AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF ONGC VIDESH LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF ONGC VIDESH LIMITED, AND ITS SUBSIDIARIES AND JOINT VENTURE

1. We have examined the attached Consolidated Balance Sheet of **ONGC Videsh Limited** and its subsidiaries and joint venture as at March 31, 2006, the Consolidated Profit and Loss Account and Consolidated Cash Flow Statement for the year ended on that date. These Financial Statements are the responsibility of the ONGC Videsh Limited's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with generally accepted auditing standards 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 statements. We believe that our audit provides a reasonable basis for our opinion.

3. We did not audit the financial statements of ONGC Nile Ganga BV, the subsidiary company, whose financial statements reflect total assets of Rs. 37,094.31 million as at March 31, 2006 and total revenues of Rs.65,187.36 million for the year ended on that date. The financial statements of the subsidiary, have been audited by the other auditors, viz.Ernst & Young, Accountants, whose report has been furnished to us and our opinion, in so far it relates to the amounts included in respect of the subsidiary is based solely on the report of the other auditors.

4. We did not audit the financial statements of ONGC Mittal Energy Limited, the 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. The financial statements of the joint venture, have been certified by the management , whose certificate has been furnished to us, and our opinion, in so far it relates to the amounts included in respect of the joint venture, is based solely on the certificate of the management.

5. We did not audit the financial statements of ONGC Narmada Limited and ONGC Bonny Brahmaputra Limited, the subsidiary companies, 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. The financial statements of these subsidiary companies, have been certified by management, whose certificates have been furnished to us, and our opinion, in so far it relates to the amounts included in respect of these subsidiary companies, is based solely on the certificates of the management.

6. We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, "Consolidated Financial Statements", and Accounting Standard (AS) 27, "Financial Reporting of Interest in Joint Ventures", issued by the Institute of Chartered Accountants of India.

7. Categorization of expenditure on project in Development & Exploratory Well-in-Progress, Producing Properties and Capital Work-in-Progress, allocation of cost incurred on them, depletion of producing properties including goodwill amortization, provision for abandonment cost and impairment, allocation of depreciation on fixed assets (including support equipment and facilities) are made according to evaluation by the management, technical and/or otherwise on which, we have placed reliance.

8. **(a) The incorporation of Company's (i.e. ONGC Videsh Ltd.) share of Assets, Liabilities, Incomes and Expenses in the Joint Ventures is based on unaudited financial statements (except the Joint Ventures in respect of Sudan Pipeline Project and Iran Project, which are audited) as provided by the respective operators of Joint Ventures. (Please Refer Note No. 8 of Schedule-'26').**

   (b) The financial statements of ONGC Mittal Energy Limited (joint venture) AND ONGC Narmada Limited and ONGC Bonny Brahmaputra Limited (Subsidiary Companies) which are consolidated here are unaudited(Please refer note no.1 of Schedule-'26').

   Subject to our comments in paragraph 8 (a) & (b) above, we report that on the basis of the information and explanation given to us and on the consideration of the separate audit reports on audited financial statements of the Company and its subsidiary, we are of the opinion that the Consolidated Financial Statements read together with the notes in Schedule-'26' give a true and fair view:

a) In the case of the Consolidated Balance Sheet, of the consolidated state of affairs of ONGC Videsh Limited and its subsidiaries and joint venture as at March 31, 2006; and

b) In the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of ONGC Videsh Limited and its subsidiaries and joint venture for the year ended on that date and

c) In case of Consolidated Cash Flow Statement of the Consolidated Cash Flow of ONGC Videsh Limited and its subsidiaries and joint venture for the year ended on that date.

For ASHOK PRAVEEN & CO.
Chartered Accountants

New Delhi
June 15, 2006

(Ashok Gupta)
Partner
M. No.81882

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2006

(Rs. in Million)

	Schedule		As at 31st March, 2006		As at 31st March, 2005
SOURCES OF FUNDS					
SHAREHOLDERS' FUNDS					
Share Capital	1	3,000.00		3,000.00	
Reserves and Surplus	2	18,977.47		9,226.94	
			21,977.47		12,226.94
MINORITY INTEREST - Parent Company (ONGC)			6,708.24		0.00
LOAN FUNDS	3				
Secured Loan		44.18		0.00	
Unsecured Loans		159,197.66	159,241.84	116,610.15	116,610.15
DEFERRED TAX LIABILITY (Refer Note 16 of Schedule 26)			6,634.78		4,252.75
LIABILITY FOR ABANDONMENT COST			2,518.82		0.00
TOTAL			197,081.15		133,089.84
APPLICATION OF FUNDS					
FIXED ASSETS	4				
Gross Block		28,012.96		20,340.02	
Less: Depreciation		10,765.88		8,326.76	
Net Block			17,247.08		12,013.26
PRODUCING PROPERTIES (NET)	5		36,805.76		15,947.16
DEVELOPMENT AND EXPLORATORY WELLS-IN-PROGRESS	6		10,711.02		6,530.18
CAPITAL WORK-IN-PROGRESS	7		43,746.20		45,475.76
GOODWILL			14,172.16		10,752.69
CURRENT ASSETS, LOANS AND ADVANCES					
Interest Accrued	8	694.33		341.32	
Inventories	9	2,163.22		1,175.05	
Sundry Debtors	10	3,943.55		7,565.72	
Cash and Bank Balances	11	2,563.37		7,082.65	
Loans and Advances	12	76,904.40		36,060.65	
		86,268.87		52,225.39	
LESS: CURRENT LIABILITIES AND PROVISIONS					
Current Liabilities	13	11,817.67		8,628.89	
Provisions	14	52.27		1,225.71	
		11,869.94		9,854.60	
NET CURRENT ASSETS			74,398.93		42,370.79
TOTAL			197,081.15		133,089.84
STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES	25				
NOTES TO THE ACCOUNTS	26				

Schedules referred to above form an integral part of the Accounts

(Jagdish Prasad)
Company Secretary

(D.K.Sarraf)
Director (Finance)

(R.S.Butola)
Managing Director

(R.S.Sharma)
Chairman

As per our report of even date attached
For ASHOK PRAVEEN & Co.
Chartered Accountants

New Delhi
June 15, 2006

(Ashok Gupta)
Partner (M. No.81882)

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

(Rs. in Million)

	Schedule	2005-06	2004-05
INCOME			
Sales	15	77,921.87	58,511.58
Other Income	16	3,770.99	1,750.13
Increase/(Decrease) in Stocks	17	14.42	(3.29)
		81,707.28	60,258.42
EXPENDITURE			
Operating Expenditure	18	48,888.65	36,864.29
Establishment Expenditure	19	1,063.23	640.29
Recouped Costs	20	11,204.13	7,669.75
Interest and Exchange Fluctuation	21	(965.25)	277.01
Provisions and Write-Offs (Net)	22	394.17	12.84
		60,584.93	45,464.18
PROFIT BEFORE TAX AND PRIOR PERIOD ADJUSTMENTS		21,122.35	14,794.24
Prior Period Adjustments (Net)	23	4,185.34	382.74
Provision for Taxation			
Fringe Benefit Tax		8.40	0.00
Wealth Tax		13.55	0.01
Current Year Tax		5,975.16	4,212.30
Previous Year Tax		(110.73)	0.00
Deferred Tax		2,347.79	2,585.36
PROFIT AFTER TAXATION		8,702.84	7,613.83
Less: Share of Profit/ (Loss) - Minority Interest-Parent Company (ONGC)		(309.12)	0.00
Group Profit After Tax		9,011.96	7,613.83
Add: Profit / (Loss) brought forward from Last year		10,872.14	4,858.55
Balance Available for Appropriation		19,884.10	12,472.38
Proposed Dividend		0.00	1,050.00
Tax on Proposed Dividend		0.00	147.26
Transfer to General Reserve		649.45	402.98
Balance Carried to Balance Sheet		19,234.65	10,872.14
		19,884.10	12,472.38
STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES	25		
NOTES TO THE ACCOUNTS	26		

Schedules referred to above form an integral part of the Accounts

(Jagdish Prasad)
Company Secretary

(D.K.Sarraf)
Director (Finance)

(R.S.Butola)
Managing Director

(R.S.Sharma)
Chairman

As per our report of even date attached
For ASHOK PRAVEEN & Co.
Chartered Accountants

New Delhi
June 15, 2006

(Ashok Gupta)
Partner (M. No.81882)

Schedule to the Consolidated Balance Sheet

SCHEDULE - 1

(Rs. in Million)

		As at 31st March, 2006		As at 31st March, 2005
SHARE CAPITAL				
Authorised				
50,000,000 Equity Shares of Rs.100 each		5,000.00		5,000.00
Issued, Subscribed, Called and Paid Up		3,000.00		3,000.00
30,000,000 Equity Shares of Rs.100 each fully paid up in cash (The entire share capital is held by Oil and Natural Gas Corporation Limited and its nominees)				
TOTAL		3,000.00		3,000.00

SCHEDULE - 2

(Rs. in Million)

		As at 31st March, 2006		As at 31st March, 2005
RESERVES AND SURPLUS				
Capital Reserve		174.08		174.08
General Reserve				
Opening balance	1,132.50		729.52	
Add:Transfer from Profit and Loss Account	649.45	1,781.95	402.98	1,132.50
Foreign Exchange Translation Reserve		(2,213.21)		(2,951.78)
Profit and Loss Account				
Opening Balance	10,872.14		4,858.55	
Add: Addition during the year	8,362.51	19,234.65	6,013.59	10,872.14
TOTAL		18,977.47		9,226.94

SCHEDULE - 3

(Rs. in Million)

	As at 31st March, 2006	As at 31st March, 2005
LOANS		
SECURED LOANS		
Overdraft from Bank	44.18	0.00
(Secured by Fixed Deposits with Bank)		
UNSECURED LOANS		
Long Term		
Indian Rupee Loans		
From Oil Industry Development Board (Guaranteed by Oil and Natural Gas Corporation Limited)	61.25	157.13
From Oil and Natural Gas Corporation Limited	154,769.53	115,468.95
Foreign Currency Loans		
Non-Recourse Deferred Credit (In respect of Joint venture)	1,518.72	984.07
Loan from Oil and Natural Gas Corporation Limited (For AFPC, Syria Project)	2,848.16	0.00
TOTAL	159,241.84	116,610.15
Repayable within one year	296.68	168.71

Schedule to the Consolidated Balance Sheet

SCHEDULE - 4

FIXED ASSETS

(Rs. in Million)

PARTICULARS	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	As at 1st April, 2005	Additions during the year	Foreign Currency Translation Adjustment	Deletions/ Adjustments during the year	As at 31st March, 2006	Up to 31st March, 2005	For the year	Foreign Currency Translation Adjustment	Deletions/ Adjustments during the year	Up to 31st March, 2006	As at 31st March, 2006	As at 31st March, 2005
Land (Leasehold)	1,354.16	0.00	0.00	0.00	1,354.16	0.00	0.00	0.00	0.00	0.00	1,354.16	1,354.16
Building	92.68	528.64	1.01	3.56	618.77	49.97	17.24	0.82	0.30	67.73	551.04	42.71
Plant & Machinery	18,255.70	6,384.76	234.27	6.68	24,868.05	8,031.20	2,215.77	78.46	4.83	10,320.60	14,547.45	10,224.50
Plant & Machinery - Finance Lease	0.00	428.13	0.00	0.00	428.13	0.00	64.40	0.00	0.00	64.40	363.73	0.00
Computers	125.86	36.57	1.47	0.54	163.36	76.52	20.87	0.83	0.17	98.05	65.31	49.34
Vehicles	296.50	17.67	3.64	35.29	282.52	102.00	27.08	1.46	11.44	119.10	163.42	194.50
Furniture & Fittings and Equipments	215.12	45.66	3.40	(33.79)	297.97	67.07	17.21	1.01	(10.71)	96.00	201.97	148.05
TOTAL	20,340.02	7,441.43	243.79	12.28	28,012.96	8,326.76	2,362.57	82.58	6.03	10,765.88	17,247.08	12,013.26
Previous year	19,448.59	2,009.79	(1,072.64)	45.72	20,340.02	6,732.70	1,856.75	(249.36)	13.33	8,326.76	12,013.26	12,715.89
The above includes the Company's Share in Joint Venture Assets	6,390.08	7,258.92	0.00	11.58	13,637.42	4,056.87	1,397.52	0.00	5.44	5,448.95	8,188.47	2,333.21
Previous year	6,208.80	226.22	0.00	44.94	6,390.08	3,085.92	974.27	0.00	3.32	4,056.87	2,333.21	3,122.88

Schedule to the Consolidated Balance Sheet

SCHEDULE - 5

(Rs. in Million)

	As at 31st March, 2006	As at 31st March, 2005
PRODUCING PROPERTIES		
Gross		
Opening Balance	**26,355.30**	24,023.38
Acquisition Cost	**11,495.52**	0.00
Expenditure during the year	**7,640.83**	3,805.22
Transfer from Development Wells-in-Progress	**3,610.31**	0.00
Estimated Abaondonment cost	**2,518.82**	0.00
Foreign Currency Translation Adjustment	**392.80**	(1,473.30)
Total Gross (A)	**52,013.58**	**26,355.30**
Less: Depletion		
Opening Balance	**10,408.14**	8,119.00
Depletion for the year	**4,615.23**	2,951.50
Foreign Currency Translation Adjustment	**184.45**	(662.36)
Total Depletion (B)	**15,207.82**	**10,408.14**
NET PRODUCING PROPERTIES (A - B)	**36,805.76**	**15,947.16**

SCHEDULE - 6

(Rs. in Million)

	As at 31st March, 2006	As at 31st March, 2005
DEVELOPMENT AND EXPLORATORY WELLS-IN-PROGRESS		
A. Development Wells-in-Progress		
Opening Balance	**3,400.81**	1,387.06
Addition during the year	**3,710.07**	2,013.75
Adjustments during the year	**4,505.54**	0.00
Less: Transfer to Producing Properties	**3,610.31**	0.00
Foreign Currency Translation Adjustment	**7.39**	0.00
Development Wells-in-Progress (A)	**8,013.50**	**3,400.81**
B. Exploratory Wells-in-Progress		
Opening Balance	**3,129.37**	2,232.95
Addition during the year	**1,848.20**	2,858.17
Adjustments during the year	**(676.48)**	0.00
Foreign Currency Translation Adjustment	**35.80**	0.00
Less: Wells written off during the year	**1,639.37**	1,961.75
Exploratory Wells-in-Progress (B)	**2,697.52**	**3,129.37**
TOTAL WELLS-IN-PROGRESS (A + B)	**10,711.02**	**6,530.18**

SCHEDULE - 7

(Rs. in Million)

	As at 31st March, 2006	As at 31st March, 2005
CAPITAL WORK-IN-PROGRESS		
Block 06.1, Vietnam	**223.63**	19.08
Sakhalin-1 Project, Russia	**36,307.15**	40,838.00
Block XXIV, Syria	**19.81**	19.81
Block 5A, Sudan	**5,294.38**	3,450.23
Block 5B, Sudan	**1,046.95**	1,094.39
Block CI-112, Ivory Coast	**0.00**	21.44
Block 6, North Ramadan, Egypt	**31.76**	0.00
Block A3, Myanmar	**24.56**	0.00
Block 81/1, Libya	**268.92**	0.00
Najwat Najem Oil Structure, Qatar	**327.75**	0.00
GNPOC, Sudan	**201.29**	32.81
TOTAL	**43,746.20**	**45,475.76**

Schedule to the Consolidated Balance Sheet

SCHEDULE - 8

(Rs. in Million)

	As at 31st March, 2006	As at 31st March, 2005
INTEREST ACCRUED		
(Unsecured, Considered Good unless otherwise stated)		
Interest Accrued On		
Deposits with Banks	**34.88**	53.20
Carry Finance	**651.17**	280.27
Others	**8.28**	7.85
TOTAL	**694.33**	**341.32**

SCHEDULE - 9

(Rs. in Million)

		As at 31st March, 2006		As at 31st March, 2005
INVENTORIES				
Finished Goods		**33.63**		19.21
Stores and Spares	**2,181.58**		1,155.84	
Less: Provsion for Non Moving Inventory (In respect of Joint Venture)	**51.99**	**2,129.59**	0.00	1,155.84
TOTAL		**2,163.22**		**1,175.05**

SCHEDULE - 10

(Rs. in Million)

		As at 31st March, 2006		As at 31st March, 2005
SUNDRY DEBTORS				
(Unsecured)				
Debts outstanding for a period exceeding six months:				
Considered Good		**15.84**		0.10
Considered Doubtful		**0.00**		0.00
Other Debts:				
Considered Good	**3,927.71**		2,136.16	
Debtors for Pipeline Construction Contract (In respect of Joint Venture)	**0.00**	**3,927.71**	5,429.46	7,565.62
Considered Doubtful		**0.00**		0.00
TOTAL		**3,943.55**		**7,565.72**

Schedule to the Consolidated Balance Sheet

SCHEDULE - 11

(Rs. in Million)

	As at 31st March, 2006	As at 31st March, 2005
CASH AND BANK BALANCES		
A. Cash Balances		
a) At New Delhi	**0.08**	0.03
b) At HCMC,Vietnam	**0.00**	0.03
c) At Khartoum, Sudan	**2.08**	1.28
d) At Amsterdam, The Netherlands	**0.01**	
B. Balances with Scheduled Banks		
a) On Current Account	**234.58**	899.17
b) On Deposit Accounts	**61.00**	3,558.37
C. Balances with Non-Scheduled Banks		
a) On SB Account (USD) 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
b) On SB Account (VND) with Bank for Foreign Trade of Vietnam, HCMC,Vietnam (Maximum balance during the year Rs. 593.03 Million Previous year Rs. 377.74 Million)	**0.14**	0.04
c) On Current Accounts (USD) with Citi Bank, HCMC, Vietnam (Maximum balance during the year Rs. 3.69 Million Previous year Rs. 17.10 Million)	**0.44**	0.32
d) On Current Account (VND) with Citi Bank, HCMC, Vietnam (Maximum balance during the year Rs. 81.67 Million Previous year Rs. 58.06 Million)	**0.30**	0.05
e) On 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
f) On Deposit Account (VND) with Citi Bank, HCMC, Vietnam (Maximum balance during the year Rs. 44.86 Million Previous year Rs. 62.72 Million)	**42.06**	36.71
g) On Current Account (USD) with ABN Amro Bank, Sakhalin (Maximum balance during the year Rs. 1215.18 Million Previous year Nil)	**80.89**	0.00
h) On Current Account (RBL) with ABN Amro Bank, Sakhalin (Maximum balance during the year Rs. 0.27 Million Previous year Nil)	**0.15**	0.00
i) On 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
j) On Current Account (LD) with Bank of Commerce and Development, Libya (Maximum balance during the year Rs. 2.23 Million Previous year Nil)	**2.22**	0.00
k) Deutsche Bank Amsterdam - EURO (Maximum balance during the year Rs. 157.37 Million Previous year Rs. 430.10 Million)	**0.52**	2.19
l) Deutsche Bank Amsterdam - GBP (Maximum balance during the year Rs. 1,422.18 Million Previous year Rs. 595.45 Million)	**0.48**	0.46
m) ICICI Bank, London - GBP (Maximum balance during the year Rs. 8.53 Million Previous year Rs. 4.60 Million)	**3.70**	0.07
n) Mashreq Bank, Khartoum, Sudan - USD (Maximum balance during the year Rs. 21.71 Million Previous year Rs. 24.14 Million)	**0.67**	19.25
o) Mashreq Bank, Khartoum, Sudan - Sudanees Dinar (Maximum balance during the year Rs. 0.02 Million Previous year Rs. 10.52 Million)	**0.65**	1.26
D. Cash and Bank Balances (In respect of Joint Venture)	**2,131.21**	2,562.67
TOTAL	**2,563.37**	**7,082.65**

Schedule to the Consolidated Balance Sheet

SCHEDULE - 12

(Rs. in Million)

		As at 31st March, 2006		As at 31st March, 2005
LOANS AND ADVANCES				
Carry Finance to SMNG-S, Russia		**30,917.66**		17,444.68
Carry Finance to RN ASTRA, Russia		**22,834.75**		12,893.81
Carry Finance to Sudapet, Sudan		**934.31**		472.44
Loans and Advances to Employees		**36.62**		27.00
Loan to Oil India Limited		**372.16**		371.04
Advances recoverable in cash or in kind or for value to be received		**387.28**		40.55
Other Deposits		**6,362.09**		0.44
VAT Receivable		**83.82**		0.00
Investment in Lease		**7,446.57**		0.00
Deferred Debit on Transportation Cost		**0.00**		111.51
Receivable from Mittal Investements		**75.31**		0.00
Advances recoverable in cash or in kind or for value to be received* (In respect of Joint Venture)		**6,708.45**		4,639.90
Income Tax :				
Advance Payment of Income Tax	**1,264.98**		263.72	
Less: Provision	**126.09**	**1,138.89**	191.50	72.22
		77,297.91		**36,073.59**
Less: Provisions for Doubtful Loans and Advances		**393.51**		12.94
TOTAL		**76,904.40**		**36,060.65**
Particulars of Loans and Advances				
Secured		**26.05**		23.84
Unsecured - Considered Good		**76,878.35**		36,036.81
- Considered Doubtful		**393.51**		12.94
		77,297.91		36,073.59
Less: Considered Doubtful and provided for		**393.51**		12.94
TOTAL		**76,904.40**		**36,060.65**

* Include Rs.852.04 million (Previous year Rs.456.55 Million) underlifted oil for ONGBV

SCHEDULE - 13

(Rs. in Million)

	As at 31st March, 2006	As at 31st March, 2005
CURRENT LIABILITIES		
Sundry Creditors for Supplies/ Works		
Small Scale Undertakings	**0.00**	0.00
Other than Small Scale Undertakings	**461.27**	289.88
Deposits	**0.85**	1.03
Advance from Customers	**54.96**	0.00
Payable to Oil and Natural Gas Corporation Limited	**131.31**	5.61
Amount Payable to Operator	**368.24**	54.42
Other Liabilities	**763.09**	389.76
Deferred Credit on Gas Sales	**0.92**	358.15
Sundry Creditors for Supplies/ Works (In respect of Joint Venture)	**9,958.94**	7,530.04
Interest Free Advance from ONGC Mittal Energy Ltd	**44.91**	0.00
Short term advance from Mittal Investments	**3.89**	0.00
Interest Payble to ONGC	**29.29**	0.00
TOTAL	**11,817.67**	**8,628.89**

Schedule to the Consolidated Balance Sheet

SCHEDULE - 14

(Rs. in Million)

		As at 31st March, 2006	As at 31st March, 2005
PROVISIONS			
Gratuity		19.18	15.53
Leave Encashment		18.14	12.92
Proposed Dividend		0.00	1,050.00
Tax on Proposed Dividend		0.00	147.26
Wealth Tax		13.55	0.00
Fringe Benefit Tax	8.40		
Less: Advance Tax paid	7.00	1.40	0.00
TOTAL		52.27	1,225.71

Schedule to the Consolidated Profit & Loss Account

SCHEDULE - 15

(Rs. in Million)

	2005-06	2004-05
SALES		
Crude Oil	64,415.49	47,696.42
Gas	6,668.00	4,552.31
Condensate	1,465.78	833.39
Construction Contract Revenue	2,173.53	5,429.46
Transportation Income	3,199.07	0.00
TOTAL	77,921.87	58,511.58

SCHEDULE - 16

(Rs. in Million)

	2005-06	2004-05
OTHER INCOME		
Interest Income on:		
Short Term Deposits with Banks	233.94	225.39
(Tax deducted at source Rs. 0.78 Million previous year Rs. 9.78 Million)		
Carry Finance	2,872.11	1,154.42
Loans and Advances to Employees	1.32	0.80
Others	19.46	37.49
Lease Income	271.26	0.00
Miscellaneous Receipts	372.90	332.03
TOTAL	3,770.99	1,750.13

SCHEDULE - 17

(Rs. in Million)

		2005-06		2004-05
INCREASE/(DECREASE) IN STOCK (FINISHED GOODS)				
Closing Stock		33.63		19.21
Opening Stock	19.21		50.09	
Less : Adjustment	0.00	19.21	27.59	22.50
NET INCREASE/(DECREASE) IN STOCK		14.42		(3.29)

Schedule to the Consolidated Profit & Loss Account

SCHEDULE - 18

(Rs. in Million)

	2005-06	2004-05
OPERATING EXPENDITURE		
Transportation Expenditure	1,825.35	1,337.61
Production Expenditure	4,376.00	3,082.03
Royalty	39,060.77	27,781.31
Value Added Tax	927.24	410.18
Construction Contract Expenditure	2,699.29	4,253.16
TOTAL	48,888.65	36,864.29

Note: The above expenses have been reclassified in accordance with Part II of Schedule VI to the Companies Act, 1956 and exhibited in Note -20 of Schedule '26'.

SCHEDULE - 19

(Rs. in Million)

	2005-06	2004-05
ESTABLISHMENT EXPENDITURE		
Staff Expenditure		
Salaries, Wages and Bonus	407.52	147.60
Contribution to Provident and other Funds	7.35	4.06
Provision for Gratuity	4.73	8.50
Provision for Leave Encashment	9.48	7.85
Staff Welfare Expenses	23.82	8.84
Sub-Total	452.90	176.85
Office and Administrative Expenses		
Rent	57.63	13.92
Electricity and Water	10.31	2.74
Repair & Maintenance	19.36	7.08
Vehicle Hire Charges	10.29	1.64
Professional Charges	222.79	68.50
Telephone and Telex	13.55	3.17
Printing and Stationary	4.53	3.75
Training and Seminar	3.35	1.25
Business Meeting Expenses	6.72	5.36
Traveling Expenses	76.58	81.76
Insurance	50.87	202.21
Advertisement and Exhibition Expenses	16.66	3.43
Donations	0.00	39.15
Service Tax and Other Levies	9.24	0.00
Others	108.45	29.48
Sub-Total	610.33	463.44
TOTAL	1,063.23	640.29

Note: The above expenses have been reclassified in accordance with Part II of Schedule VI to the Companies Act, 1956 and exhibited in Note - 20 of Schedule '26'.

SCHEDULE - 20

(Rs. in Million)

		2005-06		2004-05
RECOUPED COSTS				
Depreciation	2,362.57		1,856.75	
Less: Capitalised	1,192.30	1,170.27	973.81	882.94
Depletion		4,615.23		2,951.50
Survey Expenditure		1,010.17		1,807.13
Dry Wells Written Off		1,639.37		1,961.75
Acquisition Cost Written Off		21.44		0.00
Pre-Acquisition Expenses		1,125.12		66.43
Amortisation of Goodwill		1,622.53		0.00
TOTAL		11,204.13		7,669.75

Schedule to the Consolidated Profit & Loss Account

SCHEDULE - 21

(Rs. in Million)

	2005-06		2004-05	
INTEREST AND EXCHANGE FLUCTUATION				
A. Interest On				
Loan from Oil Industry Development Board		**4.71**		9.47
Foreign Currency Loans		**0.00**		3.06
Finance Lease		**3.80**		0.00
Others		**31.36**		0.16
Sub-Total		**39.87**		**12.69**
B. Exchange Fluctuation				
Net Exchange Variation for the Year	**(1,010.45)**		236.75	
Less: Capitalised	**(5.33)**	**(1,005.12)**	(27.57)	264.32
TOTAL		**(965.25)**		**277.01**

SCHEDULE - 22

(Rs. in Million)

	2005-06	2004-05
PROVISIONS AND WRITE-OFFS (NET)		
Provisions for Doubtful Debts	**380.57**	12.94
Other Write Off	**0.07**	(0.10)
Excess Provisions Written Back	**(1.24)**	0.00
Provision for Non Moving Inventroy	**14.77**	0.00
TOTAL	**394.17**	**12.84**

Note: The above expenses have been reclassified in accordance with Part II of Schedule VI to the Companies Act, 1956 and exhibited in Note - 20 of Schedule '26'

SCHEDULE - 23

(Rs. in Million)

	2005-06	2004-05
PRIOR PERIOD ADJUSTMENTS (NET)		
A. Expense		
Survey Expenses	**669.53**	351.02
Dry Wells Expenses	**414.08**	0.00
Amortisation of Goodwill	**3062.18**	0.00
Other Expenses	**46.72**	32.21
Sub-Total	**4,192.51**	**383.23**
B. Income		
Miscellaneous Items	**7.17**	0.49
Sub-Total	**7.17**	**0.49**
TOTAL (A - B)	**4,185.34**	**382.74**

SCHEDULE - 24

(Amount in Rupees)

	As at 31st March, 2006	As at 31st March, 2005
EARNING PER EQUITY SHARE		
Basic and Diluted Earnings Per Equity Share (Per Share of Rs. 100 each)	**300.40**	**253.79**

Note: Earnings Per Equity Share has been computed by dividing the net profit after taxation of Rs.9011.96 Million (Previous Year Rs.7,613.83 million) by number of equity shares of 30,000,000 (Previous year 30,000,000).

SCHEDULE-25

SIGNIFICANT ACCOUNTING POLICIES

1. **Principles of Consolidation:**

   The Consolidated Financial Statements relate to ONGC Videsh Limited (Company), ONGC Nile Ganga BV, Netherlands (Subsidiary), ONGC Bonny Brahmaputra Limited, Nigeria (Subsidiary), ONGC Narmada Limited, Nigeria (Subsidiary) and ONGC Mittal Energy Limited, Cyprus (Jointly controlled Entity). The Financial Statements of the Company, its Subsidiaries and Joint Venture Company have been consolidated 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, unless indicated otherwise.

   The financial statements of the foreign subsidiaries and Joint venture company have been incorporated in the consolidated financial statements by translating to Indian rupees following the principles for translation of the financial statements of Non-integral Foreign Operation as laid down in Accounting Standard (AS) 11 viz. Effects of changes in foreign exchange rates (revised 2003).

2. **Other significant accounting policies:**

   These are set out under "Significant Accounting Policies" of the respective Financial Statements of the Company and its Subsidiaries.

SCHEDULE-26

NOTES TO ACCOUNTS

1. The Consolidated Financial Statements represent consolidation of Accounts of the Company (ONGC Videsh Limited), its Subsidiaries and Jointly Controlled Entity. The consolidated accounts incorporate audited financial statements of ONGC Nile Ganga BV (Subsidiary) and un-audited financial statements of ONGC Bonny Brahmaputra Limited (subsidiary), ONGC Narmada Limited (subsidiary) and ONGC Mittal Energy Limited (Joint Venture Company) for the year ended 31st March, 2006 as detailed below:

Sr.No.	Name of the Subsidiaries / Jointly Controlled Entity	Country of Incorporation	Proportion of Ownership Interest	
			31.03.2006	31.03.2005
1.	ONGC Nile Ganga BV (ONGBV)	Netherlands	100%	100%
2.	ONGC Bonny Brahmaputra Limited (OBBL)	Nigeria	100%	N.A.
3.	ONGC Narmada Limited (ONL)	Nigeria	100%	N.A
4.	ONGC Mittal Energy Limited (OMEL)	Cyprus	50%	N.A.

2. The Company incorporated two Subsidiaries (viz. ONGC Bonny Brahmaputra Limited, Nigeria and ONGC Narmada Limited, Nigeria) during the year. ONGC Mittal Energy Limited was incorporated during the year as a joint venture between the Company and Mittal Investments Sarl.

3. In view of different set of environment in which the Subsidiaries operate, the accounting policies followed for treatment of depreciation on fixed assets, sales revenue and royalties by the Subsidiary, ONGBV, are different from the accounting policies of the Company. Such different accounting policies have been adopted in respect of the following:

   (a) Depreciation on Fixed Assets:
   The Subsidiary - ONGBV follows Straight Line Method of depreciation on fixed assets whereas the Company follows Written Down Value (W.D.V.) method. Net block of fixed assets of Rs.7,687.60 Million (Previous year Rs.8,307.64 Million) is shown under Schedule 4.

   (b) Revenue recognition:
   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 15.

(c) Royalties:

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 ONGBV'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 18.

4. Accounting Policies:

(a) During the year, the Company has reflected treatment in respect of assets taken on lease in its accounting policies on joint ventures, fixed assets and depreciation. This has no impact on the results.

(b) In view of the finance lease activity undertaken by the Company during the year, the Company has added following new accounting policies:
i) Accounting for Assets given on Lease; and
ii) Revenue Recognition in respect of assets given on lease.

5. Foreign Currency Translation Reserve:

The Company has followed the Accounting Standard (AS) 11 viz. Effects of Changes in Foreign Exchange Rates (revised 2003) issued by the Institute of Chartered Accountants of India for incorporating in the consolidated financial statements following the principles for translation of the financial statements of Non-integral Foreign Operation. Accordingly, the resulting exchange gain of Rs.738.57 Million (Previous Year Rs. 2,909.58 Million exchange loss) has been accounted as foreign currency translation reserve and shown in Schedule 2 as per details given below:

(Rs. in Million)

Particulars	2005-06	2004-05
Opening Balance	**2,951.78**	42.19
Additions during the current year	**(738.57)**	2,909.59
Closing balance	**2,213.21**	2,951.78

6. ONGC Nile Ganga BV

(a) Title to Fixed Assets:

As per the terms of EPSA in respect of Greater Nile Oil Project (GNOP), Sudan of 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 has 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 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 ONGBV out of its share of fixed assets till 31st March 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).

(b) Amortization of Goodwill:

During March 2003, the Company had acquired 100% shares of Talisman Greater Nile BV (TGNBV). TNGBV had 25% Participating Interest in Greater Nile Oil Project (GNOP), Sudan and was later rechristened as ONGC Nile Ganga BV (ONGBV). The difference between the purchase consideration and net assets of TGNBV on the date of acquisition, amounting to Rs 11,660.63 Million, has been reflected as goodwill in the consolidated accounts of the Company since the year 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.

7. Details of Joint Ventures:

The details of Company's and its Subsidiaries significant joint ventures as on 31st March, 2006 are as under:

Sr. No.	Name of the Project and Country of Operation	Company's participating share (%)	Other Consortium Members	Project Status
1.	Block 06.1 Project, Vietnam, Offshore	45%	BP Exploration Operating Co. Ltd. - 35%, Petrovietnam - 20%	The project is under production.
2.	Block 1a, 1b, 2a, 2b & 4 (GNOP) Project, Sudan, Onshore	25%	China National Petroleum Corporation-40% Petronas Carigali SDN. BHD-30%	The project is under production.
3.	AFPC Project* Syria, Onshore (Through Bergomo Holding BV)	38.75%**	Sudapet Co Ltd. - 5% Fulin Investments - 50% Mittal Investment - 11.25%	The project is under production.
4.	Sakhalin -1 Project, Russia, Offshore	20%	Exxon Neftgas Ltd. - 30% SODECO - 30% SMNG - 11.5% R N Astra - 8.5%	The project is under production and development.
5.	Block 5A Project, Sudan, Onshore	24.125%	Petronas - 67.875% Sudapet - 8%	The project is under development.
6.	Block A-1Project, Myanmar, Offshore	20%	Daewoo International Corpn. - 60% KOGAS - 10% GAIL (India) Ltd. - 10%	The project is under exploration and appraisal.
7.	Block A-3 Project Myanmar, Offshore	20%	Daewoo International Corpn. - 60% KOGAS - 10% GAIL (India) Ltd. - 10%	The project is under exploration.
8.	Farsi Block Project, Iran, Offshore	40%	Indian Oil Corp. Ltd. - 40% Oil India Ltd. - 20%	The project is under exploration.
9.	Block NC-188 & NC-189 Project, Libya, Onshore	49%	TPOC - 51%	The project is under exploration.
10.	Block XXIV Project, Syria, Onshore	60%	IPR International - 40%	The Project is under exploration.
11.	Block 5B Project, Sudan, Onshore	23.5%	Petronas - 39%, Lundin - 24.5% Sudapet - 13%,	The project is under exploration.
12.	Khartoum Port Sudan Pipeline Project, Sudan	90%	Oil India Ltd. - 10%	The pipeline has been completed and is under Lease.
13.	Block 6 North Ramadan Project, Egypt, Offshore	70%	IPR Energy Red Sea - 30%	The project is under exploration.
14.	Block 2, Joint Development Zone, Nigeria / Sao Tome Principe (STP), Offshore	13.5%***	Sinopec/Addax/ERHC - 65% Equator Exploration - 9% A & Hatman - 2.5% Foby Engineering - 5% Momo Deepwater JDZ - 5%	The project is under exploration.

*the joint venture company holds participating interest in certain oil and gas contracts in Syria.
**Includes 27.5% held by Oil and Natural Gas Corporation Limited.
***includes 4.5% assignment from an existing consortium member.

8. **Company's share in Joint Ventures:**

The Company and its Subsidiaries' share of assets, liabilities, income and expenses in the Joint Ventures as furnished by the operator has been incorporated in the financial statement as given below:

(Rs. in Million)

Project	Fixed Assets	Producing Property	Project Work-in-Progress	Exploratory and Development Wells-in-Progress	Current Assets	Cash and Bank	Liabilities	Income	Expenditure
Block 06.1, Vietnam	4,882.71	3,567.12	223.63	-	65.01	37.25	198.60	-	440.18
Block 1a, 1b,2a, 2b & 4, Sudan	12,986.74	26,915.42	201.29	2,529.44	1,679.73	393.05	3,697.56	-	2,541.11
AFPC,Syria (through Bergomo Holding BV)	-	921.50	-	-	2,819.72	0.38	852.12	-	809.91
Sakhalin- 1, Russia	8,632.16	16,631.34	36,307.16	5,545.63	3,069.32	958.13	4,331.95	-	1,673.12
Block 5A, Sudan	91.93	-	5,294.38	2,087.67	1,065.26	-	25.57	-	423.69
Block A-1, Myanmar	10.87	-	-	-	24.26	136.57	4.51	-	799.64
Block A-3, Myanmar	0.17	-	24.56	-	-	29.87	24.02	-	329.70
Farsi Block, Iran	1.41	-	-	73.47	104.41	113.91	5.59	-	0.38
Block NC-188 & NC-189, Libya	3.91	-	-	-	18.87	5.47	3.00	-	21.87
Block -XXIV, Syria	4.03	-	19.81	1.56	47.65	-	9.84	-	55.11
Block 5B, Sudan	4.56	-	1,046.95	-	0.27	7.53	13.56	-	41.23
Block WA -306 P, Australia	-	-	-	-	-	-	-	-	8.22
Block CI -112, Cote D'Ivoire	-	-	-	-	-	0.36	0.21	-	257.47
Sudan Pipeline	-	-	-	-	7,488.48	21.02	2,294.39	2,176.12	2,655.97*
Block 6, North Ramadan, Egypt	4.28	-	31.76	-	-	-	3.11	-	7.24

*Represents expenditure as per joint venture statement. In the accounts of the Company, the amount is reflected after netting off as per the Accounting Standard (AS) 27 viz. Financial Reporting of Interests in Joint Ventures.

Company's share in respect of Joint Ventures has been incorporated in the Accounts based on the unaudited financial statements provided by the operators for the period ended 31st March, 2006. In respect of Khartoum-Port Sudan Pipeline and Farsi Block, Iran Projects, for which Company is the Operator, the audited financial statements have been received till March 2006. For Block 06.1, Vietnam Project, audited financial statements have been received till December 2005. For Block A-1, Myanmar Project, audited financial statements have been received till March 2005 whereas audited financial statements have been received till December 2004 in respect of Block 5A, Sudan Project. Block A-3, Myanmar and Block 6, North Ramadan, Egypt projects were acquired during the year and no audited financial statements were received. In respect of other projects (viz. Sakhalin-1, Russia, Block 5B, Sudan, Blocks NC - 188 and NC - 189, Libya, Block XXIV, Syria, Block WA 306 P, Australia and Block CI-112, Cote D'Ivoire), no audited financial statements have been received and the relevant project agreements do not contain any requirements of providing audited financial statements by the operators. For Block 1a, 2a, 1b, 2b and 4, Sudan the audited accounts are considered upto 31st March, 2006 through the subsidiary company ONGBV. The AFPC Syria project accounts are incorporated based on the reviewed accounts through joint venture company Bergomo Holding BV.

In respect of Sakhalin - 1 Russia Project, operator's financial statement indicates excess capital contribution of USD 0.41 Million by all the partners, company's proportionate share being USD 0.08 Million, which has been incorporated in the books of the Company by way of reduction from the project expenditure.

9. **Block 06.1, Vietnam Project**

The delivery of Gas to the buyer commenced on 21st January, 2003 from Block 06.1 Vietnam Project. During the year, receipts on account of Gas Sales (including receivable) were Rs.5,933.04 Million (Previous year Rs.3,929.70 Million). Besides, the Company supplied gas as Make Up Gas to the buyer valued at Rs.358.15 Million (Previous year Rs.622.61 Million) out of the balance of Rs.358.15 Million (Previous year Rs.981.70 Million) received in the year 2003-04 and 2004-05 against take or pay provisions in Gas Sales and Purchase Agreement (GSPA) leaving a balance of Rs. Nil (Previous year Rs.359.09 Million revalued at Rs.358.15 Million).

During the year under reporting, the parties agreed regarding interpretation of shortfall gas clause in the GSPA and accordingly, the amount deposited by the buyer in the escrow account was released.

The reconciliation of Gas and Condensate Sales and Transportation for the calendar year 2004 and 2005 was finalised during the year and the effect of the same has been appropriately incorporated. Under the methodology of reconciliation agreed between the parties during the year (which also required the revision of annual reconciliation workings for the calendar year 2003), the Company's share of Make Up Gas delivered to the buyer during the year increased by Rs.483.19 Million with corresponding decrease in sales of Gas and increase in Make Up Gas balance in respect of previous financial years. Similarly, the Company's share of Make Up Gas balance availed in respect of transportation increased by Rs.150.43 Million during the year with corresponding decrease in transportation charges and increase in Make Up Gas balance in respect of the previous financial years. There is no Make Up Gas balance at the end of the financial year. The closing stock has been valued based upon the cost incurred upto the actual storage location of such stock whereas the same was valued considering the costs incurred upto the final storage location in the previous year.

As per the Petroleum Production Sharing Contract and Supplementary Agreement in respect of Block 06.1, Vietnam Project, title to all fixed assets and ancillary installations, the value of which is brought into the books of accounts as Development Costs shall pass to Petrovietnam upon 100% recovery of such costs through allocation of "Cost Oil" and "Cost Gas". Further, title to all office equipments purchased or brought in by the Contractor shall pass on to Petrovietnam upon their first use in the Petroleum Operations. The Contractor and/ or Operator has the custody of all such assets and is entitled to use, free of charge all such assets for Petroleum Operations. Under the circumstances, such assets are kept in the records of the company till the full term of the contract.

10. Khartoum - Port Sudan Pipeline Project

During the year, the Company 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 claim's not acknowledged as debt. However, no revenue in this respect has been recognised pending final approvals by MEM.

The disclosure in accordance with the Accounting Standard (AS) 7 viz. Construction Contracts is as under:

(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

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 Company under the contract. Further, subject to regular payments on due dates by MEM to the Company, MEM shall have the exclusive right to use and operate the pipeline system and the Company 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.

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 12.2 of the Company		Not Applicable	

11. Sakhalin-1, Russia Project

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 (Previous year Rs. nil and Rs. nil) respectively. Out of this, the Company received Rs.0.92 Million (Previous year Rs. nil) 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.

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:

	MLPs	PV
		(Rs. in Million)
i) not later than one year	192.02	184.89
ii) later than one year and not later than five years	Nil	Nil
iii) 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.

12. Block 5A and Block 5B, Sudan

The Company carries the share of investment of Sudapet, a company owned by the Government of Sudan, for its 3.375% share in Block 5A and 3.72% in Block 5B, Sudan till the commencement of first commercial production. The carried amounts are repayable without interest out of the production share of Sudapet as per the terms of the Exploration and Production Sharing Agreement (EPSA). Currently, Block 5A is under development and due to certainty of the recovery, the carried amount of USD 20.44 Million equivalent to Rs.912.96 Million (Previous year Rs.459.50 Million) has been shown as a loan. However, since Block 5B is under exploration, provision for the amount carried during the year of USD 0.18 Million equivalent to Rs.8.41 Million (Previous year Rs.12.94 Million) has been made and the aggregate provision of Rs.21.35 Million, equal to the carried amount as on date.

13. AFPC Project, Syria

During the year, the Company along with Mittal Investments Sarl (MIS) promoted ONGC Mittal Energy Limited (OMEL), a joint venture company incorporated in Cyprus. The Company and MIS each hold 50% shares of OMEL as of date. However, the ultimate shareholding of OMEL is proposed to be in the ratio of 51 (Company): 49 (MIS) as between the promoters with 2% shares to be held by a financial institution.

OMEL acquired participating interest during the year in certain Syrian Assets alongwith Oil and Natural Gas Corporation Limited (ONGC), through ONGBV (100% Subsidiary of OVL), OMEL's share being 45%. The acquisition transaction was completed on 31st January, 2006 by ONGBV. The Syrian Assets business is a separate profit centre and class business of ONGBV wherein ONGC and OMEL would be exclusively entitled to the results of the Syrian Assets business in proportion to their respective shares. Pending finalization of Class subscription agreement amongst parties and issuance of Class Shares by ONGBV and in view of significant control on management of the asset resting with the Company, the interest of ONGBV in the Syrian Assets business has been consolidated using proportionate consolidation in accordance with Accounting Standard (AS) 27 viz. Financial Reporting of Interests in Joint Ventures read with AS -21 viz. Consolidated Financial Statements, excluding the share of MIS through OMEL (22.5%). The interest of ONGC (55%) in the assets, liabilities, income and expenses in respect of the Syrian asset has been included in the consolidated accounts is as under:

(Rs. in Million)

Particulars	Share of ONGC
Producing Property	653.96
Goodwill	5,612.88
Current Assets	2,002.09
Cash and Bank	0.27
Liabilities	604.73
Income	1,262.82
Expenditure	1,571.95

The net assets and net result pertaining to ONGC has been shown under Minority Interest.

The difference of Rs 7,909.06 Million between the purchase consideration and value of net asset acquired on the date of acquisition in respect of AFPC, Syria has been recognized as goodwill. The goodwill has been amortized based on the Unit of Production Method and Rs 621.21 Million is amortized during the year.

14. Details of Reserves:

(a) Company and its Subsidiaries' share of Proved Reserves in respect of different projects as on 31st March, 2006 is as under:

Project	Details	Crude Oil* (Million Tonne)	Gas (Billion Cubic Meter)	Total Oil Equivalent** (Million Tonne)
Block 06.1, Vietnam	Opening	0.719	18.122	18.841
	Addition	-	-	-
	Deductions	-	-	-
	Production	0.036	1.672	1.708
	Closing	0.683	16.450	17.133
Sakhalin-1, Russia	Opening	61.400	97.000	158.400
	Addition	-	-	-
	Deductions	-	-	-
	Production	0.178	0.083	0.261
	Closing	61.222	96.917	158.139
Block 1a, 1b, 2a, 2b & 4 (GNOP), Sudan	Opening	20.703	-	20.703
	Addition	6.175	-	6.175
	Deductions	-	-	-
	Production	3.413	-	3.413
	Closing	23.465	-	23.465
Block 5A, Sudan	Opening	-	-	-
	Addition	5.180	-	5.180
	Deductions	-	-	-
	Production	-	-	-
	Closing	5.180	-	5.180
AFPC, Syria@	Opening	-	-	-
	Addition	3.230	-	3.230
	Deductions	-	-	-
	Production	0.957	-	0.957
	Closing	2.273	-	2.273

* Crude Oil includes Condensate.
** For calculating "Oil Equivalent" 1,000M3 of Gas has been taken to be equal to 1 Tonne of Crude Oil.
@Represent 38.75% interest held in a joint venture company including 27.5% held by Oil and Natural Gas Corporation Limited.

(b) Company's share of Proved and Developed Reserves in respect of different projects as on 31st March, 2006 is as under:

Project	Details	Crude Oil* (Million Tonne)	Gas (Billion Cubic Meter)	Total Oil Equivalent** (Million Tonne)
Block 06.1, Vietnam	Opening	0.712	14.567	15.279
	Addition	-	-	-
	Deductions	-	-	-
	Production	0.036	1.672	1.708
	Closing	0.676	12.895	13.571
Sakhalin-1, Russia	Opening	-	-	-
	Addition	1.600	0.640	2.240
	Deductions	-	-	-
	Production	0.178	0.083	0.261
	Closing	1.422	0.557	1.979
Block 1a, 1b, 2a, 2b & 4 (GNOP), Sudan	Opening	18.215	-	18.215
	Addition	2.865	-	2.865
	Adjustment	-	-	-
	Deductions	-	-	-
	Production	3.413	-	3.413
	Closing	17.667	-	17.667
AFPC, Syria@	Opening	-	-	-
	Addition	2.654	-	2.654
	Deductions	-	-	-
	Production	0.957	-	0.957
	Closing	1.697	-	1.697

* Crude Oil includes Condensate.
** For calculating "Oil Equivalent" 1,000M3 of Gas has been taken to be equal to 1 Tonne of Crude Oil.
@Represent 38.75% interest held in a joint venture company including 27.5% held by Oil and Natural Gas Corporation Limited.

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.

15. Segment information: (Rs. in Million)

Particulars	Asia		FSU Countries		Australia		Africa		Unallocated		Grand Total	
	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05
REVENUE												
External sales	**9528.80**	5,385.70	**2,015.44**	0.00	**0.00**	0.00	**66,377.63**	53,125.87	**0.00**	0.00	**77,921.87**	58,511.57
Inter Segment sales	**0.00**	0.00	**0.00**	0.00	**0.00**	0.00	**0.00**	0.00	**0.00**	0.00	**0.00**	0.00
Total Revenue	**9528.80**	5,385.70	**2,015.44**	0.00	**0.00**	0.00	**66,377.63**	53,125.87	**0.00**	0.00	**77,921.87**	58,511.57
Results												
Segment results	**3,879.68**	2,460.79	**(1,123.90)**	0.00	**0.00**	0.00	**13,283.16**	13,616.60	**0.00**	0.00	**16,038.94**	16,077.39
Unallocated corporate Expenses (Net)	**0.00**	0.00	**0.00**	0.00	**0.00**	0.00	**0.00**	0.00	**2,833.05**	4,111.75	**2,833.05**	4,111.75
Operating profit or (Loss)	**3,879.68**	2,460.79	**(1,123.90)**	0.00	**0.00**	0.00	**13,283.16**	13,616.60	**(2,833.05)**	(4,111.75)	**13,205.89**	11,965.64
Interest expenses	**29.52**	3.06	**3.80**	0.00	**0.00**	0.00	**1.46**	0.00	**5.09**	9.64	**39.87**	12.70
Interest and other income	**86.65**	2.26	**34.34**	0.00	**0.00**	0.00	**680.62**	605.56	**2,969.38**	1,850.74	**3,770.99**	2,458.56
Income Tax	**330.67**	0.00	**0.00**	0.00	**0.00**	0.00	**5,852.68**	3,721.24	**2,050.82**	3,076.43	**8,234.17**	6,797.67
Profit / (loss) from ordinary activities	**3,606.14**	2,459.99	**(1,093.36)**	0.00	**0.00**	0.00	**8,109.64**	10,500.92	**(1,919.58)**	(5,347.08)	**8,702.84**	7,613.83
Extraordinary losses	**0.00**	0.00	**0.00**	0.00	**0.00**	0.00	**0.00**	0.00	**0.00**	0.00	**0.00**	0.00
Net profit / (Loss)	**3,606.14**	2,459.99	**(1,093.36)**	0.00	**0.00**	0.00	**8,109.64**	10,500.92	**(1,919.58)**	(5,347.08)	**8,702.84**	7,613.83
Other information												
Segment Assets	**19,326.44**	8,126.79	**71,901.29**	49,388.61	**0.00**	45.32	**61,384.20**	39,830.96	**0.00**	0.00	**152,611.93**	97,391.68
Unallocated Corporate Assets	**0.00**	0.00	**0.00**	0.00	**0.00**	0.00	**0.00**	0.00	**56,339.16**	34,800.06	**56,339.16**	34,800.06
Total Assets	**19,3 26.44**	8,126.79	**71,901.29**	49,388.61	**0.00**	45.32	**61,384.20**	39,830.96	**56,339.16**	34,800.06	**208,951.09**	132,191.74
Segment Liabilities	**4,547.48**	899.36	**6,994.74**	3,984.97	**0.00**	19.19	**8,313.98**	5,811.53	**0.00**	0.00	**19,856.20**	10,715.05
Unallocated Corporate Liabilities	**0.00**	0.00	**0.00**	0.00	**0.00**	0.00	**0.00**	0.00	**167,117.42**	120,002.40	**167,117.41**	120,002.40
Total	**4,547.48**	899.36	**6,994.74**	3,984.97	**0.00**	19.19	**8,313.98**	5,811.53	**167,117.42**	120,002.40	**186,973.62**	130,717.45
Capital Expenditure	**1,338.84**	28.99	**22,513.84**	11,700.47	**0.00**	0.00	**10,600.94**	11,028.37	**1.42**	1,409.97	**34,455.04**	24,167.80
Recouped cost	**1,585.81**	1,219.47	**1,037.20**	0.00	**0.00**	338.66	**5,483.49**	6,040.19	**3,097.63**	71.43	**11,204.13**	7,669.75
Non cash Exp.	**0.00**	0.00	**0.00**	0.00	**0.00**	0.00	**0.00**	0.00	**0.00**	0.00	**0.00**	0.00

Information about Secondary Business Segments (Product-wise):

(Rs. in Million)

Revenue from	2005-06	2004-05
Crude Oil* and Natural Gas	72,549.27	53,082.12
Construction Contracts	2,173.53	5,429.46
Transportation Income	3,199.07	-

*Crude Oil includes Condensate.

Notes:

(i) Segments have been identified and reported taking into account, the organization and management structure for internal reporting and significantly different risk and return perception in different geographical regions. These are organized into five segments viz. Asia, FSU Countries, Australia, Africa and Unallocated.

(ii) The segment revenue in the business segment (Product-wise) is gross revenue from sale of Crude Oil and Natural Gas, Crude Oil Transportation Income and Construction Contracts.

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

16. Taxation

(a) Deferred Tax Provision

(i) The Net Deferred Tax Liability of the Company as at 31st March, 2006 is Rs.6,634.78 Million (Previous year Rs.4,252.75 Million). Out of the difference, Rs.2,347.79 Million (Previous year Rs.2,585.36 Million) has been charged to the current year's Profit and Loss Account and Rs 34.24 Million (Previous year Rs.(-) 66.73 Million) has been adjusted to foreign currency translation reserve.

(ii) The item wise details of Net Deferred Tax Liability as on 31st March, 2006 accounted for in accordance with Accounting Standard (AS) 22 viz. Accounting for Taxes on Income are as under:

	As at 31st March, 2006	As at 31st March, 2005
		(Rs. in Million)
Deferred Tax Assets:		
Carried Forward Expenditure U/S 42 of Income Tax Act, 1961	**4,551.36**	1,443.88
Carried Forward Fee U/S 35 D of Income Tax Act, 1961	**0.24**	0.49
Carried Forward Depreciation U/S 32 of Income Tax Act, 1961	**0.00**	930.27
Amount disallowable U/S 43B of Income Tax Act, 1961	**13.87**	9.32
Total Deferred Tax Assets	**4,565.47**	2,383.96
Deferred Tax Liability:		
Difference in Net Block of Fixed Assets for Tax	**8,956.89**	5,192.31
Total Deferred Tax Liability	**8,956.89**	5,192.31
Net Deferred Tax Liability of the Company	**4,391.42**	2,808.35
Deferred Tax Liability of ONGBV	**2,243.36**	1,444.40

In the financial statements provided by the operator of Sakhalin-1, Russia Project, an amount of USD 12.50 Million (equivalent to Rs 558.34 Million) has been indicated as Deferred Tax Asset based upon the losses carried forward and differences in book value and tax value of assets and liabilities under Russian tax laws. The tax rates in Russia are lower than the tax rates in India and since there is an overall deferred tax liability in India based upon the differences in book value and tax values of assets in India, the Deferred Tax Asset as indicated in the Operator's financial statements has not been recognised.

(b) Current Tax Provision

The Company is liable to pay tax on profits for the year ended 31st March, 2006 based upon its taxable profits as against u/s 115 JB of Income Tax Act, 1961 for Minimum Alternative Tax (MAT) for the year ended 31st March, 2005. The provision for tax has been made for Rs.5,975.16 Million (Previous year Rs.4,212.30 Million) after considering the deemed tax paid of Rs. 873.63 Million (Previous year Rs. nil) in respect of Block 06.1, Vietnam Project under the double taxation avoidance agreement between India and Vietnam.

(c) Tax Assessment

The Company has appealed to Hon'ble High Court of Delhi against the decision of Income Tax Appellate Tribunal for the Assessment Year 1981-82 to 1987-88 with regard to disallowance of its claim for Rs.94.04 Million (Previous year Rs.94.04 Million) on account of depreciation, development allowance and receipt of interest on delayed payments in respect of Iran Project. However, pending decision the tax demand in this regard has already been paid by the Company. The case of the Company is listed for hearing.

(d) The Company has filed two appeals with CIT (Appeals) against the disallowance of depreciation on acquisition costs of the projects and other expenses amounting to Rs.3,958.54 Million and Rs.3,006.17 Million in respect of assessment years 2002-03 and 2003-04 respectively. Since the payment of tax by the Company was under the provisions of Income tax Act, 1961 relating to Minimum Alternative Tax during the relevant years, there is no tax demand on account of the disallowance on this account.

17. Loans and Advances to Employees:

Loans and advances to employees include an amount of Rs.0.58 Million (Previous Year Rs.0.65 Million) outstanding from whole time Directors, Maximum outstanding during the year is Rs.0.65 Million (Previous Year Rs.0.65 Million).

18. Capital Commitment:

(i) In respect of Farsi Block, Iran, the Company in consortium with other partners has entered into an Exploration Service Contract with National Iranian Oil Company (NIOC). The Exploration Service Contract provides for a minimum exploration expenditure obligation of USD 27 Million equivalent to Rs.1,205.82 Million (Previous year USD 27 Million equivalent to Rs.1,182.87 Million). The Company's proportionate share of the minimum exploration expenditure obligation is USD 10.80 Million equivalent to Rs.482.33 Million (Previous year USD 10.80 Million equivalent to Rs.473.15 Million). In case the actual amount spent by consortium in the first phase after fulfilling the minimum work obligation is less than USD 27 Million, such unexpended balance shall be paid to NIOC. The actual expenditure incurred by the Company till 31st March, 2006 is Rs.332.80 Million (Previous year Rs.173.64 Million). The Company is confident of meeting the minimum exploration expenditure obligation.

(ii) In respect of Block -8, Iraq Project the Company has entered into an Exploration and Development Contract with Ministry of Oil, Iraq. The Contract provides for a minimum work obligation of USD 15 Million equivalent to Rs.669.90 Million (Previous year USD 15 Million equivalent to Rs.657.15 Million) during the first phase of the exploration period. In case the actual amount spent during the first phase of exploration period is greater or smaller than the minimum work obligation of USD 15 Million for that phase, such over or under expenditure shall be deducted or added to the minimum expenditure obligation of second phase. The project is under first phase of exploration and the Company has the option to exit after completion of the first phase. The amount of expenditure incurred for the project till 31st March, 2006 is Rs.64.78 Million (Previous Year Rs.64.37 Million). The Company is confident of meeting the minimum work obligation once the force majeure conditions are over.

(iii) In Blocks NC-188 and NC-189, Libya, where the Company has 49% participating interest, the total capital commitment of the consortium for the agreed work programme is USD 32.60 Million equivalent to Rs.1,455.92 Million (Previous year USD 32.6 Million equivalent to Rs.1,428.21 Million). The Company's share of the agreed work programme works out to USD 15.97 Million equivalent to Rs.713.40 Million (Previous year Rs.699.82 Million). The actual expenditure incurred by the Company till 31st March, 2006 is Rs.739.69 Million (Previous year Rs.623.64 Million). The Company is confident of meeting the minimum work commitment.

(iv) In respect of Block XXIV, Syria, where the Company has 60% participating interest, the total capital commitment of the consortium for the agreed work programme during the Initial Exploration Period is USD 7.50 Million equivalent to Rs.334.95 Million (Previous year USD 7.50 Million equivalent to Rs.328.58 Million). The Company's share of the agreed work programme works out to USD 4.50 Million equivalent to Rs.200.97 Million (Previous year USD 4.50 Million equivalent to Rs.197.15 Million). The actual expenditure incurred by the Company till 31st March, 2006 is Rs.146.19 Million (Previous year Rs.39.68 Million). The Company is confident of meeting the minimum work commitment.

(v) In respect of Block 5-B, Sudan, where the Company has 23.5% participating interest, the total capital commitment for the agreed work programme during the First Commitment Period is USD 33.00 Million equivalent to Rs.1,473.78 Million (Previous year USD 33 Million equivalent to Rs.1,445.73 Million). The Company's share of commitment for its 23.5% participating interest and the carry finance to Sudapet is USD 8.98 Million equivalent to Rs.401.05 Million (Previous year USD 8.98 Million equivalent to Rs.393.41 Million). The actual expenditure incurred by the Company till 31st March, 2006 is Rs.169.72 Million (Previous year Rs.121.73 Million). The Company is confident of meeting the minimum work commitment.

(vi) In respect of Block Najwat Najem Oil Structure, Qatar, where the Company has 100% participating interest, the total capital commitment for the agreed work programme during the Appraisal Period is USD 8.00 Million equivalent to Rs.357.28 Million (Previous year USD 8 Million equivalent to Rs.350.48 Million). The actual expenditure incurred till 31st March, 2006 is Rs.30.16 Million (Previous year nil). The Company is confident of meeting the minimum work commitment.

(vii) In respect of Block 6, North Ramadan, Egypt, the Company has acquired 70% participating interest. The total capital commitment for the agreed work programme during the Exploration period is USD 20.00 Million equivalent to Rs.893.20 Million (Previous year nil). The Company's share of commitment for its 70% participating interest is USD 14.00 Million equivalent to Rs.625.24 Million (Previous year nil). The actual expenditure incurred by the Company till 31st March, 2006 is Rs.10.92 Million (Previous year nil). The Company is confident of meeting the minimum work commitment.

(viii) In respect of Block 81-1, Libya, the Company has acquired 100% participating interest. The total capital commitment for the agreed work programme during the Exploration Period is USD 12.50 Million equivalent to Rs.558.25 Million (Previous year nil). The actual expenditure incurred by the Company till 31st March, 2006 is Rs.5.03 Million (Previous year nil). The Company is confident of meeting the minimum work commitment.

(ix) In respect of Block 2, Joint Development Zone, Nigeria / Sao Tome & Principe, ONL has acquired 13.50% participating interest inclusive of 4.50% assignment from an existing consortium member. The Signature Bonus payable, the Minimum Financial Commitment for the agreed work programme and the social obligations during the Phase I Exploration Period is USD 71.00 Million equivalent to Rs.3,170.86 Million, USD 28.00 Million equivalent to Rs.1,250.48 Million and USD 3.80 Million equivalent to Rs.169.71 Million (Previous year Rs nil) respectively. ONL's share of commitment for its 13.5% participating interest and the carry finance to a consortium member is USD 10.65 Million equivalent to Rs.475.63 Million, USD 4.20 Million equivalent to Rs.187.57 Million and USD 0.57 Million equivalent to Rs.25.46 Million (Previous year Rs nil) respectively. In addition, an upfront premium of USD 1.80 Million equivalent to Rs.80.39 Million (Previous year Rs nil) is also payable to the assigning consortium member for assignment of 4.50% participating interest. The actual expenditure incurred by the Company till 31st March, 2006 is Rs nil (Previous year Rs nil). ONL is confident of meeting the obligations in respect of Signature Bonus, Minimum Financial Commitment and social obligations.

(x) Other Capital Commitments USD 47.12 Million equivalent to Rs.2,104.38 Million (Previous year USD 9.51 Million equivalent to Rs.416.63 Million).

19. Contingent Liability:

(i) Liability for payment to contractual workers for regularization of their services is pending with Labour Court under civil suit. The amount of liability is not ascertainable.

(ii) Claims not acknowledged as debt: Rs.467.03 Million as per details in note 10 above.

(iii) Guarantees executed by the Company on behalf of its wholly owned subsidiaries in favour of:

(Rs. in Million)

Details	Guarantee Amount	Outstanding Amount
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). The Company is confident that ONGC Nile Ganga BV will be able to honour its obligations and the guarantee may not be resorted to by the beneficiary. In view of this, the question of reimbursement does not arise.	893.20	893.20

(iv) Other Contingent liability Rs. 169.50 Million (previous year Rs.14.90 million)

20. Details of Operating Expenditure (Schedule 18), Establishment Expenditure (Schedule 19) and Provisions & Write Off (Schedule 22):

(Rs. in Million)

		2005-06	2004-05
(i)	(a) Salaries, Wages, Ex-gratia, etc.	556.18	316.59
	(b) Contribution to Provident and other Funds	7.35	4.06
	(c) Provision for Gratuity	4.73	8.50
	(d) Provision for Leave Encashment	9.48	7.85
	(e) Staff Welfare Expenses	23.82	8.84
	Sub-Total (A)	601.56	345.84
(i)	Rent	57.63	13.92
(ii)	Electricity, Water and Power	10.31	2.74
(iii)	Repairs to Building	11.42	0.00
(iv)	Repairs to Plant and Machinery	73.44	38.06
(v)	Other Repairs	3.76	5.54
(vi)	Hire Charges of Vehicles	10.29	1.64
(vii)	Professional Charges	222.79	68.50
(viii)	Telephone and Telex	13.55	3.17
(ix)	Printing and Stationary	4.53	3.75
(x)	Training and Seminar	3.35	1.25
(xi)	Business Meeting Expenses	6.72	5.36
(xii)	Traveling Expenses	76.58	81.76
(xiii)	Pipeline Construction Cost	2,699.29	4,253.16
(xiv)	Insurance	50.87	202.21
(xv)	Advertisement and Exhibition Expenditure	16.66	3.43
(xvi)	Contractual Transportation	1,825.35	1,337.61
(xvii)	Miscellaneous Expenditure	108.45	68.63
(xviii)	Other Operating Expenditure	4,158.08	2,876.52
(xix)	Provisions for doubtful debts	380.57	12.94
(xx)	Other Write offs	0.07	(0.10)
(xxi)	Excess Provision Written Back	(1.24)	0.00
(xxii)	Provision for Non-moving Inventory	14.77	0.00
(xxiii)	Royalty	39,060.77	27,781.31
(xxiv)	Statutory Levies	936.48	410.18
	Sub-Total (B)	49,744.49	37,171.58
	Total of Operating Expenditure, Establishment Expenditure and Provision and Write off (A+B)	50,346.05	34,517.42

21. Exchange Difference:

The total net exchange difference (gain) during the year was Rs.1,749.02 Million (Previous year loss of Rs.3,146.34 Million) of which net exchange difference (gain) of Rs.1,005.12 Million (Previous year loss of Rs.264.32 Million) is charged off in Profit and Loss Accounts and net exchange gain of Rs.5.33 Million (Previous year Rs.27.57 Million) is adjusted to the carrying amount of assets and gain of Rs.738.57 Million (Previous year loss of Rs.2,909.59 Million) has been taken to foreign currency translation reserve.

22. Managerial Remuneration:

(Rs. in Million)

	2005-06	2004-05
Salary and Allowances	3.79	9.64
Contribution to Provident Fund	0.12	0.08
Other Benefits and Perquisites *	0.13	0.20
Total	4.04	9.92

* excludes provision by the holding company

Note:

a) In addition, Whole-time Directors are also allowed the use of Company car for private purposes up to 1000 Km/per month on payment of Rs.400 per month for air-conditioned cars below 16 H.P.

b) The remuneration does not include provision for gratuity and leave encashment since the same is not available for individual employee.

23. Auditors' Remuneration (Excluding Subsidiaries and Joint Ventures):

(Rs. in Million)

Particulars	2005-06	2004-05
Audit Fee	0.50**@	0.21*
Tax Audit Fee	0.03***	0.02
Total	0.53	0.23

*includes Rs 0.03 Million for incremental audit fees, Rs 0.02 Million for incremental consolidated accounts audit fees for 2003-04 and Rs 0.06 Million for Consolidated accounts audit fees for 2004-05.

**includes Rs 0.10 Million for incremental audit fees, Rs 0.05 Million for incremental consolidated accounts audit fees and Rs 0.02 Million for incremental Cash Flow Statement Certification fee for the financial year 2004-05.

@includes Rs 0.10 Million for Consolidated accounts for 2005-06.

*** includes Rs 0.01 Million for incremental tax audit fee for 2004-05.

24. The expenditure incurred by Oil and Natural Gas Corporation Limited (ONGC), on behalf of the Company are accounted for on the basis of debits raised by them for which supporting documents are held by ONGC.

25. Information as per Accounting Standard (AS) 18 viz. Related Party Disclosures is given below (excluding with State Controlled Entities):

(Rs. in Million)

	Joint ventures personnel	Key Managerial	Total 2005-06	Total 2004-05
Income from rendering services	443.40	-	**443.40**	101.47
Expenses on receiving services	-	-	**-**	-
Interest Income	20.20	-	**20.20**	3.87
Remuneration	-	4.04	**4.04**	9.92

Note:
Name of related parties and description of relationship (excluding State Controlled Entities):

Joint Ventures	Block 06.1 Project, Vietnam
	Sakhalin-1 Project, Russia
	Block 5A Project, Sudan
	Block A-1 Project, Myanmar
	Block A-3 Project, Myanmar
	Farsi Block Project, Iran
	Block NC-188 & NC-189 Project, Libya
	Block XXIV Project, Syria
	Block 5B Project, Sudan
	Block WA 306 P Project, Australia
	Block CI-112 Project, Cote D' Ivoire
	Khartoum - Port Sudan Pipeline Project, Sudan
	Block 6 North Ramadan Project, Egypt
	Block 1a, 1b, 2a, 2b & 4 Project, Sudan
	AFPC, Syria
	Block 2, JDZ, Nigeria / STP
	ONGC Mittal Energy Limited, Cyprus
Key Management personnel	Shri R S Butola, Managing Director, ONGC Videsh Limited Shri D K Sarraf, Director (Finance), ONGC Videsh Limited Ir. A R Baron Mackay Holding BV , Director,ONGC Nile Ganga BV Dr. C M Lamba, Director, ONGC Nile Ganga BV

26. Previous year figures have been re-grouped/re-arranged and nomenclature re-named wherever necessary to make them comparable with current year classification.
Signature to Schedule '1' to '26'

(Jagdish Prasad)	(D.K. Sarraf)	(R.S. Butola)	(R.S. Sharma)
Company Secretary	**Director (Finance)**	**Managing Director**	**Chairman**

As per our report of even date attached
For ASHOK PRAVEEN & CO
Chartered Accountants

New Delhi
June 15, 2006

(Ashok Gupta)
Partner (M.No. 81882)

CASH FLOW STATEMENT FOR THE PERIOD ENDED 31ST MARCH, 2006

(Rs. in Million)

	Year Ended 31st March, 2006		Year Ended 31st March, 2005	
A. CASH FLOW FROM OPERATING ACTIVITIES:				
Net profit before tax and prior period items		**21,122.35**		**14,794.24**
Adjustments For:				
- Recouped Costs	**11,204.13**		7,669.75	
(Represented by Depreciation, Depletion and Amortisation)				
Less : Cash Outflows	**3,769.73**		3,822.35	
	7,434.40		3,847.40	
- Interest on Borrowings	**39.87**		12.69	
- Provision for Gratuity	**3.66**		6.75	
- Provision for Leave Encashment	**5.22**		4.61	
- Provision for Doubtfull Debt	**380.57**		12.94	
- Exchange (Gain)/Loss on Carry Finance	**(843.17)**		564.34	
- Interest Income	**(3,126.85)**	**3,893.70**	(1,418.10)	**3,030.63**
Operating Profit before Working Capital Changes		**25,016.05**		**17,824.87**
Adjustments for:-				
- Debtors	**(1,807.29)**		(5,370.66)	
- Loans and Advances	**(10,316.63)**		(1,737.16)	
- Inventories	**(988.17)**		(290.20)	
- Trade Payable and Other Liabilities	**3,188.77**	**(9,923.32)**	1,170.05	**(6,227.97)**
Cash generated from Operations		**15,092.73**		**11,596.90**
Direct Taxes Paid		**(6,938.10)**		(4,206.67)
Cash Flow before Prior Period Items & Minority Interest		**8,154.63**		**7,390.23**
Prior period items		**(709.08)**		(31.72)
Net Cash Flow from Operating Activities 'A'		**7,445.55**		**7,358.51**
B. CASH FLOW FROM INVESTING ACTIVITIES:				
Purchase of Fixed Assets (Net)		**(7,441.43)**		(743.77)
Expenditure on Projects		**(24,432.47)**		(20,806.82)
Acquisition of Subsidiary		**(1,086.82)**		0.00
Foreign Currency Translation Adjustment		**395.89**		(316.80)
Advance to SMNG-S, RN ASTRA & Sudapet		**(20,531.41)**		(13,432.55)
Interest Received		**271.50**		238.46
Net Cash Flow from Investing Activities 'B'		**(52,824.74)**		**(35,061.48)**
C. CASH FLOW FROM FINANCING ACTIVITIES:				
Proceeds from Long Term Borrowings		**42,148.73**		30,620.66
(Including from Oil and Natural Gas Corporation Ltd.)				
Repayment of Long Term Borrowings		**(95.87)**		(2,580.61)
Advance from ONGC		**0.00**		(1,500.00)
Cash Credit		**44.18**		(8.59)
Dividend paid		**(1,050.00)**		0.00
Tax on Dividend		**(147.26)**		0.00
Interest Paid		**(39.87)**		(12.69)
Net Cash Flow from Financing Activities 'C'		**40,859.91**		**26,518.77**
Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)		**(4,519.28)**		**(1,184.20)**
Cash and Cash Equivalents as at 1st April, 2005 (Opening Balance)		**7,082.65**		**8,266.85**
Cash and Cash Equivalents as at 31st March, 2006 (Closing Balance)		**2,563.37**		**7,082.65**

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. Bracket indicates cash outflow.
3. Previous year figures have been regrouped wherever necessary to confirm the current year's classification.
4. Adjustment have not been made to purchase of fixed assets etc., (investing activities), on account of increase / decrease in Capital Creditors. The impact of the above is not readily ascertainable.

(Jagdish Prasad)	(D. K. Sarraf)	(R. S. Butola)	(R. S. Sharma)
Company Secretary	**Director (Finance)**	**Managing Director**	**Chairman**

As per our report of even date attached
For ASHOK PRAVEEN & CO.
Chartered Accountants

New Delhi
June 15, 2006

(Ashok Gupta)
Partner (M. No.81882)

DETAILS OF THE SUBSIDIARY COMPANY

	Name of Subsidiary Company	ONGC Nile Ganga BV	
		(Rs. in Million)	(US$ in Million)
(a)	Capital	3.37	0.075
(b)	Reserves	31,003.81	694.219
(c)	Total Assets	49,435.30	1,106.926
(d)	Total Liabilities	49,435.30	1,106.926
(e)	Details of Investment (except in case of investment in the subsidiaries)	0.64	0.014
(f)	Turnover	64,204.11	1,449.303
(g)	Profit before Taxation	17,748.89	401.468
(h)	Provision for Taxation	5,675.34	128.112
(i)	Profit after Taxation	12,073.55	273.356
(j)	Proposed Dividend	5,112.09	117.000

Exchange Rate

As on 31.03.2006	1 US$ = Rs. 44.66
Average Rate for 2005-06	1 US$ = Rs. 44.30

Note:-

In view of exemption granted by the Central Government under Section 212(8) of the Companies Act, 1956, copies of the Balance Sheet, Profit and Loss Account, Report of Directors and Auditors of the Subsidiary Company are not attached to the Balance Sheet of the Company. The annual accounts of the subsidiary company and the related detailed information will be made available to the holding and subsidiary company investors, seeking such information at any point of time. The same are also available for inspection by any investor at the Registered Office of the Company as well as at the Registered Office of the Subsidiary.

Mangalore Refinery and Petrochemicals Ltd.