia Pty Limited	-	-	-	-	-	-	-	-
24	Wessington Investments Pty Limited	-	-	-	-	-	-	-	-
25	CEH Australia Limited	-	-	-	-	-	-	-	-
26	Cairn Petroleum India Limited	-	-	-	-	-	-	-	-
27	Cairn Energy India West BV	-	-	-	-	-	-	-	-
28	Cairn Energy India West Holding BV	-	-	-	-	-	-	-	-
29	Cairn Energy Gujarat Holding BV	-	-	-	-	-	-	-	-
30	Cairn Energy Gujarat BV	-	-	-	-	-	-	-	-
31	Cairn Energy Cambay BV	-	-	-	-	-	-	-	-
32	Cairn Energy Cambay Holding BV	-	-	-	-	-	-	-	-
	<b>Total</b>	<b>65,373.63</b>	<b>111.05</b>	<b>66,999.10</b>	<b>116.67</b>	<b>3,429.65</b>	<b>76.58</b>	<b>18,036.54</b>	<b>145.10</b>
	Consolidation adjustments	(6,503.43)	(11.05)	(9,561.41)	(16.67)	1,049.95	23.42	(5,604.75)	(45.10)
	<b>Total Net Assets</b>	<b>58,870.20</b>	<b>100.00</b>	<b>57,437.69</b>	<b>100.00</b>	<b>4,479.60</b>	<b>100.00</b>	<b>12,431.79</b>	<b>100.00</b>

#### Notes :

- The amount stated above are as per the standalone financial statements of each of the individual entities, before making any adjustments for intragroup transactions and/or balances.
- Amounts below ₹ 0.01 crore and 0.01% have been disclosed as nil.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015 (CONTINUED)...

(All amounts are in ₹ crore, unless otherwise stated)

## 36. 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

Cairn India Group's secondary segments are the geographic distribution of activities. Revenue and receivables are specified by location of customers while the other geographic information is specified by location of the assets. The figures appearing in these financial statements relate to operations in the Indian sub-continent except for an exploration costs written off of ₹ 32.19 crore (31 March 2014: ₹ 88.57 crore) incurred in South Africa.

## 37. PREVIOUS YEAR FIGURES

Cairn India Group has reclassified and regrouped the previous year figures to confirm to this year's classification.

As per our report of even date

### For S. R. Batliboi & Co. LLP

Chartered Accountants  
ICAI Firm Registration No.:301003E

### per Raman Sobti

Partner  
Membership No. 89218

Place: Gurgaon  
Date: 23 April 2015

### Navin Agarwal

Chairman  
DIN 00006303

### Sudhir Mathur

Chief Financial Officer

### Mayank Ashar

Managing Director  
& Chief Executive officer  
DIN 07001153

### Neerja Sharma

Director- Assurance & Communication  
and Company Secretary  
ICSI Membership No. A9630

For and on behalf of the Board of Directors

### Aman Mehta

Director  
DIN 00009364

# STATEMENT CONTAINING SALIENT FEATURES OF THE FINANCIAL STATEMENT OF SUBSIDIARIES

(All amounts are in ₹ crore, unless otherwise indicated)

**Form AOC-I Part "A" : Subsidiaries (Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014**

Sl. No.	Name of the Subsidiary Company	Reporting period	Reporting currency	Share capital	Reserves & surplus
1	Cairn India Holdings Limited	April to March	USD	3,555.54	15,323.54
2	Cairn Energy Hydrocarbons Limited	April to March	USD	2,139.95	7,691.73
3	Cairn Lanka (Pvt) Limited	January to March	USD	829.74	(1,225.35)
4	Cairn South Africa Proprietary Limited	April to March	USD	201.02	(194.93)
5	CIG Mauritius Holding Private Limited	April to March	USD	949.76	(949.52)
6	CIG Mauritius Private Limited	April to March	USD	948.10	(947.40)
7	Cairn Energy Australia Pty Limited	January to December	USD	3,696.08	(3,695.18)
8	Cairn Energy Holdings Limited	April to March	USD	1,902.68	(1,903.29)
9	Cairn Energy Discovery Limited	April to March	USD	0.20	(1.57)
10	Cairn Exploration (No. 2) Limited	April to March	USD	3.64	(3.79)
11	Cairn Exploration (No. 6) Limited	April to March	USD	0.07	(0.10)
12	Cairn Energy Gujarat Block 1 Limited	April to March	USD	1.43	0.13
13	Cairn Exploration (No. 7) Limited	April to March	USD	1.83	(1.78)
14	Cairn Energy India Pty Limited	January to December	USD	-	-
15	Cairn Energy Netherlands Holdings BV*	January to December	USD	-	-
16	CEH Australia Limited*	January to December	USD	-	-
17	Cairn Energy India West BV*	January to December	USD	-	-
18	Cairn Energy Gujarat BV*	January to December	USD	-	-
19	Cairn Energy Cambay BV*	January to December	USD	-	-

\*Liquidated during the year

# Investments excludes investments in subsidiaries

Exchange rate as on 31 March 2015, 1 USD = ₹ 62.64

For and on behalf of the Board of Directors

**Navin Agarwal**  
Chairman  
DIN 00006303

**Mayank Ashar**  
Managing Director  
& Chief Executive officer  
DIN 07001153

**Aman Mehta**  
Director  
DIN 00009364

**Sudhir Mathur**  
Chief Financial Officer

**Neerja Sharma**  
Director- Assurance &  
Communication and Company  
Secretary  
ICSI Membership No. A9630

Total Assets	Total Liabilities	Investments #	Turnover	Profit/(Loss) before taxation	Provision for taxation	Profit / (Loss) after taxation	Proposed dividend	% of shareholding
18,619.30	18,619.30	2,927.49	-	2,684.86	-	2,684.86	Nil	100%
17,589.53	17,589.53	2.04	6,838.77	2,267.96	355.18	1,912.78	Nil	100%
9.23	9.23	-	-	(553.61)	-	(553.61)	Nil	100%
9.83	9.83	-	-	(27.02)	-	(27.02)	Nil	100%
0.27	0.27	-	-	(948.33)	-	(948.33)	Nil	100%
0.80	0.80	-	-	(958.38)	-	(958.38)	Nil	100%
0.96	0.96	0.95	-	(0.23)	-	(0.23)	Nil	100%
31.84	31.84	-	-	7.11	(0.02)	7.13	Nil	100%
(1.36)	(1.36)	-	-	(0.07)	-	(0.07)	Nil	100%
2.02	2.02	-	-	-	-	-	Nil	100%
0.07	0.07	-	-	(0.04)	-	(0.04)	Nil	100%
1.58	1.58	-	-	(7.26)	-	(7.26)	Nil	100%
0.06	0.06	-	-	(0.04)	-	(0.04)	Nil	100%
-	-	-	-	(0.01)	-	(0.01)	Nil	100%
-	-	-	-	(0.16)	-	(0.16)	Nil	0%
-	-	-	-	-	-	-	Nil	0%
-	-	-	-	-	-	-	Nil	0%
-	-	-	-	-	-	-	Nil	0%
-	-	-	-	-	-	-	Nil	0%