## 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 | 11,098.23 | | 4,603.73 | |
| | | | 14,098.23 | | 7,603.73 |
| **LOAN FUNDS** | 3 | | | | |
| Secured Loans | | 44.18 | | 0.00 | |
| Unsecured Loans | | 156,349.50 | | 116,610.15 | |
| | | | 156,393.68 | | 116,610.15 |
| **DEFERRED TAX LIABILITY (Refer Note 10 of Schedule 27)** | | | 4,391.42 | | 2,808.35 |
| **LIABILITY FOR ABANDONMENT COST** | | | 2,518.82 | | 0.00 |
| **TOTAL** | | | 177,402.15 | | 127,022.23 |
| **APPLICATION OF FUNDS** | | | | | |
| **FIXED ASSETS** | 4 | | | | |
| Gross Block | | 15,026.16 | | 7,775.68 | |
| Less: Depreciation | | 5,466.75 | | 4,070.05 | |
| Net Block | | | 9,559.41 | | 3,705.63 |
| **PRODUCING PROPERTIES (NET)** | 5 | | 21,672.50 | | 5,208.89 |
| **DEVELOPMENT AND EXPLORATORY WELLS IN PROGRESS** | 6 | | 8,181.58 | | 4,304.68 |
| **CAPITAL WORK IN PROGRESS** | 7 | | 43,544.91 | | 45,442.95 |
| **INVESTMENT** | 8 | | 29,891.07 | | 29,872.21 |
| **CURRENT ASSETS, LOANS AND ADVANCES** | | | | | |
| Interest Accrued | 9 | 660.33 | | 341.31 | |
| Inventories | 10 | 651.26 | | 349.49 | |
| Sundry Debtors | 11 | 1,827.06 | | 6,248.89 | |
| Cash and Bank Balances | 12 | 1,642.47 | | 3,731.54 | |
| Loans and Advances | 13 | 67,010.63 | | 35,104.44 | |
| | | 71,791.75 | | 45,775.67 | |
| **LESS: CURRENT LIABILITIES AND PROVISIONS** | | | | | |
| Current Liabilities | 14 | 7,186.80 | | 6,062.09 | |
| Provisions | 15 | 52.27 | | 1,225.71 | |
| | | 7,239.07 | | 7,287.80 | |
| **NET CURRENT ASSETS** | | | 64,552.68 | | 38,487.87 |
| **TOTAL** | | | 177,402.15 | | 127,022.23 |
| **STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES** | 26 | | | | |
| **NOTES TO THE ACCOUNTS** | 27 | | | | |

**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)**



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

(Rs. in Million)

| | Schedule | 2005-06 | 2004-05 |
|---|---|---|---|
| **INCOME** | | | |
| Sales | 16 | 11,945.94 | 10,815.16 |
| Other Income | 17 | 8,897.35 | 7,593.58 |
| Increase/(Decrease) in Stocks | 18 | 14.42 | (3.29) |
| | | 20,857.71 | 18,405.45 |
| **EXPENDITURE** | | | |
| Operating Expenditure | 19 | 6,619.06 | 6,515.26 |
| Establishment Expenditure | 20 | 538.79 | 640.29 |
| Recouped Costs | 21 | 4,905.63 | 3,251.34 |
| Interest and Exchange Fluctuation | 22 | (1,253.65) | 496.75 |
| Provisions and Write-Offs (Net) | 23 | 379.40 | 12.84 |
| | | 11,189.23 | 10,916.48 |
| **PROFIT BEFORE TAX AND PRIOR PERIOD ADJUSTMENTS** | | 9,668.48 | 7,488.97 |
| **Prior Period Adjustments (Net)** | 24 | 1,123.16 | 382.74 |
| **Provision for Taxation** | | | |
| Fringe Benefit Tax | | 8.40 | 0.00 |
| Wealth Tax | | 13.55 | 0.01 |
| Current Year Tax | | 556.53 | 681.43 |
| Previous Year Tax | | (110.73) | 0.00 |
| Deferred Tax | | 1,583.07 | 2,394.99 |
| **PROFIT AFTER TAXATION** | | 6,494.50 | 4,029.80 |
| Add: Profit/ (Loss) brought forward from last year | | 3,830.29 | 1,400.73 |
| **Balance Available for Appropriation** | | 10,324.79 | 5,430.53 |
| **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** | | 9,675.34 | 3,830.29 |
| | | 10,324.79 | 5,430.53 |
| **STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES** | 26 | | |
| **NOTES TO THE ACCOUNTS** | 27 | | |

**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 - 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 | **599.36** | | 196.38 | |
| Add:Transfer from Profit and Loss Account | **649.45** | **1,248.81** | 402.98 | 599.36 |
| **Profit and Loss Account** | | | | |
| Opening Balance | **3,830.29** | | 1,400.73 | |
| Add: Addition during the year | **5,845.05** | **9,675.34** | 2,429.56 | 3,830.29 |
| **TOTAL** | | **11,098.23** | | **4,603.73** |

## SCHEDULE - 3

(Rs. in Million)

| | As at 31st March, 2006 | As at 31st March, 2005 |
|---|---|---|
| **LOANS** | | |
| **SECURED LOANS** | | |
| **Overdraft from Bank** (Secured by Fixed Deposits with Bank) | **44.18** | 0.00 |
| **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 |
| **TOTAL** | **156,393.68** | **116,610.15** |
| **Repayable within one year** | **296.68** | 168.71 |

## SCHEDULE - 4

### FIXED ASSETS

(Rs. 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 | 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 | **1,354.16** | 0.00 | 0.00 | 0.00 | **0.00** | **1,354.16** | 1,354.16 |
| Building | 44.33 | 528.64 | 3.56 | **569.41** | 8.20 | 10.48 | 0.31 | **18.37** | **551.04** | 36.13 |
| Plant & Machinery | 6,181.26 | 6,259.45 | 6.68 | **12,434.03** | 3,987.16 | 1,299.64 | 4.83 | **5,281.97** | **7,152.06** | 2,194.10 |
| Plant & Machinery - Finance Lease | 0.00 | 428.13 | 0.00 | **428.13** | 0.00 | 64.40 | 0.00 | **64.40** | **363.73** | 0.00 |
| Computers | 46.99 | 16.50 | 0.54 | **62.95** | 33.35 | 7.24 | 0.17 | **40.42** | **22.53** | 13.64 |
| Vehicles | 108.91 | 17.67 | 0.00 | **126.58** | 26.59 | 15.77 | 0.00 | **42.36** | **84.22** | 82.32 |
| Furniture & Fittings and Equipments | 40.03 | 12.37 | 1.50 | **50.90** | 14.75 | 5.21 | 0.73 | **19.23** | **31.67** | 25.28 |
| **TOTAL** | **7,775.68** | **7,262.76** | **12.28** | **15,026.16** | **4,070.05** | **1,402.74** | **6.04** | **5,466.75** | **9,559.41** | **3,705.63** |
| **Previous year** | **6,230.14** | **1,591.26** | **45.72** | **7,775.68** | **3,094.96** | **978.98** | **3.89** | **4,070.05** | **3,705.63** | **3,135.18** |
| **The above includes the Company's Share in Joint Venture Assets** | **6,390.08** | **7,258.92** | **11.58** | **13,637.42** | **4,056.87** | **1,397.52** | **5.44** | **5,448.95** | **8,188.47** | **2,333.21** |
| **Previous year** | **6,208.80** | **226.22** | **44.94** | **6,390.08** | **3,085.92** | **974.27** | **3.32** | **4,056.87** | **2,333.21** | **3,122.88** |

## SCHEDULE - 5

(Rs. in Million)

| | As at 31st March, 2006 | As at 31st March, 2005 |
|---|---|---|
| **PRODUCING PROPERTIES** | | |
| **Gross Cost** | | |
| Opening Balance | **6,109.89** | 5,422.27 |
| Acquisition Cost | **11,495.52** | 0.00 |
| Expenditure during the year | **442.14** | 687.62 |
| Transfer from Development Wells-in-Progress | **3,610.31** | 0.00 |
| Estimated Abandonment Costs | **2,518.82** | 0.00 |
| **Total Gross (A)** | **24,176.68** | **6,109.89** |
| **Less: Depletion** | | |
| Opening Balance | **901.00** | 274.12 |
| Depletion for the year | **1,603.18** | 626.88 |
| **Total Depletion (B)** | **2,504.18** | **901.00** |
| **NET PRODUCING PROPERTIES (A - B)** | **21,672.50** | **5,208.89** |

## 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 | 3,019.93 | 1,387.06 |
| Addition during the year | 3,296.67 | 1,632.87 |
| Adjustments during the year | 3,013.39 | 0.00 |
| Less: Transfer to Producing Properties | 3,610.31 | 0.00 |
| **Development Wells-in-Progress (A)** | 5,719.68 | 3,019.93 |
| **B. Exploratory Wells-in-Progress** | | |
| Opening Balance | 1,284.75 | 178.13 |
| Addition during the year | 1,576.84 | 2,207.45 |
| Adjustments during the year | 815.67 | 0.00 |
| Less: Wells written off during the year | 1,215.36 | 1,100.83 |
| **Exploratory Wells-in-Progress (B)** | 2,461.90 | 1,284.75 |
| **DEVELOPMENT AND EXPLORATORY WELLS-IN-PROGRESS (A+B)** | 8,181.58 | 4,304.68 |

## 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 |
| **TOTAL** | 43,544.91 | 45,442.95 |

## SCHEDULE - 8

(Rs. in Million)

| | As at 31st March, 2006 | As at 31st March, 2005 |
|---|---|---|
| **INVESTMENTS** | | |
| Long Term Investments (Fully Paid-Up) | | |
| **Trade Investments in Shares Unquoted** | | |
| *In Wholly Owned Subsidiaries:* | | |
| ONGC Nile Ganga BV | | |
| 40 Class 'A' & 100 Class 'B' Shares of Euro 453.78 Each | 29,877.14 | 29,872.21 |
| ONGC Narmada Limited | | |
| 20,000,000 Shares of Nigerian Naira 1 Each | 6.94 | 0.00 |
| ONGC Bonny Brahmaputra Limited | | |
| 20,000,000 Shares of Nigerian Naira 1 Each | 6.94 | 0.00 |
| *In Jointly Controlled Entity:* | | |
| ONGC Mittal Energy Limited | | |
| 500 Shares of Cyprus Pound 1 each | 0.05 | 0.00 |
| **TOTAL** | 29,891.07 | 29,872.21 |

## SCHEDULE - 9

(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 | 0.88 | 53.20 |
| Carry Finance | 651.17 | 280.26 |
| Others | 8.28 | 7.85 |
| **TOTAL** | 660.33 | 341.31 |

## SCHEDULE - 10

(Rs. in Million)

| | | As at 31st March, 2006 | As at 31st March, 2005 |
|---|---|---|---|
| **INVENTORIES** | | | |
| Finished Goods | | 33.63 | 19.21 |
| Stores and Spares | 619.14 | | |
| Less: Provision for Non-moving Stores | 1.51 | 617.63 | 330.28 |
| (In respect of Joint Venture) | | | |
| **TOTAL** | | 651.26 | 349.49 |

## SCHEDULE - 11

(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 | | 0.00 | | 0.10 |
| Considered Doubtful | | 0.00 | | 0.00 |
| **Other Debts:** | | | | |
| Considered Good | 1,827.06 | | 819.33 | |
| Debtors for Pipeline Construction Contract | 0.00 | 1,827.06 | 5,429.46 | 6,248.79 |
| (In respect of Joint Venture) | | | | |
| Considered Doubtful | | 0.00 | | 0.00 |
| **TOTAL** | | 1,827.06 | | 6,248.89 |

## SCHEDULE - 12

(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 |
| **B. Balances with Scheduled Banks** | | |
| a) On Current Account | **142.89** | 493.57 |
| b) On Deposit Accounts | **61.00** | 1,154.00 |
| **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 |
| **D. Cash and Bank Balances** (In respect of Joint Venture) | **1,310.11** | 2,046.04 |
| **TOTAL** | **1,642.47** | **3,731.54** |

## SCHEDULE - 13

(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 | | **33.48** | | 27.00 |
| Loan to Oil India Limited | | **372.16** | | 371.04 |
| Advances recoverable in cash or in kind or for value to be received | | **69.29** | | 40.55 |
| Receivable from ONGC Nile Ganga BV | | **214.01** | | 122.96 |
| Advance for share capital to ONGC Mittal Energy Limited | | **446.55** | | 0.00 |
| Other Deposits | | **1.44** | | 0.44 |
| VAT Receivable | | **83.13** | | 0.00 |
| Investment in Lease | | **7,446.57** | | 0.00 |
| Deferred Debit on Transportation Cost | | **0.00** | | 111.51 |
| Advances recoverable in cash or in kind or for value to be received (In respect of Joint Venture) | | **2,911.90** | | 3,560.73 |
| **Income Tax :** | | | | |
| Advance Payment of Income Tax | **1,264.98** | | 263.72 | |
| Less: Provision | **126.09** | **1,138.89** | 191.50 | 72.22 |
| | | **67,404.14** | | 35,117.38 |
| Less: Provisions for Doubtful Loans and Advances | | **393.51** | | 12.94 |
| **TOTAL** | | **67,010.63** | | **35,104.44** |
| **Particulars of Loans and Advances** | | | | |
| Secured | | **26.05** | | 23.84 |
| Unsecured - Considered Good | | **66,984.58** | | 35,080.60 |
| - Considered Doubtful | | **393.51** | | 12.94 |
| | | **67,404.14** | | 35,117.38 |
| Less: Considered Doubtful and provided for | | **393.51** | | 12.94 |
| **TOTAL** | | **67,010.63** | | **35,104.44** |

## SCHEDULE - 14

(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 | **459.42** | 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 |
| **Other Liabilities** | **776.96** | 389.76 |
| **Amount Payable to Operators** | **368.24** | 54.42 |
| **Deferred Credit on Gas Sales** | **0.92** | 358.15 |
| **Sundry Creditors for Supplies/ Works** (In respect of Joint Venture) | **5,394.14** | 4,963.24 |
| **TOTAL** | **7,186.80** | **6,062.09** |

## SCHEDULE - 15

(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 - 16

(Rs. in Million)

| | 2005-06 | 2004-05 |
|---|---|---|
| **SALES** | | |
| Crude Oil | 1,799.25 | 0.00 |
| Gas | 6,507.38 | 4,552.31 |
| Condensate | 1,465.78 | 833.39 |
| Construction Contract Revenue | 2,173.53 | 5,429.46 |
| **TOTAL** | 11,945.94 | 10,815.16 |

## SCHEDULE - 17

(Rs. in Million)

| | 2005-06 | 2004-05 |
|---|---|---|
| **OTHER INCOME** | | |
| **Income from Dividend from Subsidiary** | 5,112.09 | 5,707.00 |
| **Interest Income on:** | | |
| On Deposits with Banks | 51.81 | 101.63 |
| (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 | 19.11 | 37.49 |
| **Lease Income** | 271.26 | 0.00 |
| **Miscellaneous Receipts** | 569.65 | 592.24 |
| **TOTAL** | 8,897.35 | 7,593.58 |

## SCHEDULE - 18

(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 - 19

(Rs. in Million)

| | 2005-06 | 2004-05 |
|---|---|---|
| **OPERATING EXPENDITURE** | | |
| Transportation Expenditure | 1,825.35 | 1,337.61 |
| Production Expenditure | 1,025.89 | 514.31 |
| Royalty | 141.29 | 0.00 |
| Value Added Tax | 927.24 | 410.18 |
| Construction Contract Expenditure | 2,699.29 | 4,253.16 |
| **TOTAL** | 6,619.06 | 6,515.26 |

**Note:** The above expenses have been reclassified in accordance with Part II of Schedule VI to the Companies Act, 1956 and exhibited in Note -14 of Schedule '27'.

## SCHEDULE - 20

(Rs. in Million)

| | 2005-06 | 2004-05 |
|---|---|---|
| **ESTABLISHMENT EXPENDITURE** | | |
| **Staff Expenditure** | | |
| Salaries, Wages and Bonus | 184.94 | 147.60 |
| Contribution to Provident and other Funds | 4.61 | 4.06 |
| Provision for Gratuity | 4.73 | 8.50 |
| Provision for Leave Encashment | 8.69 | 7.85 |
| Staff Welfare Expenses | 21.08 | 8.84 |
| **Sub-Total** | 224.05 | 176.85 |
| **Office and Administrative Expenses** | | |
| Rent | 17.30 | 13.92 |
| Electricity and Water | 2.80 | 2.74 |
| Repair & Maintenance | 9.20 | 7.08 |
| Vehicle Hire Charges | 4.30 | 1.64 |
| Professional Charges | 62.75 | 68.50 |
| Telephone and Telex | 7.99 | 3.17 |
| Printing and Stationary | 3.94 | 3.75 |
| Training and Seminar | 3.06 | 1.25 |
| Business Meeting Expenses | 5.22 | 5.36 |
| Traveling Expenses | 66.35 | 81.76 |
| Insurance | 49.79 | 202.21 |
| Advertisement and Exhibition Expenses | 15.11 | 3.43 |
| Donations | 0.00 | 39.15 |
| Service Tax and Other Levies | 9.24 | 0.00 |
| Others | 57.69 | 29.48 |
| **Sub-Total** | 314.74 | 463.44 |
| **TOTAL** | 538.79 | 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 -14 of Schedule '27'.

## SCHEDULE - 21

(Rs. in Million)

| | | 2005-06 | | 2004-05 |
|---|---|---|---|---|
| **RECOUPED COSTS** | | | | |
| Depreciation | 1,402.74 | | 978.98 | |
| Less: Capitalised | 1,192.30 | 210.44 | 973.81 | 5.17 |
| Depletion | | 1,603.18 | | 626.88 |
| Survey Expenditure | | 730.09 | | 1,452.03 |
| Dry Wells Written Off | | 1,215.36 | | 1,100.83 |
| Acquisition Cost Written Off | | 21.44 | | 0.00 |
| Pre-Acquisition Expenses | | 1,125.12 | | 66.43 |
| **TOTAL** | | 4,905.63 | | 3,251.34 |

## SCHEDULE - 22

(Rs. in Million)

| | | 2005-06 | | 2004-05 |
|---|---|---|---|---|
| **INTEREST AND EXCHANGE FLUCTUATION** | | | | |
| **A. Interest On** | | | | |
| Loan from Oil Industry Development Board | | 4.71 | | 9.48 |
| Foreign Currency Loans | | 0.00 | | 3.06 |
| Finance Lease | | 3.80 | | 0.00 |
| Others | | 0.38 | | 0.16 |
| **Sub-Total** | | 8.89 | | 12.70 |
| **B. Exchange Fluctuation** | | | | |
| Net Exchange Variation for the Year | (1,267.87) | | 456.48 | |
| Less: Capitalised | (5.33) | (1,262.54) | (27.57) | 484.05 |
| **TOTAL** | | (1,253.65) | | 496.75 |

## SCHEDULE - 23

(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 |
| **TOTAL** | 379.40 | 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 -14 of Schedule '27'

## SCHEDULE - 24

(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 |
| Other Expenses | 46.72 | 32.21 |
| **Sub-Total** | 1,130.33 | 383.23 |
| **B. Income** | | |
| Miscellaneous Items | 7.17 | 0.49 |
| **Sub-Total** | 7.17 | 0.49 |
| **TOTAL (A - B)** | 1,123.16 | 382.74 |

## SCHEDULE - 25

(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) | 216.48 | 134.33 |

**Note:** Earnings Per Equity Share has been computed by dividing the net profit after taxation of Rs. 6494.50 Million (Previous Year Rs.4029.80 Million) by number of equity shares of 30,000,000 (Previous year 30,000,000).

## SCHEDULE -26

### SIGNIFICANT ACCOUNTING POLICIES

**1. Accounting Conventions:**

The financial statements are prepared under the historical cost conventions in accordance with Generally Accepted Accounting Principles (GAAP). The company follows 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 the provisions of the Companies Act, 1956. Generally, revenues are recognized on accrual basis with provision made for known losses and expenses.

**2. Acquisition, Exploration, Development, Abandonment and Production Costs:**

**2.1 Acquisition Cost:** Acquisition costs 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 Costs:**

2.3.1 Exploration costs involved in drilling and equipping exploratory and appraisal wells, cost of drilling exploratory type stratagraphic test wells are initially taken to capital work-in-progress as exploratory wells-in-progress till the time these are either capitalized to producing properties when ready to commence commercial production or expensed in the year when determined to be dry or of no further use, as the case may be.

2.3.2 All costs relating to development wells, development type stratagraphic test wells, service wells, are initially taken to capital work in progress as development wells-in-progress and capitalized to producing properties when ready to commence commercial production.

2.3.3 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.

**2.4 Abandonment Costs:** Costs relating to dismantling, abandoning and restoring well sites and allied facilities are provided as abandonment costs based on the provisions under respective agreements governing company's activities in the field/ projects.

**2.5 Production Costs:** Production costs include pre-wellhead and post-wellhead expenses including depreciation and applicable operating costs of support equipment and facilities.

**3. Producing Properties:**

3.1 Producing properties are created in respect of a field/project having proved developed oil and gas reserves when any well in the field/project is ready to commence commercial production. Development wells are capitalized to producing properties when ready to commence commercial production.

3.2 All acquisition costs, cost of successful exploratory wells and of all development wells, all related development costs including depreciation on support equipment and facilities and estimated future abandonment costs relating to producing properties are capitalized as Producing Properties.

**4. Depletion of Producing Properties:**

Producing properties are depleted using the "Unit of Production Method". The rate of depletion for all capitalized costs is computed with reference to the field/project/amortization base by considering the related proved and developed reserves excepting for acquisition costs which are depleted by considering the proved reserves. These reserves are estimated annually.

**5. Impairment:**

5.1 Impairment loss is determined for each field/project and adjusted for in the carrying cost.

5.2 At each balance sheet date, an assessment of the recoverable amount based on the value in use method is carried out in respect of each individual field/project and compared with the carrying amount and if a permanent diminution in value is identified, the asset is impaired to the net recoverable amount. However, provision for impairment being carried forward, is reviewed for write back, if any.



**6. Joint Ventures:**

The Company has entered into overseas joint ventures with others. In such joint ventures as per the contractual arrangements, the Company shares control with other venturers.

6.1 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 as per various joint venture agreements on a line by line basis along with similar items in the Company's financial statements, except in cases of leases, abandonment, impairment, depletion and depreciation which are accounted based on accounting policies of the Company.

6.2 The reserves of hydrocarbons in the joint ventures are taken in proportion to the participating interest of the Company.

**7. Fixed Assets:**

7.1 Fixed assets (including those taken on finance lease, support equipment and facilities) are stated at historical cost.

7.2 All costs relating to acquisition of fixed assets till the time of commissioning of such assets are capitalized.

**8. Depreciation:**

8.1 Depreciation on fixed assets (including those taken on finance lease) is provided for under the written down value method in accordance with Schedule XIV to the Companies Act, 1956.

8.2 Leasehold land is amortized over the lease period.

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

8.4 Depreciation on fixed assets (including those taken on finance lease, support equipment and facilities) used for exploration and drilling activities and on facilities is initially capitalized as part of exploration or development costs and expensed/depleted as stated in policy 2 and 3 above.

**9. Inventories:**

9.1 Crude oil and condensate are valued at cost or net realizable value, whichever is lower.

9.2 Natural gas in pipeline and crude oil/condensate stock in flow lines/Gathering Stations are not valued.

**10. Investments:**

10.1 Long-term investments are valued at cost. Provision is made for any diminution, other than temporary, in the value of such investments.

10.2 Current investments are valued at lower of cost or fair value.

**11. Foreign Currency Transactions and Foreign Operations:**

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

11.2 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.

11.3 Losses or gains relating to the loans/deferred credits utilized for acquisition of fixed assets are adjusted to the carrying cost of the relevant assets. All other exchange differences arising on the settlement of monetary items or on reporting of monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements are recognised as income or as expenses in the period in which they arise.

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

(a) The foreign currency transactions on initial recognition in the reporting currency are recorded following the policy stated in 11.1. 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.

(b) At each Balance Sheet date, monetary and non-monetary items are translated following the policy stated in 11.2.

(c) All exchange differences are treated following the policy stated in 11.3.

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

(a) 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;

(b) 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

(c) 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.

11.6 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.

**12. Assets given on Lease:**

12.1 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.

12.2 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.

**13. Revenue Recognition:**

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

13.2 Sales are inclusive of all statutory levies.

13.3 Any payment received in respect of short lifted gas quantity for which an obligation exists to supply such gas in subsequent periods is recognized as Deferred Revenue in the year of receipt. The same is recognized as revenue in the year in which such gas is actually supplied for the quantity supplied or in the year in which the obligation to supply such gas ceases, whichever is earlier.

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 interest on delayed realizations is recognized when there is reasonable certainty regarding ultimate collection.

**14. 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.

**15. Retirement Benefits:**

15.1 Contribution to Provident Fund and Composite Social Security Scheme is made as per the rules of the parent company. The same is paid to funds administered through trusts.

15.2 Provisions for gratuity and leave encashment are made as per actuarial valuation at the end of the financial year. The same are not funded.

**16. Borrowing Costs:**

Borrowing Costs specifically identified to the acquisition or construction of qualifying assets are capitalized as part of such asset till such time when all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. 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.



## SCHEDULE 27

### NOTES TO THE ACCOUNTS

**1 Accounting Policies:**

a) During the year, the Company has reflected treatment in respect of assets taken on lease in its earlier 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 (Significant Accounting Policy 12 of Schedule '26'); and
ii) Revenue Recognition in respect of Assets given on Lease (Significant Accounting Policy 13.5 of Schedule '26').

**2 Details of Joint Ventures:**

The details of Company's significant joint ventures as on 31 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%<br>Petrovietnam - 20% | The project is under production. |
| 2. | Sakhalin -1 Project, Russia, 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. |
| 3. | Block 5A Project, Sudan, Onshore | 24.125% | Petronas - 68.875%<br>Sudapet - 7% | The project is under development. |
| 4. | Block A-1Project, Myanmar, Offshore | 20% | Daewoo International Corpn. - 60%<br>KOGAS - 10%<br>GAIL ( India ) Ltd. - 10% | The project is under exploration and appraisal. |
| 5. | Block A-3 Project, Myanmar, Offshore | 20% | Daewoo International Corpn. - 60%<br>KOGAS - 10%<br>GAIL ( India ) Ltd. - 10% | The project is under exploration. |
| 6. | Farsi Block Project, Iran, Offshore | 40% | Indian Oil Corp. Ltd. - 40%<br>Oil India Ltd. - 20% | The project is under exploration. |
| 7. | Block NC-188 & NC-189 Project, Libya, Onshore | 49% | TPOC - 51% | The project is under exploration. |
| 8. | Block - XXIV Project, Syria, Onshore | 60% | IPR International - 40% | The Project is under exploration. |
| 9. | Block 5B Project, Sudan, Onshore | 23.5% | Petronas - 41%<br>Lundin - 24.5%<br>Sudapet - 11% | The project is under exploration. |
| 10. | Khartoum Port Sudan Pipeline Project, Sudan | 90% | Oil India Ltd. - 10% | The pipeline has been completed and is under Lease. |
| 11. | Block 6 North Ramadan Project, Egypt, Offshore | 70% | IPR Energy Red Sea - 30% | The project is under exploration. |

### 3. Company's Share in Joint Ventures:

The Company's share of assets, liabilities, income and expenses in the Joint Ventures as furnished by the operator has been incorporated in the financial statements 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 |
| 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 31 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. 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.

### 4. 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 receivables) 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.

### 5. 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 of the 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 the 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. The Company's share of the balance amount has been shown as claims 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 Policy13.4** | As per Accounting Policy 13.4 |
| (c) | The method used to determine the stage of completion of the contract | **As per Accounting Policy 13.4** | As per Accounting Policy 13.4 |
| (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 recognised 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) Unguaranteed 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 | |

## 6. Sakhalin-1, Russia:

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 the 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:

**(Rs. in Million)**

| | MLPs | PV |
|---|---|---|
| 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-cancellable subleases at the balance sheet date: Nil

f) General description of the significant leasing arrangement as described in para above.

## 7. 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 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, additional 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 during the year making the aggregate provision of Rs. 21.35 Million, equal to the carried amount as on date.

## 8. Details of Reserves:

(a) Company's 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 5A, Sudan | Opening | - | - | - |
| | Addition | 5.180 | - | 5.180 |
| | Deductions | - | - | - |
| | Production | - | - | - |
| | Closing | 5.180 | - | 5.180 |

* Crude Oil includes Condensate.

** For calculating "Oil Equivalent" 1,000$M^3$ of Gas has been taken to be equal to 1 Tonne of Crude Oil.

(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) |
|---|---|---|---|---|
| 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 | Opening | - | - | - |
| | Additions | 1.600 | 0.640 | 2.240 |
| | Deductions | - | - | - |
| | Production | 0.178 | 0.083 | 0.261 |
| | Closing | 1.422 | 0.557 | 1.979 |

* Crude Oil includes Condensate.

** For calculating "Oil Equivalent" 1,000$M^3$ of Gas has been taken to be equal to 1 Tonne of Crude Oil.

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.



## 9. 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 | **7,756.97** | 5,385.70 | **2,015.44** | 0.00 | **0.00** | 0.00 | **2,173.53** | 5,429.46 | **0.00** | 0.00 | **11,945.94** | 10,815.16 |
| 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** | **7,756.97** | 5,385.70 | **2,015.44** | 0.00 | **0.00** | 0.00 | **2,173.53** | 5,429.46 | **0.00** | 0.00 | **11,945.94** | 10,815.16 |
| **Results** | | | | | | | | | | | | |
| Segment results | **4,039.71** | 2,460.79 | **(1,123.90)** | 0.00 | **0.00** | 0.00 | **(425.90)** | 1,176.31 | **0.00** | 0.00 | **2,489.91** | 3,637.10 |
| 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)** | **4,039.71** | 2,460.79 | **(1,123.90)** | 0.00 | **0.00** | 0.00 | **(425.90)** | 1,176.31 | **(2,833.05)** | (4,111.75) | **(343.14)** | (474.65) |
| Interest expenses | **0.00** | 3.06 | **3.80** | 0.00 | **0.00** | 0.00 | **0.00** | 0.00 | **5.09** | 9.64 | **8.89** | 12.70 |
| Interest and other income | **6.97** | 2.26 | **34.34** | 0.00 | **0.00** | 0.00 | **273.84** | 33.58 | **8,582.20** | 7,557.74 | **8,897.35** | 7,593.58 |
| Income & other Tax | **0.00** | 0.00 | **0.00** | 0.00 | **0.00** | 0.00 | **0.00** | 0.00 | **2,050.82** | 3,076.43 | **2,050.82** | 3,076.43 |
| Profit / (loss) from ordinary activities | **4,046.68** | 2,459.99 | **(1093.36)** | 0.00 | **0.00** | 0.00 | **(152.06)** | 1,209.89 | **3,693.24** | 359.92 | **6,494.50** | 4,029.80 |
| 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)** | **4,046.68** | 2,459.99 | **(1093.36)** | 0.00 | **0.00** | 0.00 | **(152.06)** | 1,209.89 | **3,693.24** | 359.92 | **6,494.50** | 4,029.80 |
| **Other information** | | | | | | | | | | | | |
| Segment Assets | **8,890.08** | 8,126.79 | **71,901.29** | 49,388.61 | **0.00** | 45.32 | **17,403.42** | 12,077.02 | **0.00** | 0.00 | **98,194.79** | 69,637.74 |
| Unallocated Corporate Assets | **0.00** | 0.00 | **0.00** | 0.00 | **0.00** | 0.00 | **0.00** | 0.00 | **86,446.43** | 64,672.29 | **86,446.43** | 64,672.29 |
| **Total Assets** | **8,890.08** | 8,126.79 | **71,901.29** | 49,388.61 | **0.00** | 45.32 | **17,403.42** | 12,077.02 | **86,446.43** | 64,672.29 | **184,641.22** | 134,310.03 |
| Segment Liabilities | **798.91** | 899.36 | **6,994.74** | 3,984.97 | **0.00** | 19.19 | **2,340.17** | 1,800.34 | **0.00** | 0.00 | **10,133.82** | 6,703.86 |
| Unallocated Corporate Liabilities | **0.00** | 0.00 | **0.00** | 0.00 | **0.00** | 0.00 | **0.00** | 0.00 | **160,409.17** | 120,002.40 | **160,409.17** | 120,002.40 |
| Total | **798.91** | 899.36 | **6,994.74** | 3,984.97 | **0.00** | 19.19 | **2,340.17** | 1,800.34 | **160,409.17** | 120,002.40 | **170,542.99** | 126,706.26 |
| **Capital Expenditure** | **417.34** | 28.99 | **22,513.84** | 11,700.47 | **0.00** | 0.00 | **2,780.62** | 6,072.72 | **1.42** | 1,409.97 | **25,713.22** | 19,212.15 |
| **Recouped cost** | **770.80** | 1,219.47 | **1,037.20** | 0.00 | **0.00** | 338.66 | **0.00** | 1,621.78 | **3,097.63** | 71.43 | **4,905.63** | 3,251.34 |
| **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 | **9,772.41** | 5,385.70 |
| Construction Contracts | **2,173.53** | 5,429.46 |

*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 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.

10. **Taxation:**

(a) **Deferred Tax Provision**

(i) The Net Deferred Tax Liability of the Company as at 31st March, 2006 is Rs 4,391.42 Million (Previous year Rs 2,808.35 Million). The difference of Rs 1,583.07 Million has been charged to the current year's Profit and Loss Account.

(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:

**(Rs. in Million)**

| | As at 31st March, 2006 | As at 31st March, 2005 |
|---|---|---|
| **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** | **4,391.42** | 2,808.35 |

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 556.53 Million (Previous year Rs 681.43 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.

11. **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).

12. **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 10.8 Million equivalent to Rs 482.33 Million (Previous year USD 10.8 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 32.6 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 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 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.

13. **Contingent Liabilities:**

(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 (Refer note 5 above)

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

(Rs. in Million)

| Sr. No. | Details | Guarantee Amount | Outstanding Amount |
|---|---|---|---|
| 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). 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 |

**14. Details of Operating Expenditure (Schedule 19), Establishment Expenditure (Schedule 20) and Provisions & Write Off (Schedule 23):**

(Rs. in Million)

| | | 2005-06 | 2004-05 |
|---|---|---|---|
| (i) | (a) Salaries, Wages, Ex-gratia, etc. | **333.60** | 316.59 |
| | (b) Contribution to Provident and other Funds | **4.61** | 4.06 |
| | (c) Provision for Gratuity | **4.73** | 8.50 |
| | (d) Provision for Leave Encashment | **8.69** | 7.85 |
| | (e) Staff Welfare Expenses | **21.08** | 8.84 |
| | **Sub-Total** | **372.71** | 345.84 |
| (ii) | Rent | **17.30** | 13.92 |
| (iii) | Electricity, Water and Power | **2.80** | 2.74 |
| (iv) | Repairs to Building | **1.26** | 0.00 |
| (v) | Repairs to Plant and Machinery | **73.44** | 38.06 |
| (vi) | Other Repairs | **3.76** | 5.54 |
| (vii) | Hire Charges of Vehicles | **4.30** | 1.64 |
| (viii) | Professional Charges | **62.75** | 68.50 |
| (ix) | Telephone and Telex | **7.99** | 3.17 |
| (x) | Printing and Stationary | **3.94** | 3.75 |
| (xi) | Training and Seminar | **3.06** | 1.25 |
| (xii) | Business Meeting Expenses | **5.22** | 5.36 |
| (xiii) | Traveling Expenses | **66.35** | 81.76 |
| (xvi) | Pipeline Construction Cost | **2,699.29** | 4,253.16 |
| (xv) | Insurance | **49.79** | 202.21 |
| (xvi) | Advertisement and Exhibition Expenditure | **15.11** | 3.43 |
| (xvii) | Statutory Levies | **936.48** | 410.18 |
| (xviii) | Contractual Transportation | **1,825.35** | 1,337.61 |
| (xix) | Miscellaneous Expenditure | **57.69** | 68.63 |
| (xx) | Other Operating Expenditure | **807.97** | 308.80 |
| (xxi) | Provisions for doubtful debts | **380.57** | 12.94 |
| (xxii) | Other Write offs | **(1.17)** | (0.10) |
| (xxiii) | Royalty | **141.29** | 0.00 |
| | **Total** | **7,537.25** | 7,168.39 |

**15. Quantitative and other information pursuant to the provisions in Part II of Schedule VI to the Companies Act, 1956:**

**(i) Turnover**

| Revenue from | Unit | 2005-06 | | 2004-05 | |
|---|---|---|---|---|---|
| | | Quantity | Value (Rs. in Million) | Quantity | Value (Rs. in Million) |
| Crude Oil * @ | Tonne | **220,352** | **3,265.03** | 50,290 | 833.39 |
| Gas* | 000 $M^3$ | **1,238,638** | **6,507.38** | 807,708 | 4,552.31 |
| Construction Contracts | N.A. | **N.A.** | **2,173.53** | N.A. | 5,429.46 |

*Company's entitlement based on actual delivery.
@Crude Oil includes Condensate.

**(ii) Opening and Closing Stock of Goods Produced**

| | As at 31st March, 2006 | | As at 31st March, 2005 | |
|---|---|---|---|---|
| | Quantity (Tonne) | Value (Rs in Million) | Quantity (Tonne) | Value (Rs in Million) |
| **Crude Oil @** | | | | |
| Opening Stock | **5,221*** | **19.20** | 11,412 | 50.09 |
| Closing Stock* | **8,640** | **33.63** | 5,221 | 19.20 |

*Company's entitlement in stock of Joint Ventures.
@Crude Oil includes Condensate

**(iii) Licensed Capacity, Installed Capacity and Actual Production**

| | Unit | 2005-06 | | 2004-05 | |
|---|---|---|---|---|---|
| | | Installed Capacity | Actual Production | Installed Capacity | Actual Production |
| Gas* | 000 $M^3$ | **Not applicable** | **1,755,037** | Not applicable | 1,349,038 |
| Crude Oil * @ | Tonne | **Not applicable** | **214,075** | Not applicable | 39,104 |

* Company's participating share of production in Joint Ventures.
@ Crude Oil includes Condensate.

**16. Expenditure in Foreign Exchange:**

(Rs. in Million)

| | 2005-06 | 2004-05 |
|---|---|---|
| Import | **Nil** | Nil |
| Professional and Consultation Fee | **344.17** | 66.81 |
| Interest | **Nil** | 3.06 |
| Others | **33,704.14** | 25,082.47 |

**17. Earnings in Foreign Exchange:**

(Rs. in Million)

| | 2005-06 | 2004-05 |
|---|---|---|
| Export/ Sales (incl. advance received/ adjusted) | **11,859.95** | 10,192.55 |
| Royalty/Technical know-how | **Nil** | Nil |
| Interest | **2,917.99** | 1,172.77 |
| Dividend | **5,112.09** | 5,707.00 |
| Others | **480.67** | 545.98 |

**18. Managerial Remuneration:**

(Rs. in Million)

| | 2005-06 | 2004-05 |
|---|---|---|
| Salary and Allowances | **1.24** | 1.22 |
| Contribution to Provident Fund | **0.12** | 0.08 |
| Other Benefits and Perquisites* | **0.13** | 0.20 |
| **Total** | **1.49** | **1.50** |

* excludes provision by the holding company

**Notes:**

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.

**19. Auditors' Remuneration:**

(Rs. in Million)

| | 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.

**20.** The expenditure incurred by Oil and Natural Gas Corporation Limited (ONGC) and ONGC Nile Ganga BV (ONGBV), on behalf of the Company are accounted for on the basis of debits raised by them for which supporting documents are held by ONGC and ONGBV respectively.

**21. Information as per Accounting Standard (AS) 18 viz. Related Party Disclosures (excluding with State Controlled Entities):**

(Rs. in Million)

| | Subsidiaries | Joint ventures | Key Managerial personnel | Total 2005-06 | Total 2004-05 |
|---|---|---|---|---|---|
| Income from rendering services | 427.36 | 233.87 | - | **661.23** | 590.16 |
| Expenses on receiving services | 23.71 | - | - | **23.71** | - |
| Interest Income | - | 20.20 | - | **20.20** | 3.87 |
| Remuneration | - | - | 1.49 | **1.49** | 1.50 |
| Capital Contribution | 13.87 | 446.60 | - | **460.47** | - |

**Note:**

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

| | |
|---|---|
| Subsidiaries | ONGC Nile Ganga B V, Netherlands |
| | ONGC Bonny Brahmaputra Limited, Nigeria |
| | ONGC Narmada Limited, Nigeria |
| 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 |
| | ONGC Mittal Energy Limited, Cyprus |
| Key Management personnel | Shri R S Butola, Managing Director |
| | Shri D K Sarraf, Director (Finance) |

**22.** 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 '27'

(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)**

## 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 | | **9,668.48** | | **7,488.97** |
| | Adjustments For: | | | | |
| | -Recouped Costs | **4,905.63** | | 3,251.35 | |
| | (Represented by Depreciation, Depletion and Amortisation) | | | | |
| | Less : Cash Outflows | **3,065.64** | | 2,606.34 | |
| | | **1,839.99** | | 645.01 | |
| | -Interest on Borrowings | **8.89** | | 12.69 | |
| | -Provision for Gratuity | **3.66** | | 6.75 | |
| | -Provision for Leave Encashment | **5.22** | | 4.61 | |
| | -Provision for Doubtful Debt | **380.57** | | 12.94 | |
| | -Exchange (Gain)/Loss on Carry Finance | **(843.17)** | | 564.34 | |
| | -Dividend from Subsidiary | **(5,112.09)** | | (5,707.00) | |
| | -Interest Income | **(2,944.35)** | **(6,661.28)** | (1,294.34) | **(5,755.00)** |
| | Operating Profit before Working Capital Changes | | **3,007.20** | | **1,733.97** |
| | Adjustments for:- | | | | |
| | -Debtors | **(1,007.62)** | | (4,843.80) | |
| | -Loans and Advances | **(841.45)** | | (1,598.43) | |
| | -Inventories | **(301.78)** | | (96.78) | |
| | -Trade Payable and Other Liabilities | **1,105.89** | **(1,044.96)** | 1,438.98 | **(5,100.03)** |
| | Cash generated from Operations | | **1,962.24** | | **(3,366.06)** |
| | Direct Taxes Paid | | **(1,008.27)** | | (105.09) |
| | **Cash Flow before Prior period items** | | **953.97** | | **(3,471.15)** |
| | Prior period items | | **(709.08)** | | (31.72) |
| | **Net Cash Flow from Operating Activities 'A'** | | **244.89** | | **(3,502.87)** |
| **B.** | **CASH FLOW FROM INVESTING ACTIVITIES:** | | | | |
| | Purchase of Fixed Assets (Net) | | **(7,262.75)** | | (325.25) |
| | Expenditure on Projects | | **(16,768.76)** | | (17,476.26) |
| | Investment in Subsidiaries/JV | | **(0.05)** | | (118.80) |
| | Loan/Advance to Subsidiaries | | **(537.61)** | | 81.47 |
| | Advance to SMNG-S, RN ASTRA & Sudapet | | **(20,531.41)** | | (13,432.55) |
| | Dividend Received | | **4,600.88** | | 8,069.36 |
| | Interest Received | | **123.01** | | 114.69 |
| | **Net Cash Flow from Investing Activities 'B'** | | **(40,376.69)** | | **(23,087.34)** |
| **C.** | **CASH FLOW FROM FINANCING ACTIVITIES:** | | | | |
| | Proceeds from Long Term Borrowings | | **39,300.57** | | 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 | | **(8.89)** | | (12.69) |
| | **Net Cash Flow from Financing Activities 'C'** | | **38,042.73** | | **26,518.77** |
| | Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C) | | **(2,089.07)** | | **(71.44)** |
| | Cash and Cash Equivalents as at 1st April, 2005 (Opening Balance) | | **3,731.54** | | **3,802.98** |
| | Cash and Cash Equivalents as at 31st March, 2006 (Closing Balance) | | **1,642.47** | | **3,731.54** |

**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)**



## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

**I. REGISTRATION DETAILS**

| | | | |
|---|---|---|---|
| Registration No. | **55-04343** | State Code | **55** |
| Balance Sheet Date | **31.03.2006** | | |

**II. CAPITAL RAISED DURING THE YEAR (AMOUNT IN RS. THOUSANDS)**

| | |
|---|---|
| Public Issue | Right Issue |
| **NIL** | **NIL** |
| Bonus Issue | Private Placement |
| **NIL** | **NIL** |

**III. POSITION OF MOBILIZATION AND DEPLOYMENT OF FUNDS (AMOUNT IN RS.THOUSANDS)**

| | | |
|---|---|---|
| | Total Liabilities | Total Assets |
| | **177402154** | **177402154** |
| **Source of Funds** | Paid -up Capital | Reserves & Surplus |
| | **3000000** | **11098230** |
| | Secured Loans | Unsecured Loans |
| | **44183** | **156349494** |
| | Deferred Tax Liability | Provision for Abandonment Cost |
| | **4391423** | **2518824** |
| **Application of Funds** | Net Fixed Assets | Investments |
| | **82958399** | **29891071** |
| | Net Current Assets | Misc. Expenditure |
| | **64552684** | **0** |
| | Accumulated Losses | |
| | **NIL** | |

**IV. PERFORMANCE OF COMPANY (AMOUNT IN RS. THOUSANDS)**

| | |
|---|---|
| Turnover (Gross Revenue) | Total Expenditure |
| **20857714** | **12312386** |
| Profit/(Loss) Before Tax | Profit/(Loss) After Tax |
| **8545328** | **6494510** |
| Earning per Share in Rs. | Dividend Rate % |
| **216.48** | **Nil** |

**V. GENERIC NAME OF THREE PRINCIPAL PRODUCTS/SERVICES OF COMPANY (AS PER MONETARY TERMS)**

| | |
|---|---|
| 1. Item Code No. | **27090000** |
| Product Description | **Crude Oil** |
| 2. Item Code No. | **27112100** |
| Product Description | **Natural Gas** |
| 3. Item Code No. | **27111900** |
| Product Description | **Natural Gasoline** |

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

**New Delhi**
**June 15, 2006**

## STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO COMPANY'S INTEREST IN THE SUBSIDIARY COMPANIES

| Name of the Subsidiary Company | ONGC Nile Ganga BV | ONGC Narmada Ltd. | ONGC Bonny Brahmaputra Ltd. |
|---|---|---|---|
| 1. The Financial Year of the Subsidiary Company ends on | 31st December, 2005 | 31st March, 2007 | 31st March, 2007 |
| 2. Date from which it became Subsidiary Company: | 12th March, 2003 | 7th December, 2005 | 7th December, 2005 |
| 3. a) Number of shares held by ONGC Videsh Ltd. in the Subsidiary at the end of the financial year of the Subsidiary Company* | 40 Class "A" & 100 Class "B" shares of Euro 453.78 each | 20 million shares of one Naira each | 20 million shares of one Naira each |
| b) Extent of interest of Holding Company at the end of the financial year of the Subsidiary Company* | 100% | 100% | 100% |
| 4. The net aggregate amount of the Subsidiary Company's Profit/(Loss) so far as it concerns the members of the Holding Company: | | | |
| a) Not dealt within the Holding Company's accounts | | | |
| i) For the period 1st April, 2005 to 31st March, 2006 | Rs. 7,023.94 million** | - | - |
| ii) For the previous period (s) of the Subsidiary Company since it became the Holding Company's Subsidiary: | Rs. 7,040.96 million | - | - |
| b) Dealt within the Holding Company's accounts: | | | |
| i) For the period 1st April, 2005 to 31st March, 2006 | Rs. 5,112.09 million | - | - |
| ii) For the previous period (s) of the Subsidiary Company since it became the Holding Company's Subsidiary: | Rs. 8,986.68 million | - | - |

* As the first financial year of ONGC Narmada Ltd. and ONGC Bonny Brahmaputra Ltd. would end on 31st March, 2007, the OVL interest in these subsidiaries as shown above is as on 31st March, 2006.
** At the closing rate of exchange, there is a Foreign Exchange Translation Reserve of (Rs. 2,213.21 million), which has not been adjusted.

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

**New Delhi**
**June 15, 2006**

ONGC Videsh Ltd.

ONGC Nile Ganga B.V.