# REPORT OF THE AUDITORS TO THE BOARD OF DIRECTORS OF OIL AND NATURAL GAS CORPORATION LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF OIL AND NATURAL GAS CORPORATION LIMITED, ITS SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

We have examined the attached Consolidated Balance Sheet of Oil and Natural Gas Corporation Limited ("the Company") subsidiaries, Joint Ventures and its associates, as at March 31, 2006 and the consolidated profit and loss account and consolidated cash flow statement for the year then ended and annexed thereto. These financial statements are the responsibility of the management of the company. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

2. We have not audited the financial statements of the subsidiaries namely Mangalore Refinery and Petrochemicals Limited, ONGC Videsh Limited, ONGC Nile Ganga B.V. whose financial statements reflect total assets of Rs. 317,087.90 million as at March 31, 2006 and total revenues of Rs. 332,578.29 million for the year ended on that date. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of these subsidiaries is based solely on the reports of the other auditors.

3. We have not audited the financial statements of the subsidiaries namely ONGC Narmada Limited and ONGC Bonny Brahmaputra Limited whose financial statements reflect total assets of Rs. 13.87 million as at March 31, 2006 and total revenues of Rs. Nil for the year ended on that date. These financial statements have been certified by management whose certificates have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of these subsidiaries, is based solely on the certificates of management.

4. We have not audited the financial statements of associate namely Pawan Hans Helicopters Limited. These financial statements have been audited by other auditors whose report has been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of this associate, is based solely on the report of the other auditors.

5. We have not audited the financial statements of ONGC Mittal Energy Limited, a joint venture company whose financial statements reflect total assets of Rs. 6,578.83 million, as at March 31, 2006 and total revenues of Rs. 0.73 million for the year ended on that date. These financial statements have been certified by management whose certificate has been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the Joint Venture is based solely on the certificate of management.

6. We have not audited the financial statements of joint ventures whose financial statements reflect total assets of Rs. 187,559.53 million, total liabilities of Rs. 23,303.30 million as at 31st March, 2006 and total revenues of Rs. 40,435.14 million, total expenditure of Rs. 37,843.53 million for the year ending on that date. These financial statements have been audited by other auditors or are certified by management whose reports or certificates have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of these associates, is based solely on the reports of the other auditors or certificates of management as the case may be.

7. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21, viz., 'Consolidated Financial Statements', and Accounting Standard (AS) 23, viz., 'Accounting for Investment in Associates in Consolidated Financial Statements' and Accounting Standard(AS) 27, viz., Financial Reporting of interest in Joint Ventures, issued by the Institute of Chartered Accountants of India.

8. Categorisation of wells as exploratory and producing, allocation of cost incurred on them, depletion of producing properties on the basis of the proved developed hydrocarbon reserves, provision for abandonment costs and impairment, allocation of depreciation on process platforms to transportation and facilities, projects in progress are made according to evaluation by the management, technical and /or other wise on which we have placed reliance.

9. Attention is invited to the following notes

9.1 Attention is invited to Note 11 of Schedule 29 of the financial statements regarding accounting treatment of side tracking costs in respect of abandoned portion of wells.

9.2 The financial statements include unaudited figures relating to Joint Venture and Subsidiaries as under:-

i. total assets of Rs. 95,642.76 million and total liabilities of Rs. 7,237.65 million

ii. total revenue of Rs. 7.86 million and total expenditure of Rs. 5,014.47 million

9.3 Note '3.2' regarding incorporation of figures of associates, viz., Pawan Hans Helicopters Ltd (PHHL) on the basis of audited accounts upto 31st March, 2005 and pending adjustments for changes on the basis of the financials of PHHL as at 31st March, 2006.

10. Subject to our comments in Paragraph 9 above, with consequential aggregate effects on the profit for the year, reserves and surplus and net assets, the quantification of which could not be determined, we report as follows:

On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of the Company, its subsidiaries, joint ventures and associates, we are of the opinion that the consolidated financial statements read with notes to account and in particular Note 4 of Schedule 29 in respect of recognition of Sales Revenue in respect of crude oil and natural gas and Note 7 of Schedule 29 regarding accident and consequential damages to BHN Platform and other assets in Mumbai High, insurance claim and adjustment thereof give a true and fair view in conformity with the accounting principles generally accepted in India:

a. the Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of the Group as at March 31st, 2006; and

b. the Consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of the Group for the year then ended on that date; and

c. in the case of Consolidated Cash Flow Statement, of the consolidated cash flows of the Group for the year ended on that date

**For K K Soni & Co.**
**Chartered Accountants**

K.K. Soni
**Partner (Mem. No. 07737)**

**For S. Bhandari & Co.**
**Chartered Accountants**

S.S. Bhandari
**Partner (Mem. No. 11332)**

**For S.C. Ajmera & Co.**
**Chartered Accountants**

S.C. Ajmera
**Partner (Mem.No. 81398)**

**For Brahmayya & Co.**
**Chartered Accountants**

V.Seetaramaiah
**Partner (Mem. No. 003848)**

**For Lodha & Co.**
**Chartered Accountants**

H.K. Verma
**Partner (Mem. No. 55104)**

**New Delhi**
**June 26, 2006**

## CONSOLIDATED FINANCIAL STATEMENTS
## CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2006

(Rupees in million)

| | Schedule | | As at 31st March, 2006 | As at 31st March, 2005 |
|---|---|---|---|---|
| **SOURCES OF FUNDS** | | | | |
| **SHAREHOLDERS' FUNDS** | | | | |
| Share Capital | 1 | 14,259.30 | | 14,259.28 |
| Reserves and Surplus | 2 | 553,421.15 | | 471,940.81 |
| | | | 567,680.45 | 486,200.09 |
| **MINORITY INTEREST** | | | 7,230.04 | 6,204.11 |
| **LOAN FUNDS** | | | | |
| Secured Loans | 3 | 7,416.17 | | 10,509.23 |
| Unsecured Loans | 4 | 14,925.32 | 22,341.49 | 30,093.71 |
| **DEFERRED TAX LIABILITY (NET)** | | | 71,633.08 | 57,893.92 |
| **LIABILITY FOR ABANDONMENT COST** | | | 128,675.17 | 80,940.64 |
| **TOTAL** | | | 797,560.23 | 671,841.70 |
| **APPLICATION OF FUNDS** | | | | |
| **GOODWILL ON CONSOLIDATION** | | | | |
| Gross | | 21,787.32 | | 13,683.13 |
| Less: Amortisation | | 4,684.71 | | 0.00 |
| **NET** | | | 17,102.61 | 13,683.13 |
| **FIXED ASSETS** | 5 | | | |
| Gross Block | | 577,057.66 | | 519,966.47 |
| Less: Depreciation And Impairment | | 438,251.86 | | 403,277.09 |
| **NET BLOCK** | | | 138,805.80 | 116,689.38 |
| **PRODUCING PROPERTIES** | 6 | | | |
| Gross Cost | | 612,910.07 | | 512,525.03 |
| Less: Depletion and Impairment | | 300,270.94 | | 266,971.24 |
| **NET PRODUCING PROPERTIES** | | | 312,639.13 | 245,553.79 |
| **CAPITAL WORKS-IN-PROGRESS (NET)** | 7 | | 76,291.94 | 89,542.70 |
| **EXPLORATORY/DEVELOPMENT WELLS-IN-PROGRESS (NET)** | 8 | | 40,313.85 | 23,888.05 |
| **INVESTMENTS** | 9 | | 35,578.80 | 26,555.41 |
| **CURRENT ASSETS, LOANS AND ADVANCES** | | | | |
| Interest Accrued | 10 | 4,185.04 | | 4,707.39 |
| Inventories | 11 | 49,432.53 | | 41,962.18 |
| Sundry Debtors | 12 | 44,271.40 | | 47,090.85 |
| Cash and Bank Balances | 13A | 45,721.13 | | 66,034.80 |
| Deposit with Bank Under Site Restoration Fund Scheme | 13B | 45,335.56 | | 36,180.55 |
| Loans and Advances | 14 | 116,497.36 | | 72,474.09 |
| Other Current Assets | 15 | 0.21 | | 10.11 |
| | | 305,443.23 | | 268,459.97 |
| **LESS: CURRENT LIABILITIES AND PROVISIONS** | | | | |
| Current Liabilities | 16 | 91,307.56 | | 77,025.56 |
| Provisions | 17 | 40,970.92 | | 41,122.07 |
| | | 132,278.48 | | 118,147.63 |
| **NET CURRENT ASSETS** | | | 173,164.75 | 150,312.34 |
| **MISCELLANEOUS EXPENDITURE** | 18 | | 3,663.35 | 5,616.90 |
| (To the extent not written off or adjusted) | | | | |
| **TOTAL** | | | 797,560.23 | 671,841.70 |
| **SIGNIFICANT ACCOUNTING POLICIES** | 28 | | | |
| **NOTES TO THE ACCOUNTS** | 29 | | | |

**Schedules referred to above form an integral part of the Accounts**

For and On behalf of the Board

S. C. Setia
**Company Secretary**

Dr. A.K. Balyan
**Director (HR)**

R. S. Sharma
**Chairman & Managing Director/ Director(Finance)**

**In terms of our report of even date attached**

**For K.K.Soni & Co.**
**Chartered Accountants**
K. K. Soni
**Partner (Mem. No. 07737)**

**For S. Bhandari & Co.**
**Chartered Accountants**
S.S.Bhandari
**Partner (Mem. No. 11332)**

**For S.C. Ajmera & Co**
**Chartered Accountants**
S. C. Ajmera
**Partner (Mem. No. 81398)**

**For Brahmayya & Co.**
**Chartered Accountants**
V. Seetaramaiah
**Partner (Mem. No. 03848)**

**For Lodha & Co.**
**Chartered Accountants**
H.K.Verma
**Partner (Mem. No. 55104)**

New Delhi
June 26, 2006



## CONSOLIDATED FINANCIAL STATEMENTS
## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

(Rupees in million)

| | Schedule | 2005-06 | 2004-05 |
|---|---|---|---|
| **INCOME** | | | |
| Gross Sales | 19 | 742,340.82 | 622,388.26 |
| Less : Excise Duty | | 35,533.21 | 25,334.18 |
| Net Sales | | 706,807.61 | 597,054.08 |
| Other Income | 20 | 27,733.12 | 19,577.13 |
| | | 734,540.73 | 616,631.21 |
| Increase/(decrease) in stocks | 21 | (544.60) | 1,276.23 |
| | | 733,996.13 | 617,907.44 |
| **EXPENDITURE** | | | |
| Purchases | | 58.41 | 28.29 |
| Production, Transportation, Selling and Distribution Expenditure | 22 | 391,480.79 | 314,308.02 |
| Depreciation, Depletion and Amortisation | 23 | 97,852.22 | 73,586.41 |
| Financing Costs | 24 | 1,134.51 | 1,876.69 |
| Provisions and Write-offs (Net) | 25 | 3,924.72 | 3,281.24 |
| | | 494,450.65 | 393,080.65 |
| Profit before Tax, Prior Period and Extraordinary Items | | 239,545.48 | 224,826.79 |
| Adjustments relating to Prior Period (Net) | 26 | (6,143.18) | (204.31) |
| Extraordinary Items- Excess of Insurance Claims over book value (Refer Note 7 of Sch-29) | | 6,405.39 | 0.00 |
| Profit before Tax | | 239,807.69 | 224,622.48 |
| Provision for Taxation | | | |
| - Current Tax (including Wealth Tax Rs.44.56 million Previous Year Rs. 17.00 million) | | 69,859.51 | 74,744.23 |
| - For Earlier years | | 815.34 | (54.72) |
| - Deferred Tax | | 13,704.92 | 4,726.81 |
| - Fringe Benefit Tax | | 552.66 | 0.00 |
| Profit after Taxation | | 154,875.26 | 145,206.16 |
| Add: Share of Profit/(Loss) in Associates for earlier years | | 106.78 | 113.47 |
| Less: Share of Profit/(Loss)- Minority Interest | | 1,005.81 | 1,929.60 |
| Group Profit after Tax | | 153,976.23 | 143,390.03 |
| Surplus at the beginning | | 0.75 | 0.84 |
| **BALANCE AVAILABLE FOR APPROPRIATION** | | 153,976.98 | 143,390.87 |
| **APPROPRIATIONS** | | | |
| Proposed Dividend on Preferance Shares | | 0.00 | 0.01 |
| Proposed Dividend on Equity Shares | | 28,518.68 | 29,016.07 |
| Tax on Proposed Dividend | | 4,171.83 | 4,429.35 |
| Interim Dividend | | 35,648.35 | 28,518.68 |
| Tax on Interim Dividend | | 4,999.68 | 3,727.03 |
| Transfer to General Reserve | | 71,790.45 | 77,698.98 |
| Balance carried to Balance Sheet | | 8,847.99 | 0.75 |
| | | 153,976.98 | 143,390.87 |
| **EARNINGS PER EQUITY SHARE** | 27 | | |
| (Face Value Rs. 10/-Per Share) | | | |
| Basic & Diluted (Amount in Rs.) | | | |
| - before extraordinary items (net of tax) | | 105.00 | 100.56 |
| - after extraordinary items | | 107.98 | 100.56 |
| **SIGNIFICANT ACCOUNTING POLICIES** | 28 | | |
| **NOTES TO THE ACCOUNTS** | 29 | | |

**Schedules referred to above form an integral part of the Accounts**

For and On behalf of the Board

S. C. Setia
**Company Secretary**

Dr. A.K. Balyan
**Director (HR)**

R. S. Sharma
**Chairman & Managing Director/ Director(Finance)**

**In terms of our report of even date attached**

**For K.K.Soni & Co.**
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**Partner (Mem. No. 03848)**

**For Lodha & Co.**
**Chartered Accountants**
H.K.Verma
**Partner (Mem. No. 55104)**

New Delhi
June 26, 2006

## Schedule to the Consolidated Balance Sheet

### SCHEDULE-1

(Rupees in million)

| | | As at 31st March, 2006 | As at 31st March, 2005 |
|---|---|---|---|
| **SHARE CAPITAL** | | | |
| **Authorised:** | | | |
| 15000,000,000 Equity Shares of Rs. 10 each | | **150,000.00** | 150,000.00 |
| **Issued and Subscribed:** | | | |
| 1425,933,992 Equity Shares of Rs. 10 each | | **14,259.34** | 14,259.34 |
| **Paid up :** | | | |
| 1425,933,992 Equity Shares of Rs. 10 each | **14,259.34** | | 14,259.34 |
| Less : Calls in Arrears | **0.04** | | 0.06 |
| (Other than Directors) | | **14,259.30** | 14,259.28 |
| **TOTAL** | | **14,259.30** | **14,259.28** |

Note :

The above includes:

(i) 342,853,716 Equity Shares issued as fully paid up to the President of India without payment being received in cash in terms of Oil and Natural Gas Commission (Transfer of Undertaking and Repeal) Act,1993.

(ii) 1,076,440,366 Equity Shares issued as fully paid up by way of bonus shares by capitalisation of General Reserve.



## Schedule to the Consolidated Balance Sheet

### SCHEDULE-2

(Rupees in million)

| | | As at 31st March, 2006 | As at 31st March, 2005 |
|---|---|---|---|
| **RESERVES AND SURPLUS** | | | |
| **Capital Reserve *** | | **333.52** | 333.52 |
| **(As per last year Balance Sheet)** | | | |
| **Deferred Government Grant** | | | |
| a) Opening Balance | **37.33** | | 41.97 |
| b) Addition during the year | **11.16** | | 5.82 |
| c) Deduction during the year ** | **10.38** | | 10.46 |
| | | **38.11** | 37.33 |
| **Share Premium Account ***** | | | |
| a) Opening Balance | **1,869.24** | | 1,868.90 |
| b) Addition during the year | **0.41** | | 0.34 |
| | | **1,869.65** | 1,869.24 |
| **Premium on Foreign Currency Bonds** | | **168.12** | 168.12 |
| (As per last year Balance Sheet) | | | |
| **Insurance Reserve** | | **2,500.00** | 2,500.00 |
| (As per last year Balance Sheet) | | | |
| **General Reserve** | | | |
| a) Opening Balance | **469,983.63** | | 394,244.74 |
| b) Less :Transfer to Foreign Exchange Translation Reserve | **0.00** | | (42.19) |
| c) Less: Adjustment for Impairment loss as on 01.04.2005 | **0.00** | | 2,002.28 |
| d) Transferred from Profit and Loss Account | **71,790.45** | | 77,698.98 |
| | | **541,774.08** | 469,983.63 |
| **Foreign Exchange Translation Reserve** | | | |
| a) Opening Balance | **(2,951.78)** | | (42.19) |
| b) Addition during the year | **841.46** | | (2,909.59) |
| | | **(2,110.32)** | (2,951.78) |
| **Profit and Loss Account** | | **8,847.99** | 0.75 |
| **TOTAL** | | **553,421.15** | **471,940.81** |

Includes Rs. 275.74 million share of jointly controlled entity. (Previous year Rs. 158.78 million)

* Represents assessed value of assets received as gift.

** Represents the amount equivalent to Depreciation for the year transferred to Profit and Loss Account.

*** Share premium account is credited only on receipt basis .

## Schedule to the Consolidated Balance Sheet

### SCHEDULE-3

(Rupees in million)

| | | As at 31st March, 2006 | | As at 31st March, 2005 |
|---|---|---|---|---|
| **SECURED LOANS** | | | | |
| (a) Foreign Currency Term Loans | | | | |
| - From Banks | | 3,776.80 | | 4,714.64 |
| (b) Rupee Term Loans | | | | |
| - From Banks | 2,110.82 | | 2,066.64 | |
| - From Financial Institutions | 725.30 | | 725.30 | |
| - From Others | 261.25 | 3,097.37 | 261.25 | 3,053.19 |
| (c) Suppliers' Deferred Payment Credit - Foreign Currency | | 467.56 | | 1,377.76 |
| (d) Working Capital facilities | | | | |
| - Rupee Loans from Banks | | 74.44 | | 1,363.64 |
| **TOTAL** | | **7,416.17** | | **10,509.23** |

Note :
Includes Rs.1,574.86 million share of jointly controlled entity. (Previous year Rs. 1,574.86 million).

### SCHEDULE-4

(Rupees in million)

| | As at 31st March, 2006 | As at 31st March, 2005 |
|---|---|---|
| **UNSECURED LOANS** | | |
| **(a) Long Term** | | |
| - From Oil Industry Development Board | 465.60 | 763.66 |
| Foreign Currency Loans: | | |
| - From Banks/Financial Institutions | 10,996.15 | 9,851.52 |
| - From others | 665.41 | 882.90 |
| Sales Tax Deferment Loan | 1,279.44 | 879.44 |
| **(b) Line of Credit** | | |
| - From Bank | 0.00 | 8,550.00 |
| **(c) Non - Recourse deferred credit** | 1,518.72 | 984.07 |
| **(d) Cash credit** | | |
| - From Bank | 0.00 | 8,182.12 |
| **TOTAL** | **14,925.32** | **30,093.71** |
| **Long term includes Repayable within one year** | **11,651.56** | 8,433.46 |



## Schedule to the Consolidated Balance Sheet

### SCHEDULE-5

**FIXED ASSETS**

(Rupees in million)

| Particulars | GROSS BLOCK | | | | DEPRECIATION | | | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | As at 1st April, 2005 | Additions during the year | Deletions/ adjustments during the year | As at 31st March, 2006 | Up to 31st March, 2005 | For the Year | Imparment Loss Charged | Imparment Loss Reversed | Deletions/ Adjustments during the year | Upto 31st March, 2006 | As at 31st March, 2006 | As at 31st March, 2005 |
| Land | | | | | | | | | | | | |
| i) Freehold | 1,277.46 | 77.02 | 5.01 | 1,349.47 | 25.96 | 0.00 | 0.00 | 0.98 | 0.00 | 24.98 | 1,324.49 | 1,251.50 |
| ii) Leasehold | 4,370.34 | 138.31 | 0.44 | 4,508.21 | 185.35 | 18.58 | 0.00 | 0.00 | 0.18 | 203.75 | 4,304.46 | 4,184.99 |
| Buildings and Bunk Houses | 12,794.96 | 1,016.75 | 29.41 | 13,782.30 | 5,813.44 | 375.71 | 42.72 | 76.43 | 24.26 | 6,131.18 | 7,651.12 | 6,981.52 |
| Railway Sidings | 89.95 | 0.00 | 0.00 | 89.95 | 75.58 | 2.00 | 0.00 | 0.00 | 0.00 | 77.58 | 12.37 | 14.37 |
| Plant and Machinery | | | | | | | | | | | | |
| i) Owned | 489,616.63 | 66,362.53 | 11,572.61 | 544,406.55 | 389,139.54 | 44,273.70 | 234.28 | 67.08 | 9,975.04 | 423,605.40 | 120,801.15 | 100,477.09 |
| ii) Taken on Lease | 1,120.90 | 428.13 | 1,120.90 | 428.13 | 530.52 | 115.21 | 0.00 | 0.00 | 581.33 | 64.40 | 363.73 | 590.38 |
| Furniture and Fittings | 3,939.63 | 789.96 | 108.84 | 4,620.75 | 2,689.24 | 284.83 | 12.45 | 5.09 | 93.47 | 2,887.96 | 1,732.79 | 1,250.39 |
| Vehicles,Survey Ships, Crew Boats,Aircrafts and Helicopters | 4,735.14 | 869.68 | 761.11 | 4843.71 | 4,126.47 | 236.02 | 8.66 | 0.92 | 566.77 | 3,803.46 | 1,040.25 | 608.67 |
| | **517,945.01** | **69,682.38** | **13,598.32** | **574,029.07** | **402,586.10** | **45,306.05** | **298.11** | **150.50** | **11,241.05** | **436,798.71** | **137,230.36** | **115,358.91** |
| Intangibles | 2,021.46 | 1,011.18 | 4.05 | 3,028.59 | 690.99 | 754.89 | 9.40 | 0.00 | 2.13 | 1,453.15 | 1,575.44 | 1,330.47 |
| **TOTAL** | **519,966.47** | **70,693.56** | **13,602.37** | **577,057.66** | **403,277.09** | **46,060.94** | **307.51** | **150.50** | **11,243.18** | **438,251.86** | **138,805.80** | **116,689.38** |
| Previous year | 496,759.46 | 28,544.62 | 5,337.61 | 519,966.47 | 380,471.54 | 24,001.41 | 187.65 | 34.01 | 1,349.50 | 403,277.09 | 116,689.38 | |
| The above includes the Corporation's share in Joint Venture Assets | 23,328.07 | 8,347.92 | 89.75 | 31,586.24 | 17,358.63 | 2,683.90 | 160.50 | 0.00 | 78.59 | 20,124.44 | 11,461.80 | |
| Previous year | 21,629.45 | 1,752.41 | 53.78 | 23,328.07 | 15,403.67 | 1,938.39 | 49.96 | 23.48 | 9.91 | 17,358.63 | 5,969.44 | |

Notes:
1. Additions to Plant and Machinery are net of Rs. 30.35 million on account of net exchange gain during the year (Previous Year Rs.187.89 million on account of exchange loss).
2. Land includes land in respect of a certain projects for which execution of lease/conveyance deeds are in process.
3. Registration of title deeds in respect of certain Buildings is pending execution.
4. Plant & Machinery-owned includes an amount of Rs. 782.98 million (Previous year Rs.782.98 million) being MRPL shares of an asset owned together with another company.
5. Net Fixed Assets include Rs. 2,178.07 million share of jointly controlled entity. (Previous year Rs. 2,262.37 million)
6. Depreciation for the year includes Rs. 1,532.95 milliion taken to prior period. (Previous year Rs. 1.86 milliion)

## Schedule to the Consolidated Balance Sheet

### SCHEDULE-6

(Rupees in million)

| | As at 31st March, 2006 | As at 31st March, 2005 |
|---|---|---|
| **PRODUCING PROPERTIES** | | |
| **Gross Cost** | | |
| Opening Balance | **512,525.03** | 481,069.55 |
| Acquisition Cost | **11,495.52** | 2,183.07 |
| Expenditure during the year | **18,786.74** | 12,342.00 |
| Transfer from Exploratory Wells-in-Progress | **1,396.39** | 2,316.73 |
| Transfer from Development Wells-in-Progress | **22,177.22** | 15,591.20 |
| Estimated Abandonment costs | **47,734.53** | 648.61 |
| Other Adjustments | **(1,205.36)** | (1,626.13) |
| **TOTAL (GROSS)** | **612,910.07** | **512,525.03** |
| **Less: Depletion & Impairment** | | |
| Opening Balance | **266,971.24** | 239,946.48 |
| Depletion for the Year | **34,299.59** | 27,802.07 |
| Transfer of Impairment from Development Wells in Progress | **136.98** | 0.00 |
| Other Adjustments | **(521.87)** | (728.32) |
| Impairment provided for the year | **483.13** | 223.31 |
| Write back during the year | **(1,098.13)** | (272.30) |
| **TOTAL** | **300,270.94** | **266,971.24** |
| **NET PRODUCING PROPERTIES** | **312,639.13** | **245,553.79** |

### SCHEDULE-7

(Rupees in million)

| | As at 31st March, 2006 | As at 31st March, 2005 |
|---|---|---|
| **CAPITAL WORKS-IN-PROGRESS** | | |
| Buildings | **74.20** | 736.90 |
| Plant and Machinery | **28,319.60** | 40,164.61 |
| Projects | **44,007.53** | 45,995.87 |
| Advances for Capital Works and Progress Payments | **2,446.91** | 880.59 |
| Capital Stores (including in transit) | **1,542.86** | 1,767.71 |
| **TOTAL** | **76,391.10** | 89,545.68 |
| **Less : Impairment** | | |
| Opening balance | **2.98** | 6.67 |
| Impairment provided for the year | **97.49** | 0.13 |
| Transfer to Fixed Assets | **(0.30)** | 0.00 |
| Write back during the year | **(1.01)** | (3.82) |
| **TOTAL** | **99.16** | 2.98 |
| **NET CAPITAL WORKS-IN-PROGRESS** | **76,291.94** | 89,542.70 |

**Note:** Includes Rs. 150.43 million share of jointly controlled entity. (Previous year Rs. 100.49 million)

## Schedule to the Consolidated Balance Sheet

### SCHEDULE-8

(Rupees in million)

| | | As at 31st March, 2006 | | As at 31st March, 2005 |
|---|---|---|---|---|
| **EXPLORATORY/DEVELOPMENT WELLS-IN-PROGRESS** | | | | |
| **A) EXPLORATORY WELLS-IN-PROGRESS** | | | | |
| **Gross Cost** | | | | |
| Opening Balance | | **16,661.23** | | 11,789.73 |
| Acquisition Cost | | **0.00** | | 3,711.22 |
| Expenditure during the year | **28,095.94** | | 27,044.13 | |
| Less : Sale proceeds of Oil and Gas | **5.90** | **28,090.04** | 19.30 | 27,024.83 |
| | | **44,751.27** | | 42,525.78 |
| **Less :** | | | | |
| Transfer to Producing Properties | | **1,396.39** | | 2,316.73 |
| Wells written off during the year | | **17,219.15** | | 23,525.85 |
| Adjustment during the year | | **640.68** | | 21.97 |
| | | **19,256.22** | | 25,864.55 |
| **EXPLORATORY WELLS-IN-PROGRESS** | | **25,495.05** | | 16,661.23 |
| **B) DEVELOPMENT WELLS-IN-PROGRESS** | | | | |
| Opening Balance | | **7,363.80** | | 3,050.72 |
| Expenditure during the year | | **25,161.90** | | 19,904.28 |
| Transfer to Producing Properties | | **(22,177.22)** | | (15,591.20) |
| Adjustment during the year | | **4,505.54** | | 0.00 |
| **Sub Total** | | **14,854.02** | | 7,363.80 |
| **Less : Impairment** | | | | |
| Opening balance | | **136.98** | | 97.48 |
| Impairment provided for the year | | **35.22** | | 136.98 |
| Transfer to Producing Properties | | **(136.98)** | | 0.00 |
| Write back during the year | | **0.00** | | (97.48) |
| **Total** | | **35.22** | | 136.98 |
| **NET DEVELOPMENT WELLS-IN-PROGRESS** | | **14,818.80** | | 7,226.82 |
| **EXPLORATORY/DEVELOPMENT WELLS-IN-PROGRESS (A+B)** | | **40,313.85** | | 23,888.05 |

## Schedule to the Consolidated Balance Sheet

### SCHEDULE-9

(Rupees in million)

| | No. of Shares/ Bonds/Units | Face Value per Share/ Bond/Unit (in Rupees) | As at 31st March, 2006 | As at 31st March, 2005 |
|---|---|---|---|---|
| **INVESTMENTS** | | | | |
| **LONG-TERM INVESTMENTS (FULLY PAID UP)** | | | | |
| **A. TRADE INVESTMENTS** | | | | |
| **1. Equity Shares (Unquoted)** | | | | |
| **Investment in Associates** | | | | |
| Pawan Hans Helicopter Limited | 24,500 | 10,000 | 862.40 | 804.62 |
| **Investment in Others** | | | | |
| Oil Spill Response Ltd. | 100 | * | 0.01 | 0.01 |
| **2. Equity Shares (Quoted)** | | | | |
| i) Indian Oil Corporation Limited | 106,453,095 | 10 | 13,720.49 | 13,720.49 |
| ii) GAIL (India) Limited | 40,839,549 | 10 | 2,451.06 | 2,451.06 |
| **3. Oil Companies Govt. of India Special Bonds (Unquoted)** | | | | |
| i) 5% Oil companies' Government of India Special Bonds 2009 | 257,600 | 10,000 | 2,576.00 | 2,576.00 |
| ii) 6.96% Government of India transferable Special Bonds 2009 | 698,037 | 10,000 | 6,980.37 | 6,980.37 |
| iii) 7% Government of India Special Bonds 2012 | 879,185 | 10,000 | 8,791.85 | 0.00 |
| | (0) | | | |
| **TOTAL TRADE INVESTMENTS** | | | 35,382.18 | 26,532.55 |
| **B. NON-TRADE INVESTMENTS (Unquoted)** | | | | |
| 12% UP State Development Loan 2011 | 1 | 500,000 | 0.50 | 0.50 |
| **Mutual Funds** | | | 196.12 | 0.00 |
| (Net Asset Value as on 31.03.2006 Rs. 197.31 Million) | | | | |
| **TOTAL LONG TERM INVESTMENTS** | | | 35,578.80 | 26,533.05 |
| **CURRENT INVESTMENTS** | | | | |
| **NON-TRADE INVESTMENTS (Unquoted)** | | | | |
| 91 Days Treasury bills (In Govt. Securities) | | | 0.00 | 22.36 |
| **GRAND TOTAL** | | | 35,578.80 | 26,555.41 |
| **Total Quoted Investments** | | | 16,171.55 | 16,171.55 |
| **Total Unquoted Investments** | | | 19,407.25 | 10,383.86 |
| | | | 35,578.80 | 26,555.41 |
| Total Market value of Quoted Investments | | | 133,655.24 | 55,292.61 |

* Pound one each, total value Rs. 6,885/-

Figures in the ( ) relate to previous year.

**Note:** Includes Rs. 196.12 million share of jointly controlled entity. (Previous year Rs.22.36 Million)

## Schedule to the Consolidated Balance Sheet

### SCHEDULE-10

(Rupees in million)

| | As at 31st March, 2006 | As at 31st March, 2005 |
|---|---|---|
| **INTEREST ACCRUED** | | |
| (Unsecured, Considered Good unless otherwise stated) | | |
| Interest Accrued On | | |
| - Investments | 11.53 | 4.37 |
| - Deposits with Banks\Financial Institutions | 798.42 | 1,892.68 |
| - On carry finance | 651.17 | 280.27 |
| - Others | | |
| - Considered Good | 2,723.92 | 2,530.07 |
| - Considered Doubtful | 231.61 | 246.89 |
| | 4,416.65 | 4,954.28 |
| Less : Provision | 231.61 | 246.89 |
| **TOTAL** | 4,185.04 | 4,707.39 |

**Note:** Includes Rs. 0.77 million share of jointly controlled entity. (Previous year Rs. 0.41 million)

### SCHEDULE-11

(Rupees in million)

| | As at 31st March, 2006 | As at 31st March, 2005 |
|---|---|---|
| **INVENTORIES** | | |
| (As verified and valued by the Management) | | |
| Stores and spare parts | | |
| - on hand | 25,756.71 | 20,140.59 |
| - in transit (including inter-project transfers) | 3,376.79 | 3,444.51 |
| Finished Goods | 7,091.91 | 9,612.25 |
| Raw Material | | |
| - on hand | 11,741.64 | 4,351.37 |
| - in transit | 459.73 | 3,014.62 |
| Stock in Process | 829.29 | 1,231.38 |
| Unserviceable Items | 176.46 | 167.46 |
| **TOTAL** | 49,432.53 | 41,962.18 |

**Note:** Includes Rs. 129.87 million share of jointly controlled entity. (Previous year Rs 158.34 million)

## Schedule to the Consolidated Balance Sheet

### SCHEDULE-12

(Rupees in million)

| | As at 31st March, 2006 | As at 31st March, 2005 |
|---|---|---|
| **SUNDRY DEBTORS** | | |
| (Unsecured, Considered Good unless otherwise stated) | | |
| Debts - Outstanding for a period exceeding six months: | | |
| - Considered Good | **3,853.50** | 3,323.42 |
| - Considered Doubtful | **3,114.60** | 1,010.42 |
| Other debts : | | |
| - Considered Good | **40,417.90** | 43,767.43 |
| - Considered Doubtful | **81.51** | 618.58 |
| | **47,467.51** | 48,719.85 |
| Less: Provision for Doubtful Debts | **3,196.11** | 1,629.00 |
| **TOTAL** | **44,271.40** | **47,090.85** |

**Note:** Includes Rs.159.69 million share of jointly controlled entity. (Previous year Rs.149.56 million)



## Schedule to the Consolidated Balance Sheet

### SCHEDULE-13

(Rupees in million)

| | | As at 31st March, 2006 | As at 31st March, 2005 |
|---|---|---|---|
| A) | **CASH AND BANK BALANCES** | | |
| | Cash balance on Hand* | **27.67** | 20.16 |
| | **Balances with Scheduled Banks in:** | | |
| | Current Accounts | **7,225.31** | 1,160.68 |
| | Margin Money Deposit Account | **0.00** | 0.12 |
| | Fixed Deposits** | **36,178.88** | 62,221.39 |
| | **Balances with Non-Scheduled Banks in:** | | |
| | Current Accounts with Commerz Bank - Frankfurt (Maximum balance during the year Rs. 2.89 million previous year Rs. 2.89 million.) | **2.78** | 2.89 |
| | SB Dollar Account with Bank for Foreign Trade of Vietnam,HCMC Vietnam (Maximum balance during the year Rs. 590.75 million Previous year Rs. 344.62 million) | **0.03** | 0.02 |
| | SB VND Account with Bank for Foreign Trade of Vietnam, HCMC Vitenam (Maximum balance during the year Rs. 593.03 million Previous year Rs. 377.74 million) | **0.14** | 0.04 |
| | Current Accounts (USD), CITI Bank, HCMC, Vietnam (Maximum balance during the year Rs. 3.69 million Previous year Rs. 17.10 million) | **0.44** | 0.32 |
| | Current Accounts (VND), CITI Bank, HCMC, Vietnam (Maximum balance during the year Rs. 81.67 million Previous year Rs. 58.06 million) | **0.30** | 0.05 |
| | Current Account with Bank of Moscow, Sakhalin (Maximum balance during the year Rs. 0.71 million Previous year Rs. 0.70 million) | **0.22** | 0.73 |
| | Mashreq Bank, Khartoum, Sudan (Maximum balance during the year Rs. 21.71 million Previous year Rs. 24.14 million) | **0.67** | 19.25 |
| | Mashreq Bank (Sudanees Dinar Account), Khartoum, Sudan (Maximum balance during the year Rs. 0.02 million Previous year Rs. 10.52 million) | **0.65** | 1.26 |
| | On deposit account with CITI Bank, HCMC, Vietnam (Maximum balance during the year Rs. 44.86 million Previous year Rs. 62.72 milliion) | **42.06** | 36.71 |
| | Deutche Bank AG(Multi currency), Amsterdam (Maximum balance during the year Rs. 430.10 million Previous year Rs. 1.88 million) | **0.00** | 2.19 |
| | Deutche Bank AG, Amsterdam (Maximum balance during the year Rs. 157.37 million Previous year Rs. 430.10 million) | **0.52** | 0.00 |
| | Deutche Bank AG(GBP), Amsterdam (Maximum balance during the year Rs. 1422.18 million Previous year Rs. 595.45 million) | **0.48** | 0.46 |
| | ICICI Bank London- GBP (Maximum balance during the year Rs. 8.53 million Previous year Rs. 4.60 million) | **3.70** | 0.07 |
| | Current account with CITI Bank, London (Maximum balance during the year Rs. 66.54 million Previous year Rs. 5.79 million) | **20.87** | 5.79 |
| | Current Account (USD)with ABN Amro Bank Sakhalin (Maximum balance during the year Rs. 1215.18 million Previous year Nil) | **80.89** | 0.00 |
| | Current Account(RBL)with ABN Amro Bank Sakhalin (Maximum balance during the year Rs. 0.27 million Previous year Nil) | **0.15** | 0.00 |
| | Current Account (USD)with Bank of Commerce and Development Libya (Maximum balance during the year Rs. 5.08 million Previous year Nil) | **1.94** | 0.00 |
| | Current Account (LDD)with Bank of Commerce and Development Libya (Maximum balance during the year Rs. 2.23 million Previous year Nil) | **2.22** | 0.00 |
| | Bank Balances (With Project Operators) | **2,131.21** | 2,562.67 |
| | **Total** | **45,721.13** | **66,034.80** |
| B) | **Deposit with Bank Under Site Restoration Fund Scheme*** ** | **45,335.56** | **36,180.55** |

**Note:** Includes Rs. 740.92 million share of jointly controlled entity. (Previous year Rs. 372.46 million)

* Includes Cheques in hand Rs. 7.54 million (Previous year Rs. 3.28 million.)

** Includes Rs. Nil unutilised out of share issue proceeds in respect of jointly controlled entity. (Previous year Rs. 216.99 million).

*** Deposited u/s 33ABA of the Income Tax Act, 1961 and could be withdrawn only for the purposes specified in the Scheme.

## Schedule to the Consolidated Balance Sheet

### SCHEDULE-14

(Rupees in million)

| | | As at 31st March, 2006 | | As at 31st March, 2005 |
|---|---|---|---|---|
| **LOANS AND ADVANCES** | | | | |
| Loans to Public Sector Undertakings & Other Bodies Corporate | | **963.14** | | 790.54 |
| Advance for Purchase of Shares | | **383.41** | | 383.41 |
| Loans and Advances to Employees | | **7,440.32** | | 7,465.47 |
| Advances Recoverable in Cash or in Kind or for Value to be received | | **23,903.22** | | 20,095.21 |
| Recoverable from Petroleum Planning & Analysis cell (PPAC) | | **476.81** | | 9,082.24 |
| Carry Finance to SMNG-S & RN-ASTRA,Russian Federation | | **53,752.41** | | 30,338.49 |
| Carry finance to Sudapet | | **934.31** | | 472.44 |
| Insurance Claims | | **941.33** | | 799.58 |
| Investment in Lease | | **7,446.57** | | 0.00 |
| Deposits: | | | | |
| a) With Customs/Port Trusts etc. | | **57.91** | | 52.04 |
| b) Others | | **9,585.82** | | 4,160.95 |
| | | **105,885.25** | | 73,640.37 |
| Less : Provision for Doubtful Claims/Advances | | **3,358.24** | | 3,624.85 |
| | | **102,527.01** | | 70,015.52 |
| Income Tax : | | | | |
| Advance payment of Income Tax | **285,796.47** | | 208,989.77 | |
| (Including advance payment of Wealth Tax Rs. 14.02 million Previous Year Rs.14.34 million) | | | | |
| Less: Provision | **271,826.12** | **13,970.35** | 206,531.20 | 2,458.57 |
| (Including provision for Wealth Tax Rs. 65.17 million Previous Year Rs.33.43 million) | | | | |
| **TOTAL** | | **116,497.36** | | **72,474.09** |
| Particulars of loans and advances: | | | | |
| Secured | | **6,850.85** | | 6,899.87 |
| Unsecured - Considered Good | | **109,646.51** | | 65,574.22 |
| - Considered Doubtful | | **3,358.24** | | 3,624.85 |
| | | **119,855.60** | | 76,098.94 |
| Less : Considered Doubtful and provided for | | **3,358.24** | | 3,624.85 |
| **TOTAL** | | **116,497.36** | | **72,474.09** |

**Notes:**
1. Includes Rs. 53.16 million share of jointly controlled entity. (Previous year Rs. 34.94 million).
2. Loans to employees include an amount of Rs.1.92 million (Previous Year Rs. 1.60 million) outstanding from whole time Directors. Maximum amount outstanding during the year Rs. 2.19 million. (Previous Year Rs. 2.12 million).

## Schedule to the Consolidated Balance Sheet

### SCHEDULE-15

(Rupees in million)

| | | As at 31st March, 2006 | As at 31st March, 2005 |
|---|---|---|---|
| **OTHER CURRENT ASSETS** | | | |
| (Unsecured, Considered Good unless otherwise stated) | | | |
| Other Accounts | | | |
| - Considered Good | **0.21** | | 10.11 |
| - Considered Doubtful | **1,052.87** | | 1,123.99 |
| | **1,053.08** | | 1,134.10 |
| Less: Provision for Doubtful Accounts | **1,052.87** | | 1,123.99 |
| | | **0.21** | 10.11 |
| **TOTAL** | | **0.21** | 10.11 |

### SCHEDULE-16

(Rupees in million)

| | | As at 31st March, 2006 | | As at 31st March, 2005 |
|---|---|---|---|---|
| **CURRENT LIABILITIES** | | | | |
| Sundry Creditors for Supplies / Works : | | | | |
| - Small Scale Industries | | **10.22** | | 5.32 |
| - Other than Small Scale Industries | | **57,946.06** | | 51,913.63 |
| Liability for Royalty/Cess/Sales tax etc. | | **8,224.00** | | 7,326.23 |
| Unpaid Matured debentures * | **137.40** | | 165.07 | |
| Unclaimed Interest on debentures * | **50.80** | **188.20** | 69.54 | 234.61 |
| Unclaimed Dividend* | | **130.97** | | 134.23 |
| Deposits | | **7,441.50** | | 4,087.98 |
| Deferred Credit on Vietnam gas Sales | | **0.92** | | 358.15 |
| Other Liabilities | | **17,326.26** | | 12,871.41 |
| Interest Accrued but not due on loans | | **39.43** | | 94.00 |
| **TOTAL** | | **91,307.56** | | **77,025.56** |

* No amount is due for Payment to Investor Education and Protection Fund

**Note:** Includes Rs. 230.88 million share of jointly controlled entity. (Previous year Rs. 446.64 million)

## Schedule to the Consolidated Balance Sheet

### SCHEDULE-17

(Rupees in million)

| | As at 31st March, 2006 | As at 31st March, 2005 |
|---|---|---|
| **PROVISIONS** | | |
| Gratuity | **960.06** | 1,326.23 |
| Leave Encashment | **4,128.19** | 3,586.83 |
| Provision against Non-Moving Inventories and Others | **3,192.16** | 2,800.13 |
| Proposed Dividend | **28,518.68** | 29,016.08 |
| Tax on Proposed Dividend | **4,171.83** | 4,392.80 |
| **TOTAL** | **40,970.92** | **41,122.07** |

**Note:** Includes Rs. 0.82 million share of jointly controlled entity. (Previous year Rs. 0.62 million)

### SCHEDULE-18

(Rupees in million)

| | As at 31st March, 2006 | As at 31st March, 2005 |
|---|---|---|
| **MISCELLANEOUS EXPENDITURE** | | |
| (to the extent not written off or adjusted) | | |
| Dry Docking Charges | **2,511.81** | 2,815.58 |
| Extended Trial Run Expenditure | **0.00** | 305.27 |
| Other Expenditure | **1,151.54** | 2,496.05 |
| **TOTAL** | **3,663.35** | **5,616.90** |

## Schedule to the Consolidated Profit & Loss Account

### SCHEDULE-19

(Rupees in million)

| | | 2005-06 | | 2004-05 |
|---|---|---|---|---|
| **SALES** | | | | |
| **Sales** | | **752,621.93** | | 634,370.82 |
| Less : | | | | |
| Transfer to Exploratory Wells in Progress (Refer Schedule-8) | **5.90** | | 19.30 | |
| Government of India's share in Profit Petroleum | **12,604.44** | **12,610.34** | 12,509.31 | 12,528.61 |
| | | **740,011.59** | | 621,842.21 |
| **Construction Contract Revenue** | | **2,173.53** | | 0.00 |
| **Adventitious gain** | | **0.00** | | (37.48) |
| **Price Revision Arrears** | | **155.70** | | 583.53 |
| **TOTAL** | | **742,340.82** | | **622,388.26** |

**Note:** Includes Rs. 4,796.47 million share of jointly controlled entity. (Previous year Rs. 2,431.58 million).

### SCHEDULE-20

(Rupees in million)

| | | 2005-06 | | 2004-05 |
|---|---|---|---|---|
| **OTHER INCOME** | | | | |
| Contractual Short Lifted Gas Receipts | | **165.28** | | 158.90 |
| Pipeline Transportation Receipts | | **3,214.14** | | 23.21 |
| Reimbursement from Govt. of India | | **1,272.23** | | 0.00 |
| Other Contractual Receipts | | **2,905.36** | | 1,348.69 |
| Export Benefits under duty free entitlement scheme | | **0.00** | | 1,366.70 |
| Lease Income | | **271.26** | | 0.00 |
| **Income from Trade Investments:** | | | | |
| Dividend on Long term Investments | **1,574.34** | | 2,512.01 | |
| Interest on Long Term Investments | **959.99** | | 986.32 | |
| Profit on sale of Investment | **5.95** | | 3.33 | |
| | | **2,540.28** | | 3,501.66 |
| **Income from Non Trade Investments :** | | | | |
| Interest on Long Term Investments | | **0.06** | | 0.06 |
| **Interest Income on :** | | | | |
| Deposits with Banks/Financial Institutions | **4,921.91** | | 3,818.42 | |
| (Tax deducted at source Rs. 1,086.21 million Previous year 696.49 million) | | | | |
| Loans and Advances to Employees | **338.69** | | 339.10 | |
| Income Tax Refund | **0.97** | | 328.95 | |
| On Site Restoration Fund Deposit | **2,354.92** | | 1,998.58 | |
| On Carry Finance | **2,872.11** | | 1,154.42 | |
| Delayed Payment from Customers and Others | **251.71** | | 1,493.49 | |
| (Tax deducted at source Rs. NIL Previous year 181.93 million) | | **10,740.31** | | 9,132.96 |
| Excess Provisions written back | | **1,431.79** | | 792.64 |
| Liabilities no longer required written back | | **677.08** | | 597.40 |
| Miscellaneous Receipts | | **4,515.33** | | 2,654.91 |
| **TOTAL** | | **27,733.12** | | **19,577.13** |

**Note:** Includes Rs. 24.66 million share of jointly controlled entity. (Previous year Rs. 16.15 Million).

## Schedule to the Consolidated Profit & Loss Account

### SCHEDULE-21

(Rupees in million)

| | 2005-06 | | 2004-05 | |
|---|---|---|---|---|
| **INCREASE/(DECREASE) IN STOCKS** | | | | |
| **Closing Stock** | | | | |
| Stock in Process | 829.29 | | 1,231.38 | |
| Finished Products | 7,097.84 | 7,927.13 | 7,240.35 | 8,471.73 |
| **Opening Stock** | | | | |
| Stock in Process | 1,231.38 | | 808.38 | |
| Finished Products | 7,240.35 | | 6,414.71 | |
| Less : Adjustment | 0.00 | 8,471.73 | 27.59 | 7,195.50 |
| **NET INCREASE/(DECREASE) IN STOCK** | | (544.60) | | 1,276.23 |

### SCHEDULE-22

(Rupees in million)

| | 2005-06 | 2004-05 |
|---|---|---|
| **PRODUCTION, TRANSPORTATION, SELLING AND DISTRIBUTION EXPENDITURE** | | |
| Royalty | 85,259.24 | 65,930.94 |
| Cess | 41,595.67 | 43,052.86 |
| Sales Tax | 10,315.04 | 17,404.70 |
| Natural Calamity Contingent Duty | 1,061.23 | 1,137.93 |
| Excise Duty on Stocks (Net) | (341.94) | 132.23 |
| Octroi and Port Trust Charges | 2,450.79 | 3,062.35 |
| Staff Expenditure | 13,671.42 | 10,688.56 |
| Workover Operations | 12,395.46 | 14,055.18 |
| Water Injection, Desalting and Demulsification | 3,765.91 | 2,551.05 |
| Consumption of Raw material, Stores and Spares & etc. | 169,696.20 | 106,625.65 |
| Pollution Control | 2,671.12 | 3,335.66 |
| Transport Expenses | 2,226.92 | 2,231.25 |
| Insurance | 948.20 | 1,167.28 |
| Power and Fuel | 954.97 | 122.89 |
| Repairs and Maintenance | 5,869.74 | 4,575.73 |
| Contractual payments including Hire charges etc. | 4,705.19 | 3,893.49 |
| Other Production Expenditure | 6,048.58 | 4,304.21 |
| Transportation and Freight of Products | 7,731.99 | 10,319.75 |
| Research and Development | 1,083.70 | 947.29 |
| Construction contract expenditure | 2,699.29 | 4,253.16 |
| General Administrative Expenses | 964.05 | 11,364.77 |
| Other Expenditure | 15,708.02 | 3,151.09 |
| **TOTAL** | 391,480.79 | 314,308.02 |

Note:
1. The above expenses classified in accordance with Part II of Schedule VI to the Companies Act, 1956 and exhibited in note 25(i) of Schedule 29.
2. Includes Rs. 4,234.04 million share of jointly controlled entity. (Previous year 2,242.44 million)



## Schedule to the Consolidated Profit & Loss Account

### SCHEDULE-23

(Rupees in million)

| | 2005-06 | | 2004-05 | |
|---|---|---|---|---|
| **DEPRECIATION, DEPLETION AND AMORTISATION** | | | | |
| Survey | | 16,866.98 | | 11,830.72 |
| Pre Acqusition Expenditure | | 1,125.12 | | 66.43 |
| Dry Wells | | 17,219.15 | | 23,525.85 |
| Amortisation of Goodwill | | 1,622.53 | | 0.00 |
| Acquisition Cost Written off | | 21.44 | | 0.00 |
| Depletion | | 34,299.59 | | 27,802.07 |
| Depreciation* | 44,516.55 | | 24,001.41 | |
| **Less :** Allocated to : | | | | |
| Survey | 724.80 | | 585.94 | |
| Exploratory Drilling | 1,889.07 | | 1,513.19 | |
| Development | 14,770.36 | | 11,314.22 | |
| Others | 109.52 | | 367.19 | |
| | 17,493.75 | 27,022.80 | 13,780.54 | 10,220.87 |
| **Impairment loss** | | | | |
| During the year | 923.34 | | 548.07 | |
| Less : reversal during the year | 1,248.73 | (325.39) | 407.60 | 140.47 |
| **TOTAL** | | 97,852.22 | | 73,586.41 |

Note: * Includes Rs.126.20 million share of jointly controlled entity. (Previous year Rs. 121.00 million).

### SCHEDULE-24

(Rupees in million)

| | 2005-06 | 2004-05 |
|---|---|---|
| **FINANCING COSTS** | | |
| **A. INTEREST :** | | |
| **i) On Fixed Loans** | | |
| From Oil Industry Development Board | 29.47 | 44.34 |
| Foreign Currency Loans | 22.36 | 32.37 |
| **(ii) On Term Loans from Banks** | 487.81 | 628.25 |
| **(iii) Lease Finance Charges** | 3.80 | 0.00 |
| **(iv) On Cash Credit** | 90.31 | 48.58 |
| **(v) Others** | 963.66 | 887.84 |
| **Sub-Total** | 1,597.41 | 1,641.38 |
| **B. EXCHANGE FLUCTUATION** | | |
| Exchange Variation for the Year (Net) | (502.36) | 47.42 |
| Less : Capitalised | (39.46) | (187.89) |
| **Sub-Total** | (462.90) | 235.31 |
| **TOTAL** | 1,134.51 | 1,876.69 |

Note: Includes Rs. 168.70 million share of jointly controlled entity. (Previous year Rs. 136.29 Million).

## Schedule to the Consolidated Profit & Loss Account

### SCHEDULE-25

(Rupees in million)

| | 2005-06 | 2004-05 |
|---|---|---|
| **PROVISIONS AND WRITE-OFF** | | |
| **PROVISIONS** | | |
| Provision for Doubtful Debts | 2,300.04 | 1,026.34 |
| Provision for Doubtful Claims/Advances | 773.81 | 1,244.88 |
| Provision against Non-Moving Inventories & Others | 359.26 | 671.89 |
| **Sub-Total** | 3,433.11 | 2,943.11 |
| **WRITE-OFF** | | |
| Loss on Disposal/Condemnation of Fixed Assets (Net) | 54.92 | 91.73 |
| Claims / Advances Written Off | 339.01 | 14.51 |
| Inventories Written Off | 82.56 | 101.08 |
| Bad debts Written Off | 0.00 | 123.63 |
| Other Write off | 15.12 | 7.18 |
| **Sub-Total** | 491.61 | 338.13 |
| **TOTAL** | 3,924.72 | 3,281.24 |

**Note:** Includes Rs.0.08 million share of jointly controlled entity. (Previous year 1.05 million).

### SCHEDULE-26

(Rupees in million)

| | 2005-06 | 2004-05 |
|---|---|---|
| **ADJUSTMENTS RELATING TO PRIOR PERIOD (NET)** | | |
| Statutory levies* | (50.28) | (133.25) |
| Other Production Expenditure* | 133.74 | 70.70 |
| Interest -Others | 0.00 | 2.10 |
| Exchange Fluctuation | (0.29) | (32.27) |
| Depletion | 18.19 | 0.00 |
| Depreciation | 1,532.95 | 1.86 |
| Survey | 669.53 | 351.02 |
| Dry well | 414.08 | 0.00 |
| Amortisation of Goodwill | 3,062.18 | 0.00 |
| **Total Debit** | 5,780.10 | 260.16 |
| Sales | (435.18) | (14.26) |
| Interest -Others | 31.70 | 0.01 |
| Other Income | 40.40 | 70.10 |
| **Total Credit** | (363.08) | 55.85 |
| **Net Debit/(Credit)** | 6,143.18 | 204.31 |

*The above expenses classified in accordance with Part II of Schedule VI to the Companies Act, 1956 and exhibited in Note 25(i) of Schedule 29.



## Schedule to the Consolidated Profit & Loss Account

### SCHEDULE-27

(Rupees in million)

| | | 2005-06 | 2004-05 |
|---|---|---|---|
| **EARNINGS PER EQUITY SHARE** | | | |
| A) | Net Profit after Tax | 153,976.23 | 143,390.03 |
| | Less: | | |
| B) | Extraordinary items | 6,405.39 | - |
| C) | Tax impact on Extraordinary items | (2,156.05) | - |
| D) | Net Profit before Extraordinary items (net of tax) | 149,726.89 | 143,390.03 |
| E) | Number of Shares | 1,425,933,992 | 1,425,933,992 |
| | | (Amount in Rupees) | |
| | **Basic & Diluted Earnings Per equity Share** | | |
| - | Before extraordinary items (net of tax)- (D/E) | 105.00 | 100.56 |
| - | After extraordinary items- (A/E) | 107.98 | 100.56 |

## SCHEDULE-28

### SIGNIFICANT ACCOUNTING POLICIES

**A. Principles of Consolidation**

The Consolidated Financial Statements relate to the Company (Oil and Natural Gas Corporation Limited), its subsidiaries, Joint Venture Company and Associates. The Consolidated Financial Statements have been prepared on the following basis: -

i) The Financial Statements of the Company and its subsidiary companies are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after fully eliminating intra-group balances and intra-group transactions resulting in unrealised profits or losses in accordance with Accounting Standard (AS) 21 "Consolidated Financial Statements" issued by The Institute of Chartered Accountants of India.

ii) The financial statements of Joint Venture Company has been combined by applying proportionate consolidation method on a line by line basis on items of assets, liabilities, income and expenses after eliminating proportionate share of unrealized profits or losses in accordance with Accounting Standard (AS) 27 "Financial Reporting of Interests in Joint Ventures" issued by The Institute of Chartered Accountants of India.

iii) 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 except as otherwise stated in the Notes to Accounts.

iv) The difference between the cost of investment in the Subsidiaries/Associates, over the net assets at the time of acquisition of shares in the Subsidiaries/Associates is recognized in the Financial Statements as Goodwill or Capital Reserve as the case may be.

v) Minority Interest's share of Net Profit/Loss of Consolidated Subsidiaries for the year is identified and adjusted against the income of the group in order to arrive at the Net Income attributable to the shareholders of the Company.

vi) Minority Interest's share of Net Assets of Consolidated subsidiaries is identified and presented in the Consolidated Balance Sheet separately from liabilities and the equity of the Company's shareholders.

vii) In case of foreign subsidiaries, foreign currency transactions are translated as per the provisions of AS-11 "Accounting for Effects of changes in Foreign Exchange Rates" issued by The Institute of Chartered Accountants of India, in the consolidated financial statements.

viii) In case of Associates, where the company directly or indirectly through Subsidiaries holds more than 20% of equity, investments in Associates are accounted for using equity method in accordance with Accounting Standard (AS) 23 "Accounting for Investments in Associates in Consolidated Financial Statements" issued by The Institute of Chartered Accountants of India.

ix) The difference between the proceeds from disposal of investments in a subsidiary and the carrying amount of its assets less liabilities as on the date of disposal is recognised in the Consolidated Statement of Profit and Loss Account as the profit or loss (as applicable) on disposal of the investment in the subsidiary.

**B.** Investments other than in Subsidiaries and Associates have been accounted for as per Accounting Standard (AS) 13 "Accounting for Investments" issued by The Institute of Chartered Accountants of India.

**C. Other Significant Accounting Policies:**

**1. Accounting Conventions**

The financial statements are prepared under the historical cost conventions in accordance with Generally Accepted Accounting Principles (GAAP), under the Successful Efforts Method as per the Guidance Note on Accounting for Oil and Gas Producing Activities issued by the Institute of Chartered Accountants of India and provisions of the Companies Act, 1956. Generally, revenues are recognized on accrual basis with provision made for known losses and expenses.

**2. Exploration, Development and Production Costs**

2.1 **Acquisition Cost**

Acquisition cost of an oil and gas property in exploration/development stage is taken to capital work in progress. Such costs are capitalized by transferring to Producing Property when it is ready to commence commercial production. In case of abandonment of the property, such costs are expensed. Acquisition costs of a producing oil and gas property are capitalized as Producing Property.

2.2 **Survey Costs**

Cost of Surveys and prospecting activities conducted in the search of oil and gas are expensed in the year in which these are incurred.

2.3 **Exploratory/ Development Wells in Progress**

2.3.1 All acquisition costs, exploration costs involved in drilling and equipping exploratory and appraisal wells, cost of drilling exploratory type stratagraphic test wells are initially capitalised as exploratory wells in progress till the time these are either transferred to producing properties on completion or expensed in the year when determined to be dry or of no further use, as the case may be.

2.3.2 All wells under as "exploratory wells in progress" which are more than two years old from the date of completion of drilling are charged to Profit and Loss Account except those wells which have proved reserves and the development of the fields in which the wells are located has been planned.

2.3.3 All costs relating to development wells are initially capitalized as development wells in progress and transferred to producing properties on completion.

2.4 **Producing Properties**

2.4.1 Producing properties are created in respect of an area/field having proved developed oil and gas reserves, when the well in the area/field is ready to commence commercial production.

2.4.2 Cost of temporary occupation of land, successful exploratory wells, all development wells and all related development costs including depreciation on support equipment and facilities and estimated future abandonment costs are capitalised and reflected as Producing Properties.

2.4.3 **Depletion of Producing Properties**

Producing properties are depleted using the "Unit of Production Method". The rate of depletion is computed with reference to the area covered by individual lease/licence/ amortization base by considering the proved developed reserves and related capital costs incurred including estimated future abandonment costs. In case of acquisition, cost of producing properties is depleted by considering the Proved Reserves. These reserves are estimated annually by the Reserve Estimates Committee of the Company, which follows the International Reservoir Engineering Procedures.

2.5 **General Administrative Expenses**

General Administrative Expenses at Assets, Basins, Services, Regions and Headquarters are charged to Profit and Loss Account.

2.6 **Production Costs**

Production costs include pre-well head and post well head expenses including depreciation and applicable operating costs of support equipment and facilities.

**3. Impairment**

Producing Properties and Fixed Assets of a "Cash Generating Unit" (CGU) are reviewed for impairment at each Balance Sheet date. In case events and circumstances indicate any impairment, recoverable amount of these assets is determined. An impairment loss is recognized, whenever the carrying amount of such assets exceeds the recoverable amount by writing down such assets to their recoverable amount. The recoverable amount is its 'value in use'. In assessing value in use, the estimated future cash flows from the use of assets are discounted to their present value at appropriate rate. An impairment loss is reversed if there is change in the recoverable amount and such loss either no longer exists or has decreased. Impairment loss / reversal thereof is adjusted to the carrying value of the respective assets, which in case of CGU, is allocated to its assets on a pro-rata basis. Subsequent to Impairment, depreciation is provided on the revised carrying value of the assets over the remaining useful life on the written down value method.

4. **Abandonment Cost**

4.1 The full eventual estimated liability towards costs relating to dismantling, abandoning and restoring offshore well sites and allied facilities is recognized at the initial stage as cost of producing property and liability for abandonment cost, based on the latest technical assessment available at current costs with the Company.

4.2 Cost relating to dismantling, abandoning and restoring onshore well sites and allied facilities are accounted for in the year in which such costs are incurred as the salvage value is expected to take care of the abandonment costs.

5. **Joint Ventures**

The Company has entered into Joint Ventures in the nature of Production Sharing Contracts (PSC) with the Government of India and various bodies corporate for exploration, development and production activities.

5.1 The financial statements reflect the share of the Company's assets and liabilities as well as income and expenditure of Joint Venture Operations which are accounted for according to the participating interest of the Company as per the various Joint Venture Agreements on a line by line basis along with similar items in the Company's financial statements, except in cases of abandonment, impairment, depletion and depreciation which are accounted based on accounting policies of the Company.

5.2 Past cost compensation and consideration for the right to commence operations received from other Joint Venture Partners are reduced from capitalised costs. The uncompensated cost continues in the Company's books as producing property/exploratory wells in progress.

5.3 The reserves of hydrocarbons in such areas are taken in proportion to the participating interest of the Company.

6. **Fixed Assets**

6.1 Fixed assets (including support equipment and facilities) are stated at historical cost. Fixed assets received as donations/gifts are capitalised at assessed values with corresponding credit taken to Capital Reserve.

6.2 All costs relating to acquisition of fixed assets till the time of commissioning of such assets are capitalised.

7. **Intangible Assets**

Costs incurred on intangible assets, resulting in future economic benefits are capitalized as intangible assets and amortized on written down value method beginning from the date of capitalization.

8. **Depreciation**

8.1 Depreciation on fixed assets is provided for under the written down value method in accordance with the rates specified in Schedule XIV to the Companies Act, 1956 except items of Plant and Machinery used in wells with 100% rate of depreciation and low value items not exceeding Rs. 5000/- which are fully depreciated at the time of addition. Incase of two subsidiaries and one joint venture, the same is provided on Straight Line Method.

8.2 Leasehold land is amortised over the lease period.

8.3 Depreciation on adjustments to fixed assets on account of exchange difference and price variation is provided for prospectively over the remaining useful life of such assets.

8.4 Depreciation on fixed assets (including support equipment and facilities) used for exploration and drilling activities and on facilities is initially capitalised as part of exploration or development costs and expensed/depleted as stated in policy 2 above.

9. **Taxes on Income**

Provision for current tax is made as per the provisions of the Income Tax Act, 1961. Deferred Tax Liability / Asset resulting from 'timing differences' between book and taxable profit is accounted for considering the tax rate and laws that have been enacted or substantively enacted as on the Balance Sheet date. Deferred Tax Asset is recognized and carried forward only to the extent that there is virtual certainty that the asset will be realized in future.



10. **Inventories**

10.1 Finished goods (other than Sulphur) and stock in pipelines/tanks are valued at Weighted Average Cost or net realisable value whichever is lower. Sulphur is valued at net realisable value. The value of inventories includes excise duty and royalty wherever applicable.

10.2 Natural gas in pipelines and crude oil in flow lines and Group Gathering Stations are not valued.

10.3 Raw material is valued on First in First Out (FIFO) basis.

10.4 Inventory of stores and spare parts is valued at Weighted Average Cost or net realisable value whichever is lower.

10.5 Unserviceable items, when determined, are valued at estimated net realizable value.

11. **Investments**

Long-term investments (except PSU Bonds) are valued at cost. PSU Bonds are carried at lower of face value or cost. Provision is made for any diminution, other than temporary, in the value of such investments.

12. **Foreign Exchange Transactions**

12.1 Foreign currency transactions on initial recognition in the reporting currency are accounted for at the exchange rates prevailing on the date of transaction.

12.2 At each Balance Sheet date, foreign currency monetary items are translated using the average of the exchange rates prevailing on the balance sheet date and non-monetary items are translated using the exchange rate prevailing on the date of transaction or on the date when the fair value of such item was determined.

12.3 The loss or gain thereon and also the exchange differences on settlement of the foreign currency transactions during the year are recognized as income or expense and adjusted to the profit and loss account except in cases (a) where such liabilities and /or transactions relate to fixed assets/ projects and these were incurred/ entered into before 1.4.2004; (b) fixed assets acquired from a country outside India, in which case, these are adjusted to the cost of respective fixed assets.

12.4 In respect of the Company's integral foreign operations:

12.4.1 The foreign currency transactions on initial recognition in the reporting currency are recorded following the policy stated in 12.1. For practical reasons, the average exchange rate of the relevant month is taken for the transactions of the month in respect of joint venture operations, where actual date of transaction is not available.

12.4.2 At each Balance Sheet date, monetary and non-monetary items are translated following the policy stated in 12.2.

12.4.3 All exchange differences are treated following the policy stated in 12.3.

12.5 The financial statements of the non-integral foreign operations of the company are incorporated in the financial statements using the following principles:

12.5.1 the assets and liabilities, both monetary and non-monetary, of the non-integral foreign operation are translated at the average of the exchange rate prevailing on the date of the balance sheet;

12.5.2 income and expense items of the non-integral foreign operation are translated at the average exchange rates for the period to which the financial statements relate; and

12.5.3 all resulting exchange differences are accumulated in a foreign currency translation reserve until the disposal of the net investment in the non-integral foreign operation.

12.6 Exchange differences arising on the company's net investment in a non-integral foreign operation are accumulated in a foreign currency translation reserve until the disposal of such investment, at which time they are recognized as income or as expenses.

13. **Revenue Recognition**

13.1 Revenue from sale of products is recognized on transfer of custody to customers.

13.2 Sale of crude oil and gas produced from exploratory wells in progress in exploratory areas is deducted from expenditure on such wells.

13.3 Sales are inclusive of all statutory levies except Value Added Tax (VAT). Any retrospective revision in prices is accounted for in the year of such revision.

13.4 Revenue in respect of fixed price contracts is recognized for the quantum of work done on the basis of percentage of completion method. The quantum of work done is measured in proportion of cost incurred to date to the estimated total cost of the contract or based on reports of physical work done.

13.5 Finance income in respect of assets given on finance lease is recognized based on a pattern reflecting a constant periodic rate .of return on the net investment outstanding in respect of the finance lease.

13.6 Revenue in respect of the following is recognized when there is reasonable certainty regarding ultimate collection:

a. Short lifted quantity of gas.

b. Gas pipeline transportation charges and statutory duties thereon.

c. Reimbursable subsidies and grants.

d. Interest on delayed realization from customers.

### 14. Retirement Benefits

14.1 Contribution to Provident Fund is made as per the Rules of the Company. The same is paid to a fund administered through a separate Trust.

14.2 Provision for gratuity is made as per actuarial valuation at the end of the financial year. The same is paid to a fund administered through a separate Trust.

14.3 Provision towards leave encashment is made on the basis of actuarial valuation at the end of the financial year.

### 15. Claims

15.1 Claims/Surrenders on/to Petroleum Planning and Analysis Cell, Government of India are booked on 'in principle acceptance' thereof on the basis of available instructions/clarifications subject to final adjustments, as stipulated. All other claims and provisions are booked on the merits of each case.

15.2 Export benefits entitlements to the Company viz., Duty free credit entitlement scheme /Target Plus scheme/ Advance Licence scheme under the EXIM policy, is recognised in the year of exports on accrual basis.

### 16. Assets given on Lease:

16.1 Assets given on finance lease are accounted for as per Accounting Standard (AS) 19 “Leases” issued by the Institute of Chartered Accountant of India. Such assets are included as a receivable at an amount equal to the net investment in the lease.

16.2 Initial direct costs incurred in respect of finance leases are recognised in the statement of profit and loss in the year in which such costs are incurred.

### 17. Transportation Costs

Any payment made in respect of the quantity of gas short transported, for which the right exists to transport such gas in subsequent periods at no charge, is treated as Deferred Expenditure in the year of payment. The same is treated as cost in the year in which the gas is actually transported for the quantity transported or in the year in which the right to transport such gas ceases, whichever is earlier.

### 18. Voluntary Retirement Scheme

Expenditure on Voluntary Retirement Scheme (VRS) is charged to Profit and Loss Account.

### 19. Insurance claims

The company accounts for insurance claims as under :-

19.1 In case of total loss of asset by transferring, either the Carrying cost of the relevant asset or Insurance Value (subject to deductibles), whichever is lower under the head “Claims Recoverable-Insurance” on intimation to Insurer. In case insurance claim is less than carrying cost, the difference is charged to Profit and Loss Account.

19.2 In case of partial or other losses, expenditure incurred/payments made to put such assets back into use, to meet third party or other liabilities (Less policy deductibles) if any, are accounted for as “Claims Recoverable-Insurance”. Insurance Policy deductibles are expensed in the year the corresponding expenditure is incurred.



19.3 As and when claims are finally received from Insurer, the difference, if any, between Claims Recoverable-Insurance and Claims received is accounted for in Profit and Loss Account.

### 20. Research and Development

Capital expenditure on Research and Development is capitalised under various fixed assets. Revenue expenses are charged to Profit and Loss Account, when incurred.

### 21. Rig Days Costs

Rig movement costs are normally booked to the next location planned for drilling. Abnormal idle rig days' costs are charged to Profit and Loss Account.

### 22. Deferred Revenue Expenditure

Dry docking charges of Rigs/ Multipurpose Supply Vessels (MSVs), rig/equipment mobilization expenses and other related expenditure are considered as deferred expenditure to be amortized over the period of use not exceeding five years.

### 23. Borrowing Costs

Borrowing Cost specifically identified to the acquisition or construction of qualifying assets is capitalized as part of such asset. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to Profit and Loss Account.

### 24. Provisions, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Assets are neither recognized nor disclosed in the financial statements. Contingent liabilities, if material, are disclosed by way of notes.

## SCHEDULE-29

### NOTES TO ACCOUNTS

1. The Consolidated Financial Statements represent consolidation of accounts of the Company (Oil and Natural Gas Corporation Limited), its subsidiaries and joint venture companies as detailed below:

| Sl. No. | Name of the Subsidiaries/ Joint Venture Companies | Country of Incorporation | Proportion of ownership interest | |
|---|---|---|---|---|
| | | | 31.03.2006 | 31.03.2005 |
| 1 | ONGC Videsh Limited (OVL) | India | 100% | 100% |
| 2 | Mangalore Refinery and Petrochemicals Ltd. (MRPL) | India | 71.62% | 71.62% |
| 3 | ONGC Nile Ganga B.V. (ONGBV) * | Netherlands | 100% | 100% |
| 4 | ONGC Bonny Brahmaputra Limited (OBBL)* | Nigeria | 100% | NA |
| 5 | ONGC Narmada Limited (ONL)* | Nigeria | 100% | NA |
| 6 | Petronet LNG Limited (PLL)- (JV) | India | 12.50% | 12.50% |
| 7 | ONGC Mittal Energy Limited (OMEL) - JV ** | Cyprus | 50% | NA |

* 100% subsidiary of OVL
** Joint Venture of OVL

The Consolidated Financial Statements incorporate the audited Financial Statements of all the above entities except entities at Sl. No. 4, 5 and 7 which have been consolidated on the basis of unaudited accounts.

2.1 In view of different sets of environment in which the subsidiaries/JVs are operating, the accounting policies followed for treatment of depreciation of fixed assets and sales revenue by the subsidiaries/JVs are different from the accounting policies of the Company. Such different accounting policies have been adopted in respect of the following:

**(Rs. in million)**

| Particulars | Names of Subsidiaries/JV | Accounting Policies | | Proportion - Net Block | |
|---|---|---|---|---|---|
| | | Company | Subsidiaries/JV | 2005-06 | 2004-05 |
| Depreciation-Fixed Assets (Schedule-5) | ONGBV | Written Down Value Method | Straight Line Method as applicable in Netherlands | 7,687.68 | 8,307.64 |
| Depreciation-Fixed Assets (Schedule-5) | MRPL | Written Down Value Method | Straight Line Method | 40,655.49 | 43,756.03 |
| Depreciation-Fixed Assets (Schedule-5) | PLL | Written Down Value Method | Straight Line Method | 2,170.48 | 2,254.51 |

2.2 The subsidiary ONGBV follows the entitlement method for revenue recognition associated with sale of crude oil and liquids for its share of petroleum production as specified in the Exploration Production Sharing Agreement (EPSA) and Crude Oil Pipeline Agreement (COPA). The amount involved is Rs. 61,005.04 million (Previous year Rs. 47,696.41 million) shown as sales under Schedule 19.

2.3 The subsidiary - ONGBV conducts its operations in Sudan jointly with the national oil company of Sudan (Sudapet) among others. All government stakes other than income taxes are considered to be royalty interest. Royalties on production represents the entitlement of the Government of Sudan to a portion of the subsidiary company's share of crude oil and liquid production and are recorded using the rates in effect under the terms of the contract at the time of production. The amount involved is Rs. 38,919.47 million (Previous year Rs. 27,781.31 million) under the head Royalty in Schedule -22.

2.4 In March 2003, the subsidiary (OVL) had acquired 100% shares of Talisman Greater Nile B.V. (TGNBV). TGNBV had 25% Participating Interest in Greater Nile Oil Project (GNOP), Sudan and was later rechristened as ONGC Nile Ganga B.V. (ONGBV). The difference between the purchase consideration and net assets of TGNBV on the date of acquisition, amounting to Rs. 11,660.63 Million, had been reflected as goodwill in the consolidated accounts of the subsidiary-OVL since 2002-03. Following prudent accounting, the Company has, during the current financial year, amortised the goodwill with retrospective effect from the year 2002-03 based on Unit of Production Method. The total amortization amounting to Rs. 4,063.51 Million, including Rs. 3,062.18 Million for the past years has been charged off during the year.

**3.1** The Associates considered in the Consolidated Financial Statements are as under:

| Name of the Associates | Country of incorporation | Proportion of ownership interest | |
|---|---|---|---|
| | | 2005-06 | 2004-05 |
| Pawan Hans Helicopters Limited | India | 21.54% | 21.54 % |

3.2 In respect of Pawan Hans Helicopters Limited, the share of profit of Rs. 106.78 million (gross of dividend of Rs. 49.00 million) (Previous year Rs. 113.47 million) for the year 2004-05 has been considered as share of Profit in Associates on the basis of audited results. The Annual Accounts for the year 2005-06 have not yet been received.

3.3 Due to different nature of their operations, Pawan Hans Helicopters Limited, the Associate of the Company, follows different accounting policies namely charging of depreciation on fixed assets, accounting of investments etc. It is not practicable for the Company to make adjustment for the purposes of applying the equity method.

4.1 Sales Revenue in respect of Crude Oil from Indian Operations is based on the pricing formula agreed with the customers for the period from 1.4.2002 to 31.3.2004. Pending finalisation of fresh Memorandum of Understanding (MOU) with the customers, the same pricing formula has been provisionally applied for the years 2004-05 and 2005-06.

4.2 Sales revenue in respect of Natural Gas from Indian Operations is based on the gas prices fixed on provisional basis as per directives of the Government of India (GOI), Ministry of Petroleum and Natural Gas (MoP&NG) dated 9$^{th}$ November, 2000 and 20$^{th}$ June, 2005.

4.3 Adjustments, if any, on account of para 4.1 and 4.2 above, shall be carried out on finalisation of agreement/directives. However company does not foresee material impact on the current year's results.

5.1 In terms of the decision of the GOI, the company has shared under recoveries of Oil Marketing Companies (OMCs) for the year 2005-06 by allowing discount in the prices of Crude Oil, PDS kerosene and domestic LPG based on the provisional rates of discount communicated by Petroleum Planning and Analysis Cell (PPAC) on quarterly basis. Accordingly, Sales Revenue from Indian Operations in respect of Crude Oil, LPG and SKO during the year is net of Rs.119,564.89 million (Previous Year Rs. 41,038.04 million) on this account.

5.2 In respect of Subsidiary MRPL, Sales/Income from Operations is net of discount on Refinery Transfer Prices of LPG (Domestic) and SKO (PDS) of Rs.2,908.17 million , MS and HSD of Rs.1,077.69 million as advised by OMCs which has been disputed by the company, pending resolution of certain issues.

6. In accordance with the Guidance Note on Accounting for State-Level Value Added Tax (VAT) issued by ICAI, VAT wherever applicable, collected from customers during the year amounting to Rs. 13,463.24 million, has not been included in Sales Revenue. Similarly, VAT paid has not been treated as an expense. As a result thereof, Sales Revenue as well as Sales Tax for the year is not comparable with those of previous year. This has, however, no impact on the profit for the year.

7. In a major accident on 27.07.2005, BHN platform in Mumbai High Offshore field was totally destroyed. The accident also damaged the adjacent platforms and connecting pipelines. Multi-purpose support vessel Samudra Surakhsha also caught fire and subsequently sank. All these assets were insured at specified values under Energy Insurance Package Policy.

The Company has received the insurance claim of Rs. 8,154.23 million after policy deductibles towards total loss of BHN platform and other losses related thereto which has a written down value of Rs. 1,748.84 million. The differential amount of Rs. 6,405.39 million between insurance claim received and written down value of assets has been accounted for as extraordinary item.

Further, the Company has raised certain other claims arising out of BHN accident aggregating to Rs. 3,853.63.million (US $86,288,352) which are under process. Also claims in respect of removal of wreckage of BHN and MSV Samudra Surakhsha, damage to MNW and BHF platform, pipelines risers, third party liabilities etc. are under survey, assessment and quantification. These will be accounted for as per Accounting Policy No. 19 on Insurance as stated in Schedule 28.

8.1 During the year, the Company has settled issues pending with JV Partners since Feb. 1998 for Panna Mukta & Tapti Joint Venture which has resulted into revision of Transportation & Processing losses, Transportation & Processing charges and treatment of Condensate transfer, the net effect of which has been accounted for in current year's books as follows (after excluding Corporation's share in JV) :

(a) Gas Sales : Rs. 308.42 million
(b) Other Income (net of processing losses of Rs. 394.27million) : Rs. 1217.76 million
(c) Purchase of Condensate : Rs. 1518.45 million

8.2 Pending determination of Condensate price by the Price Expert as per the Settlement Agreement, purchase of Condensate has been accounted for at provisional price by applying monthly mean average FOB price of Brent Crude.

9 Under the Accounting Policy No. 4 of Schedule 27, the Company has been recognising the estimated eventual liability towards costs relating to dismantling, abandoning and restoring Offshore Well Sites and allied facilities, based on the latest technical assessment at current costs available with the Company, as cost of Producing Properties and has been providing Depletion thereon under 'Unit of Production' Method as part of Producing Properties in line with the Guidance Note on Accounting of Oil & Gas Producing Activities issued by ICAI. During the year, the Company has reviewed the earlier estimates and revised the same. Accordingly, an additional amount of Rs. 41,308.21 million has been recognised as estimated liability towards abandonment with corresponding increase in producing properties. This has resulted in increase in depletion for the year with corresponding reduction in profit by Rs. 4,479.59 million.

10 Based on the opinion of the Expert Advisory Committee of the ICAI on a reference made by the Company during the year, the company has discontinued its practice of expensing the cost of exploratory type stratigraphic test wells (expendable wells) on their completion irrespective of their status. The said change has the effect of increasing both the profit for the year and exploratory wells in progress by Rs. 534.38 million.

11 The expert advisory committee of the Institute of Chartered Accountants of India has issued an opinion on 31.05.06 on a reference made earlier with regard to treatment of costs incurred on side tracking and abandoned portion of the wells due to side tracking.

The Institute has opined that the cost of abandoned portion of a side tracked exploratory well is to be charged to Profit & Loss Account and that of development well is to be capitalized as development wells in progress. In respect of sidetracking in producing wells, the cost of side tracking is to be capitalized if side tracking results in increase in proved developed reserves other wise it is to be charged to Profit & Loss Account.

Since the opinion has come after the close of the accounting period and the company has sought certain specific clarifications, no accounting adjustment has been made pending the receipt of such specific clarifications. However, as per past practice, the company has been considering the cost of abandoned portion of exploratory/Development wells as Exploratory/Development wells in Progress and charging off the cost of sidetracking of producing wells to Profit & Loss Account.

12 During the year, the Company has changed the rate of Depreciation on all trunk pipelines and onshore flow lines (assets below ground) in respect of Indian operations from 27.82% to 100% based on technical assessment by the Management. Accordingly depreciation on such assets is higher by Rs. 11,667.13 million, including Rs. 1,525.26 million taken to prior period. As a result thereof, profit before tax for the year is lower by Rs. 11,667.13 million.

13 Loans and Advances (Schedule-14) includes Rs.383.41 million paid to Petronet MHB Limited (PMHBL) in 2003-04 towards advance for shares in terms of Ministry of Petroleum and Natural Gas approval for ONGC's 23% participation in the equity shares of PMHBL along with equity of 26% by Petronet India Ltd.(PIL), 26% by HPCL and 25% by financial institutions. ONGC has also contributed Rs.50.00 million as advance against equity in 2004-05. The PMHBL Project was commissioned on 01.08.2003. Since its commissioning, the Company has been facing serious operational and financial constraints and has incurred losses in financial year 2004-05 due to high interest burden. It is envisaged that PMHBL will issue shares to the Company after completion of restructuring of its equity and debt restructuring exercise initiated in consultation with lenders. Since the company intends to hold equity in PMHBL on long term basis, no provision has been considered necessary despite losses incurred by PMHBL due to high interest which are proposed to be optimized through DRP package.

14 As per the terms of EPSA in respect of Greater Nile Oil Project (GNOP), Sudan, of the Subsidiary - ONGBV, the title to the fixed and moveable assets shall be transferred to the Government of Sudan at the end of the quarter in which total costs of all such assets have been recovered or on the termination of EPSA, whichever is earlier. During the period of EPSA, the contractor is entitled to the full use of all such assets, but shall not dispose any of these assets, except with the approval of the Ministry of Energy and Mining, Government of Sudan.

As per the terms of EPSA, the cost of all capital expenditure is recovered over a period of four years; from the date such cost is incurred. However, such assets may not be fully written down in the books since the depreciation and depletion in books is on a different basis. No record of cost recovery in respect of individual assets is maintained by the consortium and consequently details of assets, the title of which are liable to be transferred to the Government of Sudan are not available. However, the total cost recovered by the ONGBV out of its share of fixed assets till 31.03.2006 is USD 442.81 million equivalent to Rs. 19,775.89 million (Previous Year USD 358.85 million equivalent to Rs. 15,721.22 million).

15 The Company is mainly in the oil exploration and production activities where each cost centre used for depreciation (depletion) purposes has been identified as independent Cash Generating Unit (CGU) for assessing the impairment in Producing Properties and fixed assets etc. on the basis of 'value in use'. The Company has tested all its assets for impairment by applying discount rates of 14.24% (previous year 11.74%) for Rupee transactions and 11.13% (previous year 9.74%) for crude oil and value added products revenue measured in USD as on 31.03.2006.

During the year Rs. 923.34 million has been provided for as impairment loss in respect of six CGUs. Out of these, five CGUs namely Agartala, Silchar, Jodhpur, Ratna and Gauri which are mainly gas fields were impaired last year also and retail outlet has been partially impaired during the year. However, there is a write back of impairment loss of Rs. 1,248.73 million in respect of DVP Jorhat CGU due to increase in prices of crude oil.

16 The Net Deferred Tax Liability as at 31st March, 2006 comprises of the major components of Deferred Tax Liabilities and Deferred Tax Assets as under:

**(Rs. in million)**

| Particulars | As at 31st March, 2006 | As at 31st March, 2005 |
|---|---|---|
| **(i) Liabilities** | | |
| Depletion of Producing Properties | 92,574.64 | 76,906.13 |
| Depreciation Allocated to Wells in Progress | 3,354.39 | 294.31 |
| Deferred Revenue Expenditure written off | 2,290.66 | 1,864.36 |
| Development wells-in Progress | 1,233.08 | 1,287.83 |
| Difference in Net Block of Fixed Asset for Tax | 8,956.89 | 310.45 |
| Lease Finance | 666.69 | 742.39 |
| Depreciation | 7,993.33 | 13,682.95 |
| Others | 2,882.64 | 1,444.40 |
| **Sub Total** | **119,952.32** | **96,532.82** |
| **(ii) Assets** | | |
| Depreciation | 233.56 | 167.97 |
| Unabsorbed losses and allowances | 7,074.98 | 12,252.19 |
| Dry wells written off | 3,937.05 | 6,572.40 |
| Provision for Non Moving Inventories | 1,074.48 | 942.52 |
| Provision for Doubtful Claims/Advances | 2,245.49 | 1,766.32 |
| Provision for Abandonment | 27,204.27 | 15,075.56 |
| Provision for Leave Encashment | 1,371.63 | 1,191.70 |
| Others | 5,177.78 | 670.24 |
| **Sub Total** | **48,319.24** | **38,638.90** |
| **Net Liability (i-ii)** | **71,633.08** | **57,893.92** |

17 **Joint Venture Accounting:**

**17.1.1 Jointly Controlled Operations:**

The Company has entered into Production Sharing Contracts (PSCs) and Joint Ventures (JVs) in respect of certain properties with the Government of India and some bodies corporate. Details of these PSCs/ JVs are as under:

**Joint Ventures (in India)**

| Sl. No. | Joint Ventures / PSCs | Company's PI** | Operatorship/ Others Partners' PI |
|---|---|---|---|
| **A** | **Jointly Operated JVs** | | |
| 1 | Mid & South Tapti | 40% | BGEPIL - 30%<br>RIL - 30% |
| 2 | Panna & Mukta | 40% | BGEPIL - 30%<br>RIL - 30% |
| **B** | **Non-Operated JVs** | | |
| 3 | Ravva | 40% | CEIL (**Operator**) - 22.5%<br>Petrocon India Ltd. - 25%<br>Ravva Oil (Singapore) Pte. Ltd. - 12.5% |

| | | | |
|---|---|---|---|
| 4 | CY-OS-90/1 (PY3) | 40% | Hardy Exploration & Production (India) Inc. (**Operator**) - 18%<br>HOEC - 21%<br>TPL - 21% |
| 5 | RJ-ON-90/1 | 30% | CEIL (**Operator**) - 35%<br>Cairn Energy Hydrocarbons Ltd. - 35% |
| 6 | CB-OS/2 Expl. Phase<br><br>CB-OS/2 Dev. Phase | 25%<br><br>50% | Cairn Energy Group (**Operator**) - 60%<br>TPL - 15%<br>Cairn Energy Group (**Operator**) - 40%<br>TPL - 10% |
| 7 | CB-ON/7 | 30% | HOEC (**Operator**) - 35%<br>GSPC - 35% |
| 8 | GK-OSJ-3 | 25% | RIL (**Operator**) - 60%<br>OIL - 15% |
| 9 | MN-ONN-2000/1 | 20% | OIL (**Operator**) - 40%<br>GAIL - 20%<br>IOC - 20% |
| 10 | RJ-ONN-2001/1 | 30% | OIL (**Operator**) - 70% |
| 11 | RJ-ONN-2002/1 | 40% | OIL (**Operator**) - 60% |
| 12 | AA-ONN-2002/3 | 70% | OIL (**Operator**) - 30% |
| 13 | GV-ONN-2003/1 | 51% | CEIL(**Operator**) - 49% |
| 14 | VN-ONN-2003/1 | 51% | CEIL(**Operator**) - 49% |
| 15 | RJ-ONN-2003/1 | 36% | ENI (**Operator**) - 34%<br>CEIL - 30% |
| 16 | AN-DWN-2003/II | 45% | ENI (**Operator**) - 40%<br>GAIL - 15% |
| **C** | **ONGC Operated JVs** | | |
| 17 | Jharia (JH) | 90% | CIL - 10% |
| 18 | Raniganj (JG) | 74% | CIL - 26% |
| 19 | CB-OS/1 | 32.89% | TPL - 10%<br>HOEC - 57.11% |
| 20 | GV-ONN-97/1 | 40% | IOC - 30%<br>CEIL - 30% |
| 21 | KG-DWN-98/4 | 85% | OIL - 15% |
| 22 | MN-OSN-97/3 | 85% | GAIL - 15% |
| 23 | KG-DWN-98/2 | 90% | CEIL - 10% |
| 24 | MB-OSN-97/4 * | 70% | IOC - 30% |
| 25 | MB-OSN-2000/1 | 75% | IOC - 15%<br>GSPC - 10% |
| 26 | MN-OSN-2000/2 | 40% | GAIL - 20%<br>IOC - 20%<br>OIL - 20% |
| 27 | WB-OSN-2000/1 | 85% | IOC - 15% |
| 28 | MB-DWN-2000/1 | 85% | IOC - 15% |
| 29 | MB-DWN-2000/2 | 50% | IOC - 15%<br>GAIL - 15%<br>OIL - 10%<br>GSPC - 10% |
| 30 | GS-DWN-2000/2 | 85% | GAIL - 15% |
| 31 | AA-ONN-2001/2 | 80% | IOC - 20% |
| 32 | AA-ONN-2001/3 | 85% | OIL - 15% |
| 33 | CY-DWN-2001/1 | 80% | OIL - 20% |
| 34 | CB-ONN-2001/1 | 70% | CEIL - 30% |
| 35 | NK-CBM-2001/1(JE) | 80% | IOC - 20% |
| 36 | MN-DWN-2002/1 | 70% | OIL - 20%<br>BPCL - 10% |
| 37 | CB-ONN-2002/1 | 70% | CEIL - 30% |
| 38 | BK-CBM-2001/1 | 80% | IOC - 20% |
| 39 | KK-DWN-2002/2 | 80% | HPCL - 20% |
| 40 | KK-DWN-2002/3 | 80% | HPCL - 20% |
| 41 | KG-DWN-2002/1 | 70% | OIL - 20%<br>BPCL - 10% |
| 42 | CY-ONN-2002/2 | 60% | BPCL - 40% |
| 43 | BS(3) CBM-2003/II (NU) | 70% | GSPC - 30% |
| 44 | AA-ONN-2002/4 | 90% | OIL - 10% |
| 45 | GS-OSN-2003/1 | 51% | CEIL - 49% |

* Pending renewal of PEL w.e.f. 07.05.2006. ** PI - Participating Interest

**Abbreviations:-** BGEPIL- British Gas Exploration & Production India Ltd., BPCL-Bharat Petroleum Corporation Ltd., CEIL-Cairn Energy India Pty. Ltd, CIL-Coal India Ltd., GAIL -Gail India Ltd., GSPC-Gujarat State Petroleum Corporation Ltd., HOEC- Hindustan Oil Exploration Co. Ltd., HPCL- Hindustan Petroleum Corporation Ltd, OIL -Oil India Ltd., IOC- Indian Oil Corporation Ltd., RIL- Reliance Industries Ltd., TPL-Tata Petrodyne Ltd.

### 17.1.2 Joint Ventures (Outside India)

| Sl. No. | Name of the Project | Country of Operation and Block | Company's participating shares (%) | Other Partners | Project Status |
|---|---|---|---|---|---|
| 1 | Vietnam Project | Vietnam Block 06.1 Offshore | 45% | BP Exploration operating Co. Ltd. - 35%<br>Petrovietnam - 20% | The Project is under production |
| 2 | GNOP Project | Sudan Block 1a, 1b 2a, 2b & 4 Onshore | 25% | China National Petroleum Corporation - 40%<br>Petronas Carigali SDN. BHD - 30%<br>Sudapet Co. Ltd. - 5% | The Project is under production |
| 3 | AFPC Project* (Through Bergomo Holding B.V.) | Syria Onshore | 38.75% | Fulin Investments - 50%<br>Mittal Investment - 11.25% | The Project is under production |
| 4 | Sakhalin Project | Russia Sakhalin 1 Offshore | 20% | Exxon Neftgas Ltd. - 30%<br>SODECO - 30%<br>SMNG - 11.5%<br>R N Astra - 8.5% | The project is under production and development |
| 5 | Block 5A Project | Sudan Block 5A Onshore | 24.125% | Petronas - 68.875%<br>Sudapet - 7% | The Project is under development |
| 6 | Myanmar Project | Myanmar Block A-1 Offshore | 20% | Daewoo International Corpn - 60%<br>KOGAS - 10%<br>GAIL (India) Ltd. - 10% | The project is under exploration and appraisal |
| 7 | Block A-3 Project Myanmar | Myanmar Block A-3 Offshore | 20% | Daewoo International Corpn - 60%<br>KOGAS - 10%<br>GAIL (India) Ltd. - 10% | The project is under exploration |

| | | | | | |
|---|---|---|---|---|---|
| 8 | Iran Project | Iran Farsi Block Offshore | 40% | Indian Oil Corp. Ltd. - 40%<br>Oil India Ltd. - 20% | The project is under exploration |
| 9 | Libya Project | Libya Blocks NC-188 and NC-189 Onshore | 49% | TPOC - 51% | The project is under exploration |
| 10 | Syria Project | Syria Block-XXIV Onshore | 60% | IPR International - 40% | The project is under exploration |
| 11 | Block 5B Project | Sudan Block 5B Onshore | 23.5% | Petronas - 41%<br>Lundin - 24.5%<br>Sudapet - 11% | The project is under exploration |
| 12 | Sudan Pipeline Project | Khartoum-Port Sudan | 90% | Oil India Ltd. - 10% | The pipeline has been completed and is under lease |
| 13 | North Ramadan Project | Egypt Block 6 Offshore | 70% | IPR Energy Red Sea - 30% | The project is under exploration |
| 14 | Block 2, Joint Development Zone Nigeria | Nigeria/Sao Tome Principe (STP), Offshore Block 2, Joint Development Zone | 13.5%** | Sinopec/Addax/ER HC - 65%<br>Equator Exploration - 9%<br>A & Hatman - 2.5%<br>Foby Engineering - 5%<br>Momo Deepwater JDZ - 5% | The project is under exploration |

* The Joint Venture Company holds participation interest in certain oil and gas contracts in Syria.
** Includes 4.5% assignment from an existing consortium member.

17.1.3 In the year 2004-05, where unaudited figures were incorporated, necessary adjustments have been carried out with reference to the audited figures of 2004-05, in the current period.

17.1.4 The company has entered into 59 joint ventures for exploration and production. As at the end of the year, the company's share in the total value of assets, liabilities, income, expenditure and net profit before tax of these joint ventures amounts to Rs. 187,559.53 million, Rs. 23,303.30 million, Rs. 40,435.14 million, Rs. 37,843.53 million and Rs. 2,591.61 million respectively. The figures have been incorporated based on the audited accounts except relating to 19 joint ventures having assets, liabilities, income, expenditure and net profit before tax amounting to Rs. 95,628.89 million, Rs. 7,237.65 million, Rs. 7.86 million, Rs. 5,014.47 million and Rs. (5,006.61) million respectively which have been incorporated on the basis of unaudited returns received from the respective joint ventures.

17.2.1 During the year, the subsidiary (OVL) completed the execution of the 12"X741 Kms. multi-product pipeline from Khartoum Refinery to Port Sudan for the Ministry of Energy and Mining, Government of Sudan (MEM) on Build, Own, Lease and Transfer (BOLT) basis and handed over the same to MEM. The project has been implemented in consortium with Oil India Limited, Company's share being 90%.

The EPC Contractor executing the project has claimed additional costs aggregating to Rs.1,659.00 million (Company's share being Rs. 1,493.10 million), which have not been accepted by the Company as yet. However, part of the claims has been forwarded to MEM for their approval for an aggregate amount of receivables from MEM of Rs.1,524.20 million (Company's share being Rs.1,371.78 million), while the balance claims may be forwarded to MEM after further verification. Pending settlement with the EPC Contractor, an amount of Rs. 1,026.08 million being Company's share out of Rs.1,140.08 million has been provided as expenditure during the year based upon the advices received by the Company from its consultant. Company's share of the balance has been shown as claims not acknowledged as debt. However, no revenue in this respect has been recognised pending final approvals by MEM.

17.2.2 The disclosure in accordance with the Accounting Standard (AS) 7 viz. Construction Contracts is given in the following table:

(Rs in million)

| Particulars | 2005-06 | 2004-05 |
|---|---|---|
| (a) The amount of contract revenue recognized as revenue in the year | 2,173.53 | 5,429.46 |
| (b) The method used to determine the contract revenue recognized in the year | As per Accounting Policy 13.4 of the Company | As per Accounting Policy 13.4 of the Company |
| (c) The method used to determine the stage of completion of the contract | As per Accounting Policy 13.4 of the Company | As per Accounting Policy 13.4 of the Company |
| (d) The aggregate amount of costs incurred and recognized profits (less recognized losses) upto the reporting date | 2,173.53 | 5,429.46 |
| (e) Amount of advances received | Nil | Nil |
| (f) Amount of retention | Nil | Nil |
| (g) The gross amount due from customer for contract work as an asset | Nil | 5,429.46 |
| (h) Gross amount due to customer for contract as a liability | Nil | Nil |

17.2.3 The payment under the contract would be received over a period of 10 years with a moratorium of one year from the date of the contract i.e. 30 June 2004 in 18 equal semi-annual installments along with lease rental. The lease period commenced from the date of handing over of the pipeline system and will continue till all payments by MEM are completed. All titles in the works and the transportation system shall vest in the Company and the title shall pass to MEM in proportion to the payments made by MEM against total payments due to OVL under the contract. Further, subject to regular payments on due dates by MEM to the OVL, MEM shall have the exclusive right to use and operate the pipeline system and the OVL shall not assign, transfer, sub-let, sub-contract, mortgage or create any rights to any third party or encumbrances or make any disposition to any third party. Accordingly, the amount of net investment in the lease (i.e. aggregate of minimum lease payments minus unearned finance income) is recognized and recorded as receivables under the lease. The finance income thereon has been recognised based upon the pattern reflecting the constant periodic rate of return on the outstanding net investment in the lease.

17.2.4 The disclosure in accordance with the Accounting Standard (AS) 19 viz. Leases is as under:

(Rs. in million)

| Particulars | 2005-06 | | 2004-05 | |
|---|---|---|---|---|
| | Gross | Net | Gross | Net |
| a) Reconciliation between the total gross investment in the lease and the present value of minimum lease payments as at year end | | | | |
| - Not later than one year | 1,127.64 | 693.03 | Nil | Nil |
| - Later than one year and not later than five years | 4,510.56 | 3,214.70 | Nil | Nil |
| - Later than five years | 3,946.74 | 3,538.84 | Nil | Nil |
| TOTAL | 9,584.94 | 7,446.57 | Nil | Nil |
| b) Unearned Finance Income | 2,138.37 | | Nil | |
| c) Un-guaranteed residual value accruing to Company's benefit | Nil | | Nil | |
| d) Accumulated provision for uncollectible minimum lease payments receivable | Nil | | Nil | |
| e) Contingent rents recognised in the statement of profit and loss for the period | Nil | | Nil | |
| f) General description of the significant leasing arrangement | As described in para above | | Not Applicable | |
| g) Accounting Policy followed in respect of initial direct costs | As per Accounting Policy 16.2 of the Company | | Not Applicable | |

17.3.1 The sales of Crude Oil and Gas to the buyers commenced during the year in respect of Sakhalin-1, Russia Project. During the current year, receipts on account of Crude Oil and Gas Sales (including receivables) were Rs. 1,799.25 million and Rs. 217.10 million respectively. Out of this, the Company received Rs. 0.92 million against take or pay provisions of the contract owing to lesser nomination of Gas by the buyer, which has been shown as advance received from buyer.

As per the Production Sharing Agreement in respect of Sakhalin-1, Russia Project, title to all fixed and moveable assets shall be transferred to the State at the end of the calendar year in which total costs of such assets have been recovered or at the time of termination of the Agreement, whichever occurs first subject to its continued free and unrestricted use at no cost or loss of benefit to Consortium until the termination of the Agreement. The Consortium shall bear custody and maintenance of such assets and all risks of accidental loss and damage and all costs necessary to maintain such assets and to replace or repair such damage or loss shall be cost recoverable expenditures. Further, the Consortium is entitled to the full and exclusive use of all fixed and moveable assets within the Agreement Operations Area and the Consortium shall not dispose of any assets unless agreed in writing by the Authorised State Body. Further, the rights acquired by the Consortium under land lease agreements shall be transferred to the State upon relinquishment of the Agreement Operations Area covered by such lease or upon termination of this Agreement, whichever occurs first. Under the circumstances, such assets are kept in the records of the company till the full term of the contract.

The Consortium acquired the Early Production Facility (EPF) under a contract for lease for the basic term upto 15 September 2006 with an option for renewal. The Contract also provides an option to the Consortium to purchase the EPF by provision of 45 days written notice at the price and in accordance with the provisions of the contract. Further the title and risk of damage to the EPF shall pass to the Consortium upon payment of the purchase price. Under the circumstances, the Company has recognised the lease as an asset and a liability at an amount equal to the present value of minimum lease payment and purchase price.

17.3.2 The disclosure in accordance with the Accounting Standard (AS) 19 viz. Leases is as under:

a) Value of Assets acquired under finance lease : Rs. 428.13 million
b) Net Carrying amount at the balance sheet date : Rs. 363.73 million
c) Reconciliation between the total of minimum lease payments (MLPs) and their present value (PV) at balance sheet date:

**(Rs. in million)**

| | MLPs | PV |
|---|---|---|
| Not later than one year | 192.02 | 184.89 |
| Later than one year and not later than five years | Nil | Nil |
| Later than five years | Nil | Nil |

d) Contingent rents recognised as income in the statement of profit and loss for the period: Nil
e) Total of future minimum sublease payments expected to be received under non-cancelable sub leases at the balance sheet date: Nil
f) General description of the significant leasing arrangement as described in para above.

**17.4 Jointly Controlled Entities :**

ONGC's share in assets, liabilities, income, expenses, contingent liabilities and capital commitments of Jointly Controlled Entities **ONGC Mittal Energy Limited** and **Petronet LNG Ltd.** is as below:

**(Rs. in million)**

| Description | 31.03.2006 | 31.03.2005 |
|---|---|---|
| i) **Assets** | | |
| - Long Term assets | **2,328.50** | 2,362.82 |
| - Investments | **3,027.84** | 22.36 |
| - Current assets | **1,139.09** | 716.54 |
| - Deferred Tax Assets | **-** | 17.50 |
| ii) **Liabilities** | | |
| - Current liabilities & provisions | **260.01** | 448.08 |
| - Other liabilities | **1,620.70** | 1,574.87 |
| iii) Income | **4,821.13** | 2,448.17 |
| iv) Expenses | **4,529.46** | 2,501.22 |
| v) Contingent liabilities | **878.62** | 728.67 |
| vi) Capital commitments | **1,370.72** | 247.80 |
| vii) Deferred Tax Liability | **75.63** | 17.50 |

18 The Company has physical verification system of Inventory, Fixed Assets and Capital Stores in a phased manner at regular intervals and reconciliation with general ledger balances. Adjustment of differences in books of accounts, if any, is carried out after examination of these differences, a few of which are in progress.

19 Some of the balances of Debtors, Creditors and Loans and Advances are subject to confirmation/ reconciliation, Adjustments, if any, will be accounted on receipt/ confirmation of the same.

20 Information as per Accounting Standard (AS)18 on Related Party Disclosures is given below:

20.1 Name of the Related parties and description of relationship (excluding with State Controlled Entities): -

| | | |
|---|---|---|
| **Joint Ventures (In India)** | i | Ravva |
| | ii | PY-3 |
| | iii | Panna, Mukta & Tapti |
| | iv | Petronet LNG Ltd. |
| | v | CB-OS-1 |
| | vi | CB-OS-2 |
| | vii | GK-OSJ-3 |
| | viii | GS-OSN-2003/1 |
| | ix | KG-DWN-98/2 |
| | x | CB-ONN-2001/1 |
| | xi | CB-ONN-2002/1 |
| | xii | RJ-ON-90/1 |
| | xiii | GV-ONN-97/1 |
| | xiv | CB-ON/7 |
| | xv | GV-ONN-2003/1 |
| | xvi | VN-ONN-2003/1 |
| | xvii | RJ-ONN-2003/1 |
| | xviii | AN-DWN-2003/II |
| **Joint Ventures (Outside India)** | i | Vietnam Project |
| | ii | Sakhalin Project |
| | iii | Myanmar Project |
| | iv | Iran Project |
| | v | Libya Project |
| | vi | Syria Project |
| | vii | Block 5A Project |
| | viii | Block 5B Project |
| | ix | Egypt Project |
| | x | Nigeria /STP Project |
| | xi | Sudan Pipeline Project |
| | xii | ONGC Mittal Energy Limited, Cyprus |

20.2 **Key Management Personnel:-**

Functional Directors:

i) Shri Subir Raha, C&MD (Up to 24.05.2006)
ii) Shri R.S. Sharma (holding additional charge of C&MD w.e.f. 25.05.2006)
iii) Shri Y. B. Sinha (Up to 04.05.2005)
iv) Shri Nathu Lal (Up to 30.04.2005)
v) Dr. A. K. Balyan
vi) Shri A.K. Hazarika
vii) Shri N.K. Mitra
viii) Shri U. N. Bose (w.e.f. 27.09.2005)
ix) Shri D.K. Pande (w.e.f. 23.09.2005)
x) Shri R.S.Butola, Managing Director (OVL)
xi) Shri D.K. Sarraf
xii) Ir. A R Baron Mackay Holding B. V.
xiii) Dr. C M Lamba
xiv) Shri R Rajamani, Managing Director (MRPL)
xv) Shri L K Gupta

### 20.3 Details of Transactions

(Rs. in million)

| Particulars | Joint Ventures | Key Management Personnel | Total |
|---|---|---|---|
| Amount paid /payable for Oil Transfer Services (Ravva) | 19.71<br>(33.39) | | 19.71<br>(33.39) |
| Amount received for use of Drill Site Accommodation (Ravva) | 9.68<br>(8.50) | | 9.68<br>(8.50) |
| Receipt towards transportation and Processing Charges (Panna Mukta) | 1267.93<br>(724.02) | | 1267.93<br>(724.02) |
| Receipt towards transportation and Processing Charges (Panna Mukta) | 1133.26<br>(0) | | 1133.26<br>(0) |
| Amount paid for differential processing losses for Panna Mukta gas | 657.12<br>(0) | | 657.12<br>(0) |
| Amount received for substituted gas (Panna Mukta) | 514.03<br>(0) | | 514.03<br>(0) |
| Amount paid for purchase of Tapti Condensate | 2490.03<br>(0) | | 2490.03<br>(0) |
| Interest Income | 20.20<br>(3.87) | | 20.20<br>(3.87) |
| Income from rendering services | 443.40<br>(101.47) | | 443.40<br>(101.47) |
| Remuneration to Directors (As per 20.2 above) | | 13.77<br>(9.87) | 13.77<br>(9.87) |
| Amount Outstanding (Ravva) | 6.54<br>(2.74) | 1.34<br>(0) | 7.88<br>(2.74) |

### 21 Capital commitments (net of advances) not provided for

a) in respect of Company - Rs. 86,804.26 million (Previous year Rs. 42,718.39 million). Current year includes Capital Commitments amounting to Rs. 9,439.53 million where the company has 100% participating interest.

b) in respect of Joint Ventures - Rs. 14,938.07 million (Previous year Rs. 2,627.01 million).



### 22 Contingent Liability

22.1 Claims against the Company not acknowledged as debts which in the opinion of the Management are not tenable/under appeal at various stages: -

(Rs. in million)

| | | | As at 31st March, 2006 | As at 31st March, 2005 |
|---|---|---|---|---|
| i) | **in respect of Company :** | | | |
| | **i.** | Income tax matters | **22,892.06** | 13,180.74 |
| | ii. | Excise Duty matters | **4,743.78** | 1,760.25 |
| | **iii.** | Custom Duty matters | **1,449.77** | 1,466.51 |
| | **iv.** | Royalty | **490.25** | 360.64 |
| | **v.** | Cess | **87.85** | 0.89 |
| | **vi.** | Sales Tax | **3,460.53** | 3,255.94 |
| | **vii.** | Municipal Corporation | **84.50** | 84.50 |
| | **viii.** | Specified Land Tax (Assam) | **735.76** | 0.00 |
| | **ix.** | Claims of contractors in Arbitration/Court | **18,302.55** | 18,134.82 |
| | **x.** | in respect of other matters | **7,436.35** | 5,184.39 |
| | **Sub Total** | | **59,683.40** | **43,428.68** |
| ii) | **in respect of Joint Ventures** | | | |
| | **i.** | Income tax matters | **8.91** | 8.91 |
| | **ii.** | Custom Duty matters | **3,818.37** | 3,693.28 |
| | **iii.** | Royalty | **240.04** | 167.12 |
| | **iv.** | Cess | **7.76** | 7.76 |
| | **v.** | Sales Tax | **1,926.80** | 1,926.80 |
| | **vi.** | Claim of GOI for additional Profit Petroleum | **5,082.30** | 4,985.60 |
| | **vii.** | Claims of contractors in Arbitration/Court | **68.45** | 89.80 |
| | **viii.** | in respect of other matters | **2,865.34** | 2607.22 |
| | **Sub Total** | | **14,017.97** | **13,486.49** |
| | **Total** | | **73,701.37** | **56,915.17** |

**22.2 Bank Guarantees given by the Company Rs. 358.15 million (Previous year Rs. 206.98 million)**

**22.3 Guarantees executed by the company on behalf of its wholly owned subsidiary ONGC Videsh Limited in favour of:-**

(Rs. in million)

| Sl.No | Details | Guarantee Amount | Amount Outstanding |
|---|---|---|---|
| 1 | National Iranian Oil Company, USD 10.80 million. | 482.33<br>(473.15) | 482.33<br>(473.15) |
| 2 | National Oil Company of Tripoli, Libya, USD 15.974 million for Block NC-188 & NC-189, Libya | 713.40<br>(699.82) | 713.40<br>(699.82) |
| 3 | M/s Roseneft-S, R N Astra, SMNG-S and Exxon-N to the extent of USD 2,770 million (previous year USD 2,770 million) in terms of Assignment and Carry Finance Agreements in respect of Sakhalin-I Project (out of this ONGC Videsh Ltd has already made remittances aggregating USD 2,552.17 million(previous year USD 1,639.20 million) and balance outstanding is USD 217.83 million (Previous year USD 1,130.80 million) | 123,708.20<br>(121,353.70) | 9,728.29<br>(49,540.35) |
| 4 | Talisman Energy Inc to the extent of USD 720.00 million (previous year USD 720.00 million) in terms of the Purchase and Sale Agreement in respect of acquisition of 25% participating interest in Greater Nile Oil Project, Sudan. Balance outstanding as on 31.3.2006 is USD 5.925 million. (Previous year USD 5.925 million). | 32,155.20<br>(31,543.20) | 264.61<br>(259.57) |
| 5 | National Oil Company of Tripoli, Libya, USD 12.50 million for Block 81-I, Libya | 558.25<br>(-) | 558.25<br>(-) |
| 6. | Performance Guarantee to Govt. of Qatar for Najwat Najem Oil Structure, Qatar without any financial ceiling. However, financial commitment of USD 8.00 million is involved at this stage. | 357.28<br>(-) | 357.28<br>(-) |

**22.4 Guarantees executed by the company on behalf of Petronet LNG Limited in favour of:**

(Rs in million)

| Sl. No. | Details | Guarantee Amount | Amount Outstanding |
|---|---|---|---|
| 1 | Certain banks towards short term loans granted to Petronet LNG Limited (a company which is promoted by the Company together with three other co-promoters) to the extent of Rs. 14,000 million out of which Company's share is Rs. 3,500 million. Balance outstanding as on 31.03.2006 is Nil. | -<br>(3,500.00) | -<br>(-) |

**22.5 Guarantee given by the MRPL on behalf of NMPT:**

(Rs in million)

| Sl. No. | Details | Guarantee Amount | Amount Outstanding |
|---|---|---|---|
| 1 | Guarantee given by the MRPL towards loan of Rs. 3,372.30 million sanctioned by certain bankers/financial institutions to New Mangalore Port Trust (NMPT) for construction of Jetties. | 3,372.30<br>(3,372.30) | 735.62<br>(1,018.12) |

**22.6 Guarantees executed by OVL on behalf of its wholly owned subsidiary, ONGBV in favour of:**

(Rs in million)

| Sl. No. | Details | Guarantee Amount | Amount Outstanding |
|---|---|---|---|
| 1 | Shell Brazil Holding BV (on behalf of ONGC Nile Ganga BV, Netherlands in respect of Block BC-10, Brazil Project for acquisition of Participating Interest). | 893.20<br>(0) | 893.20<br>(0) |

**23. The Consolidated Segment Information as per Accounting Standard AS-17 for the Company is given below**

(Rs. in million)

| Particulars | 2005-06 | | | | | | 2004-05 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | In India | | | Outside India | Unallocated | Grand Total | In India | | | Outside India | Unallocated | Grand Total |
| | E&P | | Refining | | | | E&P | | Refining | | | |
| | Offshore | Onshore | | | | | Offshore | Onshore | | | | |
| **Revenue** | | | | | | | | | | | | |
| External Sales | 341941.53 | 148393.90 | 284833.72 | 77667.98 | 5275.55 | **858112.68** | 316894.16 | 155125.55 | 210028.14 | 58882.49 | 2881.68 | **743812.02** |
| Inter Segment Sales | (61929.10) | 0.00 | (34279.60) | (4915.10) | 0.00 | **(101123.80)** | (56093.22) | 0.00 | (52004.42) | (4085.06) | 0.00 | **(112182.70)** |
| **Total Revenue** | **280012.43** | **148393.90** | **250554.12** | **72752.88** | **5275.55** | **756988.88** | **260800.94** | **155125.55** | **158023.72** | **54797.43** | **2881.68** | **631629.32** |
| **Results** | | | | | | | | | | | | |
| Segment Result Profit(+)/Loss(-) | 169906.11 | 34146.14 | 8868.89 | 13870.83 | 0.00 | **226791.97** | 161242.20 | 28900.11 | 17459.07 | 13044.38 | 0.00 | **220645.76** |
| Unallocated Corporate Expenses | 0.00 | 0.00 | 0.00 | 0.00 | 4514.15 | **4514.15** | 0.00 | 0.00 | 0.00 | 0.00 | 5181.92 | **5181.92** |
| **Operating Profit** | **169906.11** | **34146.14** | **8868.89** | **13870.83** | **(4514.15)** | **222277.82** | **161242.20** | **28900.11** | **17459.07** | **13044.38** | **(5181.92)** | **215463.84** |
| Interest | 0.00 | 0.00 | 0.00 | 0.00 | 1597.39 | **1597.39** | 0.00 | 0.00 | 0.00 | 0.00 | 1643.46 | **1643.46** |
| Interest/Dividend Income | 0.00 | 0.00 | 0.00 | 0.00 | 12721.87 | **12721.87** | 0.00 | 0.00 | 0.00 | 0.00 | 10802.11 | **10802.11** |
| Income Taxes | 0.00 | 0.00 | 0.00 | 0.00 | 84932.43 | **84932.43** | 0.00 | 0.00 | 0.00 | 0.00 | 79416.33 | **79416.33** |
| Profit from Ordinary Activities | **169906.11** | **34146.14** | **8868.89** | **13870.83** | **(78322.10)** | **148469.87** | **161242.20** | **28900.11** | **17459.07** | **13044.38** | **(75439.60)** | **145206.16** |
| Extraordinary Gain* | 6405.39 | 0.00 | 0.00 | 0.00 | 0.00 | **6405.39** | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| **Net Profit** | **176311.50** | **34146.14** | **8868.89** | **13870.83** | **(78322.10)** | **154875.26** | **161242.20** | **28900.11** | **17459.07** | **13044.38** | **(75439.60)** | **145206.16** |
| **Other Information** | | | | | | | | | | | | |
| **Segment Assets** | 336672.46 | 161178.01 | 83256.93 | 208951.09 | 0.00 | **790058.49** | 296187.62 | 140891.95 | 81393.93 | 142872.22 | 0.00 | **661345.72** |
| Unallocated Corporate Assets | 0.00 | 0.00 | 0.00 | 0.00 | 140141.02 | **140141.02** | 0.00 | 0.00 | 0.00 | 0.00 | 128643.60 | **128643.60** |
| **Total Assets** | **336672.46** | **161178.01** | **83256.93** | **208951.09** | **140141.02** | **930199.51** | **296187.62** | **140891.95** | **81393.93** | **142872.22** | **128643.60** | **789989.32** |
| **Segment Liabilities** | 172365.08 | 25920.69 | 57691.41 | 173630.59 | 0.00 | **429607.77** | 124666.24 | 20434.49 | 60422.01 | 126464.73 | 0.00 | **331987.47** |
| Unallocated Corporate Liabilities | 0.00 | 0.00 | 0.00 | 0.00 | (67088.69) | **(67088.69)** | 0.00 | 0.00 | 0.00 | 0.00 | (28198.24) | **(28198.24)** |
| **Total Liabilities** | **172365.08** | **25920.69** | **57691.41** | **173630.59** | **(67088.69)** | **362519.08** | **124666.24** | **20434.49** | **60422.01** | **126464.73** | **(28198.24)** | **303789.23** |
| **Capital Expenditure** | 125015.47 | 25293.79 | 4899.16 | 31552.90 | 710.18 | **187471.50** | 87882.54 | 20197.75 | 4041.56 | 25392.88 | 1542.16 | **139056.89** |
| **Depreciation**** | 68342.78 | 13843.49 | 3541.81 | 11204.13 | 920.01 | **97852.22** | 46813.94 | 14733.54 | 3781.43 | 7669.75 | 587.75 | **73586.41** |
| **Non-cash Expenses** | 3253.50 | 87.46 | 91.58 | 395.40 | 96.78 | **3924.72** | 1915.45 | 902.87 | 439.00 | 12.94 | 10.97 | **3281.24** |

* Excess of Insurance Claims over book value

** Also Includes Depletion, Amortization and Impairment Loss Segment Revenue in respect of Onshore segment for the year ended 31st March, 2006 includes Rs. 34,389 million (Previous Year Rs. 51,040 million) on account of trading of MRPL products a subsidiary of ONGC.

**Notes:**

(i) The matrix presentation depicts the geographical segments and business segments as primary segments.

(ii) Segments have been identified and reported taking into account the differing risks and returns, the organization structure and the internal reporting systems. These have been organized into the following main geographical and business segments:

| Geographical Segments | Business Segments |
|---|---|
| a) In India - Offshore | a) Exploration & Production |
| - Onshore | |
| b) Outside India. | b) Refining |

(iii) Segment Revenue, Results, Assets and Liabilities include the respective amounts identifiable to each of the segments and amount allocated on reasonable basis. Un-allocated includes common expenditure incurred for all the segments and expenses incurred at the corporate level.

(iv) The external sales shown under segment revenue includes sales, income from pipeline transportation receipts, other income (excluding interest and dividend income of Rs. 12,690.25 million) and prior period income of Rs.(394.78) million.

**24 Details of Oil and Gas Reserves (as determined by Reserve Estimates Committee)**

**24.1 Company's share of Proved Reserves on the geographical basis as on 31st March, 2006 is as under:-**

| | Details | Crude Oil (MMT)* | | Gas (Billion Cubic Meter) | | Total Oil Equivalent (MMT)* | |
|---|---|---|---|---|---|---|---|
| | | As on 31-3-2006 | As on 31-3-2005 | As on 31-3-2006 | As on 31-3-2005 | As on 31-3-2006 | As on 31-3-2005 |
| Offshore | **Opening** | 227.930 | 237.920 | 177.637 | 192.724 | **405.567** | **430.644** |
| | Addition | 1.920 | 9.840 | 2.249 | 4.779 | **4.169** | **14.619** |
| | **Deduction** | | | | | | |
| | Sale/transfer | | | | | | |
| | Production | 18.100 | 19.830 | 19.356 | 19.866 | **37.456** | **39.696** |
| | **Closing** | 211.750 | 227.930 | 160.530 | 177.637 | **372.280** | **405.567** |
| Onshore | **Opening** | 194.050 | 185.830 | 154.850 | 154.132 | **348.900** | **339.962** |
| | Addition | 5.590 | 16.980 | 4.127 | 6.601 | **9.717** | **23.581** |
| | **Deduction** | | | | | | |
| | Sale/transfer | | 0.450 | 0.051 | 0.392 | **0.051** | **0.842** |
| | Production | 8.090 | 8.310 | 5.611 | 5.491 | **13.701** | **13.801** |
| | **Closing** | 191.550 | 194.050 | 153.315 | 154.850 | **344.865** | **348.900** |
| Vietnam | **Opening** | 0.719 | 0.758 | 18.122 | 19.471 | **18.841** | **20.229** |
| | Addition | | | | | | |
| | **Deduction** | | | | | | |
| | Sale/transfer | | | | | | |
| | Production | 0.036 | 0.039 | 1.672 | 1.349 | **1.708** | **1.388** |
| | **Closing** | 0.683 | 0.719 | 16.450 | 18.122 | **17.133** | **18.841** |
| Sakhalin | **Opening** | 61.400 | 61.400 | 97.000 | 97.000 | **158.400** | **158.400** |
| | Addition | | | | | | |
| | **Deduction** | | | | | | |
| | Sale/transfer | | | | | | |
| | Production | 0.178 | | 0.083 | | **0.261** | |
| | **Closing** | 61.222 | 61.400 | 96.917 | 97.000 | **158.139** | **158.400** |
| GNOP Sudan | **Opening** | 20.703 | 20.398 | | | **20.703** | **20.398** |
| | Addition | 6.175 | 3.980 | | | **6.175** | **3.980** |
| | **Deduction** | | | | | | |
| | Sale/transfer | | | | | | |
| | Production | 3.413 | 3.675 | | | **3.413** | **3.675** |
| | **Closing** | 23.465 | 20.703 | | | **23.465** | **20.703** |
| Block 5a Sudan | **Opening** | | | | | | |
| | Addition | 5.180 | | | | **5.180** | |
| | **Deduction** | | | | | | |
| | Sale/transfer | | | | | | |
| | Production | | | | | | |
| | **Closing** | 5.180 | | | | **5.180** | |
| AFPC, Syria | **Opening** | | | | | | |
| | Addition | 3.230 | | | | **3.230** | |
| | **Deduction** | | | | | | |
| | Sale/transfer | | | | | | |
| | Production | 0.957 | | | | **0.957** | |
| | **Closing** | 2.273 | | | | **2.273** | |

24.2 **Company's share of Proved and Developed Reserves on the geographical basis as on 31st March, 2006 is as under:-**

| | Details | Crude Oil (MMT)* | | Gas (Billion Cubic Meter) | | Total Oil Equivalent (MMT)** | |
|---|---|---|---|---|---|---|---|
| | | As on 31-3-2006 | As on 31-3-2005 | As on 31-3-2006 | As on 31-3-2005 | As on 31-3-2006 | As on 31-3-2005 |
| Offshore | **Opening** | 193.580 | 198.780 | 126.539 | 141.066 | **320.119** | **339.846** |
| | Addition | 17.370 | 14.630 | 6.409 | 5.338 | **23.779** | **19.968** |
| | **Deduction** | | | | | | |
| | Sale/transfer | | | | | | |
| | Production | 18.100 | 19.830 | 19.356 | 19.866 | **37.456** | **39.696** |
| | **Closing** | 192.850 | 193.580 | 113.592 | 126.539 | **306.442** | **320.119** |
| Onshore | **Opening** | 152.870 | 138.920 | 120.087 | 120.476 | **272.957** | **259.396** |
| | Addition | 4.090 | 22.260 | 2.959 | 5.354 | **7.049** | **27.614** |
| | **Deduction** | | | | | | |
| | Sale/transfer | | | | 0.252 | | **0.252** |
| | Production | 8.090 | 8.310 | 5.611 | 5.491 | **13.701** | **13.801** |
| | **Closing** | 148.870 | 152.870 | 117.435 | 120.087 | **266.305** | **272.957** |
| Vietnam | **Opening** | 0.712 | 0.751 | 14.567 | 15.916 | **15.279** | **16.667** |
| | Addition | | | | | | |
| | **Deduction** | | | | | | |
| | Sale/transfer | | | | | | |
| | Production | 0.036 | 0.039 | 1.672 | 1.349 | **1.708** | **1.388** |
| | **Closing** | 0.676 | 0.712 | 12.895 | 14.567 | **13.571** | **15.279** |
| Sakhalin | **Opening** | | | | | | |
| | Addition | 1.600 | | 0.640 | | **2.240** | |
| | **Deduction** | | | | | | |
| | Sale/transfer | | | | | | |
| | Production | 0.178 | | 0.083 | | **0.261** | |
| | **Closing** | 1.422 | | 0.557 | | **1.979** | |
| GNOP Sudan | **Opening** | 18.215 | 15.386 | | | **18.215** | **15.386** |
| | Addition | 2.865 | 3.480 | | | **2.865** | **3.480** |
| | **Adjustment** | | 3.024 | | | | **3.024** |
| | **Deduction** | | | | | | |
| | Sale/transfer | | | | | | |
| | Production | 3.413 | 3.675 | | | **3.413** | **3.675** |
| | **Closing** | 17.667 | 18.215 | | | **17.667** | **18.215** |
| AFPC, Syria | **Opening** | | | | | | |
| | Addition | 2.654 | | | | **2.654** | |
| | **Deduction** | | | | | | |
| | Sale/transfer | | | | | | |
| | Production | 0.957 | | | | **0.957** | |
| | **Closing** | 1.697 | | | | **1.697** | |

* Crude includes oil condensate.
** For calculating OEG 1000 M3 of Gas has been taken to be equal to 1 MT of Crude Oil.
Variations in totals, if any, are due to internal summation and rounding off.

The consultant engaged by the Company had suggested net downward revision of Oil Equivalent Reserves to the extent of 1.99 Million Tonne (comprising reduction of 0.42 Million Tonnes condensate and 3.71 Billion Cubic Meters gas in Proved Reserves, increase of 0.06 Million Tonnes condensate and 1.10 BCM gas in Probable Reserves and 0.17 Million Tonnes condensate and 0.81 Billion Cubic Meters gas in Possible Reserves) in respect of Block 06.1, Vietnam Project. The reduction in Proved and Developed Oil Equivalent Reserves suggested by the Consultant was 2.99 Million Tonnes comprising 0.42 Million Tonnes of Condensate and 2.57 Billion Cubic Meters of gas. The revision has not been accepted by the Operator and separate Reserve assessment based on pressure/ production studies is being carried out by them. Appropriate adjustments, if any, will be made on receipt of Operator's assessment.

The Reserves in respect of Sakhalin-1, Russia Project are based on the Declaration of Commerciality accepted by Consortium members and approved by Russian authorities. Downward revision of total hydrocarbon volume (Proved plus Probable plus Possible Reserves plus Contingent Resources) suggested by the consultant was 3.13 Million Tonne of Oil Equivalent comprising increase in ultimate recoverable volume of oil by 5.17 Million Tonne and decrease in ultimate recoverable volume of gas by 8.30 Billion Cubic Meter. The consultant had placed Chayvo Phase-1 reserves only in Proved category i.e. 11.0 Million Tonne of oil and 11.4 Billion Cubic Meter of gas because in his view, for other phases/fields, firm export contract and approval for export pipeline does not exist at present. The Consortium is, however, confident of making tie-ups for gas, get approval for pipeline and has initiated efforts towards that. Further, the development plan in respect of the entire Proved Reserves shown above has already been approved by the Russian authorities. For these reasons, the Company has not accepted the Consultant's categorization.

## 25. i) DETAILS OF EXPENDITURE

Expenditure incurred during the year on Production, Selling and Distribution, Operation and Maintenance of Pipelines, Exploration, Drilling and Development

**(Rupees in million)**

| | | 2005-06 | 2004-05 |
|---|---|---|---|
| Manpower Cost: | | | |
| (a) Salaries, Wages, Ex-gratia etc. | **24,993.50** | | 21,768.47 |
| (b) Contribution to Provident and other funds | **1,558.68** | | 1,404.91 |
| (c) Provision for gratuity | **945.61** | | 1,340.07 |
| (d) Provision for leave encashment | **1,506.40** | | 1,713.26 |
| (e) Staff welfare expenses | **2,089.20** | **31,093.39** | 2,065.12 |
| Consumption of Raw Materials, Store and Spares | | **182,246.66** | 118,860.63 |
| Cess | | **40,804.29** | 42,457.84 |
| Natural Calamity Contingent Duty - Crude Oil | | **1,047.73** | 1,127.28 |
| Excise Duty | | **35,140.32** | 25,420.19 |
| Royalty | | **85,228.26** | 65,694.96 |
| Sales Tax | | **11,139.27** | 17,442.16 |
| Octroi/BPT | | **2,773.14** | 5,670.50 |
| Service Tax | | **86.21** | 8.33 |
| Education cess | | **867.99** | 655.03 |
| Rent | | **1,067.03** | 939.20 |
| Rates and taxes | | **445.38** | 295.02 |
| Hire charges of equipments and vehicles | | **38,550.39** | 36,462.53 |
| Power, fuel and water charges | | **2,048.65** | 1,234.24 |
| Contractual drilling, logging, workover etc. | | **26,841.71** | 22,442.29 |
| Contractual security | | **1,214.54** | 1,266.54 |
| Repairs to building | | **362.63** | 202.80 |
| Repairs to plant and machinery | | **1,803.67** | 2,092.15 |
| Other repairs | | **7,351.48** | 5,292.25 |
| Insurance | | **1,688.31** | 1,958.54 |
| Miscellaneous expenditure | | **20,203.22** | 17,417.39 |
| | | **492,034.25** | **395,231.70** |
| **Less:** | | | |
| Allocated to exploration, development drilling, capital jobs recoverables etc. | | **64,983.51** | 55,652.05 |
| Excise duty | | **35,533.21** | 25,334.18 |
| Prior Period Adjustment | | **36.74** | (62.55) |
| **Production, Transportation, Selling and Distribution Expenditure etc.** | | **391,480.79** | **314,308.02** |

ii) **MANAGERIAL REMUNERATION (included in 25 above)**

(Rs in million)

| | 2005-06 | 2004-05 |
|---|---|---|
| **REMUNERATION PAID OR PAYABLE TO DIRECTORS** | | |
| **Functional Directors:** | | |
| Salaries and Allowances | 8.02 | 14.79 |
| Contribution to Provident & Other Funds | 0.58 | 0.65 |
| Other Benefits and Perquisites | 2.22 | 1.86 |
| (do not include cost of medical treatment availed from the Corporation's own medical facilities as the amount is not determinable) | | |
| Leave Encashment and Gratuity of retired directors | 1.91 | 1.00 |
| **Independent Directors:** | | |
| Sitting Fees | 0.93 | 1.34 |
| | 13.66 | 19.64 |

**Note:**

The remuneration does not include provision for gratuity/leave encashment since the same is not available for individual employees except for directors retired during the year.

iii) **AUDITORS' REMUNERATION (included in 25 above)**

(Rs in million)

| | 2005-06 | 2004-05 |
|---|---|---|
| Audit Fees | 5.95 | 5.49 |
| For Certification work etc. | 4.12 | 3.80 |
| Travelling and Out of Pocket Expenses | 7.82 | 4.94 |
| | 17.89 | 14.23 |

26. Previous year's figures have been regrouped/ reclassified wherever necessary to conform to current year's classification.

27. Figures in bracket as given in Notes to Accounts relate to previous year.

28. Figures in the accounts are stated in Rs. millions except those in parenthesis which would otherwise have become Nil on account of rounding off.

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2006

(Rupees in million)

| | Year Ended 31st March, 2006 | | Year Ended 31st March, 2005 | |
|---|---|---|---|---|
| **A. CASH FLOW FROM OPERATING ACTIVITIES:** | | | | |
| Profit before tax, prior period and extraordinary items | | 239,545.49 | | 224,826.79 |
| Adjustments For: | | | | |
| Recouped Costs | | | | |
| (Represented by Depreciation, Depletion and Amortisation) | | | | |
| Gross Amount | 98,177.61 | | 73,445.94 | |
| Cash Outflows | (30,420.56) | | (28,968.69) | |
| | 67,757.05 | | 44,477.25 | |
| - Interest on Borrowings | 1,619.78 | | 1,638.10 | |
| - Foreign Exchange Loss/(Gain) | (901.67) | | 537.56 | |
| - Preliminary Expenses | 0.00 | | 1.01 | |
| - Provision for Gratuity | 899.08 | | 1,274.23 | |
| - Provision for Leave Encashment | 539.76 | | 703.28 | |
| - Provision for Impairment | (325.39) | | 140.47 | |
| - Miscellaneous Expenditure written off | 305.27 | | 306.87 | |
| - Other Provision and Write offs | 2,126.97 | | 2,487.70 | |
| - Interest Income | (11,724.82) | | (10,125.63) | |
| - Deferred Government Grant | (10.38) | | (10.46) | |
| - Dividend Received | (1,574.34) | 58,711.31 | (2,509.00) | 38,921.38 |
| Operating Profit before Working Capital Changes | | 298,256.79 | | 263,748.17 |
| Adjustments for:- | | | | |
| - Debtors | (3,709.91) | | (21,001.36) | |
| - Loans and Advances | (3,192.31) | | (5,320.59) | |
| - Other Current Assets | 80.67 | | (92.03) | |
| - Deferred Revenue Expenditure/ Miscellaneous Exp. W/off | 1,648.28 | | 87.98 | |
| - Inventories | (7,553.73) | | (8,321.48) | |
| - Trade Payable and Other Liabilities | 6,253.76 | (6,473.25) | 21,619.26 | (13,028.22) |
| Cash generated from Operations | | 291,783.54 | | 250,719.95 |
| Direct Taxes Paid (Net of tax refund) | | (82,430.17) | | (70,424.36) |
| Cash Flow before prior period and Extra ordinary Items | | 209,353.37 | | 180,295.59 |
| Prior period items | | (1,116.07) | | 148.57 |
| Insurance Claims Received for BHN | | 8,154.23 | | 0.00 |
| **Net Cash Flow from Operating Activities 'A'** | | 216,391.53 | | 180,444.16 |
| **B. CASH FLOW FROM INVESTING ACTIVITIES:** | | | | |
| Purchase of Fixed Assets (Net) | | (57,589.66) | | (54,624.25) |
| Exploratory and Development Drilling/ Board Approved and Contracted/ Board Approved Projects | | (56,240.23) | | (49,406.25) |
| Purchase of Investments (Net) | | (8,950.56) | | 3,843.67 |
| Refund of Advance for Shares | | 0.00 | | 12.50 |
| Loans to ONGC Mittal Energy Limited | | (37.66) | | 0.00 |
| Investment in Subsidiary | | (1,086.82) | | (316.80) |
| Loans and advances to Subsidiary | | (400.59) | | 0.00 |
| Foreign Currency Translation Adjustment | | 395.89 | | 0.00 |
| Share of Profit in Associate Companies | | 106.78 | | 113.47 |
| Investment in Associate Companies | | (38.18) | | (75.78) |
| Adjustment of Preoperative expenditure | | 0.00 | | 323.92 |
| Advance to SMNG-S & RN ASTRA | | (20,531.41) | | (13,432.55) |
| Dividend Received from Trade Investments | | 1,554.74 | | 2,509.00 |
| Interest Received | | 9,731.18 | | 9,322.57 |
| **Net Cash Flow from Investing Activities 'B'** | | (133,086.53) | | (101,730.49) |

*Contd. ...*

(Rupees in million)

| | Year Ended 31st March, 2006 | Year Ended 31st March, 2005 |
|---|---|---|
| **C. CASH FLOW FROM FINANCING ACTIVITIES:** | | |
| Proceeds from issue of Share Capital | **0.47** | 0.36 |
| Proceeds from Government Grants | **11.16** | 5.82 |
| Proceeds from Line of Credit | **(8,550.00)** | 8,550.00 |
| Proceeds/(Repayment) of Term Loans | **(2,096.11)** | (32,446.39) |
| Cash Credit Advance | **(8,137.94)** | 1,155.26 |
| Dividend Paid | **(64,893.42)** | (42,691.53) |
| Tax on Dividend | **(9,146.68)** | (5,590.55) |
| Interest Paid | **(1,674.35)** | (1,955.74) |
| **Net Cash Flow from Financing Activities 'C'** | **(94,486.87)** | **(72,972.77)** |
| Net increase/(decrease) in Cash and Cash Equivalents (A+B+C) | **(11,181.87)** | **5,740.90** |
| Cash and Cash Equivalents as at 1st April, 2005 (Opening Balance) | **102,195.41** | **96,454.51** |
| Cash and Cash Equivalents as at 31st March,2006 (Closing Balance) | **91,013.54** | **102,195.41** |

**Notes:**

1. The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard-3 on Cash Flow Statements issued by The Institute of Chartered Accountants of India.
2. Adjustments have not been made to "Purchase of Fixed Assets" (Investing Activities), on account of increase/decrease in Capital Creditors. The impact of the above is not readily ascertainable.
3. Cash and Cash equivalents represent:-

(Rupees in million)

| | 2005-06 | 2004-05 |
|---|---|---|
| a) Cash and Bank Balances (Schedule 13A) | **45,721.13** | 66,034.80 |
| b) Deposits with Bank under Site Restoration Fund Scheme (Schedule 13B) | **45,335.56** | 36,180.55 |
| TOTAL | **91,056.69** | 102,215.35 |

4. Cash balances in respect of MRPL include cheques in hand and balance with scheduled banks and excludes balances in current account/deposit account of interest warrant/refund accounts, under lien, pledge with banks/Govt. authorities Rs. 43.15 million (Previous year Rs. 19.95 million).
5. Bracket indicates cash outflow.
6 Previous years figures have been regrouped wherever necessary to conform to current year's classification.

For and On behalf of the Board

S. C. Setia
**Company Secretary**

Dr. A.K. Balyan
**Director (HR)**

R. S. Sharma
**Chairman & Managing Director/ Director(Finance)**

**In terms of our report of even date attached**

**For K.K.Soni & Co.**
**Chartered Accountants**
K. K. Soni
**Partner (Mem. No. 07737)**

**For S. Bhandari & Co.**
**Chartered Accountants**
S.S.Bhandari
**Partner (Mem. No. 11332)**

**For S.C. Ajmera & Co**
**Chartered Accountants**
S. C. Ajmera
**Partner (Mem. No. 81398)**

**For Brahmayya & Co.**
**Chartered Accountants**
V. Seetaramaiah
**Partner (Mem. No. 03848)**

**For Lodha & Co.**
**Chartered Accountants**
H.K.Verma
**Partner (Mem. No. 55104)**

New Delhi
June 26, 2006