## ONGC VIDESH LIMITED

### BOARD OF DIRECTORS

**Shri R. S. Sharma**
Chairman

**Shri R. S. Butola**
Managing Director

**Shri D.K. Sarraf**
Director (Finance)

**Shri Arvind Mayaram**
Director

**Dr. A.K. Balyan**
Director

**Shri N.K. Mitra**
Director

**Shri A.K. Hazarika**
Director

**Shri D.K. Pande**
Director

**Shri U.N. Bose**
Director



## ONGC VIDESH LIMITED

### BOARD OF DIRECTORS

**Shri R. S. Sharma**
Chairman

**Shri Subir Raha**
Chairman (till 25.05.2006)

**Shri R. S. Butola**
Managing Director

**Shri D. K. Sarraf**
Director (Finance)

**Shri Talmiz Ahmad**
Director (till 15.06.2006)

**Shri Sunjoy Joshi**
Director (till 31.07.2006)

**Shri Arvind Mayaram**
Director (from 03.03.2006)

**Dr. A. K. Balyan**
Director

**Shri N. K. Mitra**
Director

**Shri A. K. Hazarika**
Director

**Shri D. K. Pande**
Director (from 01.10.2005)

**Shri U. N. Bose**
Director (from 01.10.2005)

**COMPANY SECRETARY**
Shri Jagdish Prasad

**STATUTORY AUDITORS**
M/s Ashok Praveen & Co.

**REGISTERED OFFICE**
ONGC Videsh Limited
601, "Kailash"
26, Kasturba Gandhi Marg,
New Delhi 110 001 (India)

**BANKERS**
State Bank of India

**WEB SITE**
www.ongcvidesh.com

**SUBSIDIARIES**
ONGC Nile Ganga BV
ONGC Narmada Ltd.
ONGC Bonny Brahmaputra Ltd.

# DIRECTORS' REPORT

**Dear Members,**

On behalf of the Board of Directors, I have great pleasure in presenting to you the $41^{st}$ Annual Report on the working of the Company for the financial year ended $31^{st}$ March, 2006, together with the Audited Statements of Accounts, the Auditors' Report and the Review of the Accounts by the Comptroller and Auditor General of India.

## 1. HIGHLIGHTS

- Your Company secured equity participation in 9 oil and gas assets in 7 countries.
- Your Company's consolidated (including that of its wholly-owned subsidiary ONGC Nile Ganga BV) production of Oil plus Oil-Equivalent Gas (O+OEG) increased from 5.063 MMT to 6.339 MMT, up 25%.
- Your Company's consolidated gross revenue increased from Rs. 60,258.42 million to Rs. 81,707.28 million, up 36%.
- Your Company earned consolidated net profit of Rs. 9,011.96 million, up 18% from Rs. 7,613.83 million.

## 2. NEW ACQUISITIONS

**2.1** Your Company has been awarded Block 81-1 in the $2^{nd}$ bid round in Libya with 100% Participating Interest (PI). Block 81-1 measuring 1,809 sq km is an onshore exploration Block located in Ghadames Basin in south-west Libya. The Exploration and Production Sharing Agreement (EPSA) for the Block was signed between your Company and National Oil Corporation of Libya on $8^{th}$ December, 2005. The EPSA has been ratified by the Government of Libya. Your Company's investment during exploration phase is estimated to be approx USD 25 million, out of which USD 6 million has been invested till $31^{st}$ March, 2006 on account of signature bonus. The exploration work in the Block is expected to commence shortly.

**2.2** ONGC Nile Ganga BV (ONGBV) and Fulin Investments Sarl, a subsidiary of China National Petroleum Company International (CNPCI), acquired 33.33% to 37.5% PI in four Production Sharing Contracts (PSCs) comprising 36 producing fields in Syria from Petro-Canada.This acquisition was made through a Dutch joint venture company, named Bergomo Holdings BV (BHBV), wherein ONGBV and Fulin Investments Sarl, hold 50% shareholding each. ONGBV has been funded by ONGC and ONGC Mittal Energy Limited (OMEL), a joint venture between OVL and Mittal Investment Sarl, in the ratio of 55:45. A sum of about USD 158 million has been invested by ONGC and about USD 65 million by OVL through OMEL to acquire the stake. The transfer of interest in the assets to BHBV effective from 01 July, 2005, was completed on $31^{st}$ January, 2006 and has been approved by the Government of Syria. The fields are operated by Al Furat Petroleum Company (AFPC), jointly owned by Syrian Petroleum Company, the National Oil Company, and Shell, the other partner in the fields. Share of ONGC/OVL in the production of crude oil during 2005-06 was about 0.957 MMT.

**2.3** Your Company has been awarded 9% PI in deep water exploration Block-2 in Nigeria-São Tomé & Principe, Joint Development Zone (JDZ). The Production Sharing Contract (PSC) and the Joint Operating Agreement (JOA) have been executed on $15^{th}$ March, 2006 through OVL's wholly owned subsidiary company ONGC Narmada Limited (ONL) incorporated in Nigeria. ONL also acquired 4.5% PI from a consortium member 'A & Hatman' taking your Company's PI in the Block to 13.5%. The other partners in the Block inter-alia include Sinopec (28.67% PI), Addex Petroleum (14.33% PI), ERHC Energy Inc. (22% PI), A & Hatman (2.5% PI) and other local Companies (19% PI) with Sinopec as the operator. ONL's share of investment, inclusive of the carry obligations to A & Hatman, till 2007 is estimated to be approx USD 30 million. The exploration work in the Block is expected to commence shortly.

**2.4** Your Company has acquired 20% PI in exploration Block A-3 with an area of 6,780 sq km in Myanmar offshore with bathymetry upto 1500 metre located south of the Block A-1. The Company is participating in the Block along with Daewoo International Corporation who is the operator with 60% PI, GAIL with 10% PI and KOGAS with 10% PI. The assignment was approved by the Government of Myanmar w.e.f. $24^{th}$ March, 2006. Your Company's share of investment commitment in the Block upto $31^{st}$ October, 2006 is estimated to be approx USD 10.74 million out of which about USD 8 million has been invested till $31^{st}$ March, 2006. The Block is currently in the second exploration period, in which the minimum work commitment is drilling of one exploratory well for which the consortium drilled the first exploratory well Mya-1 where a gas discovery has been made. Further, to appraise the gas discovery, 1000 sq km of 3D data has been acquired and processing of the data is in progress.

**2.5** Your Company through ONGBV has acquired 15% PI in a deepwater offshore Block BC-10 in Brazil on $25^{th}$ April, 2006. Block BC-10 is located in the Campos Basin approximately 120 km southwest from the city of Vitoria off the coast of Brazil. The Block is in water depths of around 1800 metre and is currently under development. The other partners in the Block are Shell with 50% PI as operator and Petrobras with 35% PI. Your Company's share of investment till first oil production from the project would be approx USD 410 million, including acquisition cost of about USD 170 million. The Block will be developed using sub-sea wells which will be connected via sub-sea manifolds, flowlines, and risers to a Floating Production, Storage and Offloading Vessel (FPSO). The production of oil is expected to begin in late 2009.



**2.6** Your Company has acquired 30% PI from Repsol-YPF of Spain, in deep water exploration Blocks 25, 26, 27, 28, 29, 35A and 36 located in Cuba. The Blocks are spread over nearly 12,000 sq km in Cuba's Exclusive Economic Zone (EEZ). The supplementary agreement with Government of Cuba for assignment of stakes in the Block has been signed on $23^{rd}$ May, 2006. The transaction is effective from $1^{st}$ January, 2005. The other partners in the Blocks are Repsol-YPF (40% PI) as operator and Norsk Hydro of Norway (30% PI). Your Company's share of the investment in the Blocks for remaining work commitment is about USD 24 million, in addition to payment of agreed amount of past cost of USD 7.50 million to Repsol.

**2.7** Your Company has secured 100% PI and operatorship in Block 127 in Phu Khanh Basin, offshore Vietnam. Block 127 is an offshore deepwater Block, located at water depth of more than 400 metre with 9,246 sq km area. Your Company has committed firm investments of about USD 42 million, including signature bonus of USD 2 million, during the first 3 years exploration period with an option to further invest about USD 34 million in subsequent optional exploration program. The PSC for the Block has been signed in Hanoi, Vietnam on $24^{th}$ May, 2006. In the event of a commercial discovery made in the contract area, PetroVietnam at its option may hold a PI of up to 20%.

**2.8** Your Company has secured 100% PI and operatorship in Block 128, Vietnam. Block 128 is an offshore deepwater Block, located at water depth of more than 400 metre with 7,058 sq km area. Your Company has committed firm investments of about USD 31 million, including signature bonus of USD 2 million, during the first 3 years exploration period with an option to further invest about USD 34 million in subsequent optional exploration program. The PSC for the Block was signed in Hanoi, Vietnam on $24^{th}$ May, 2006. In the event of a commercial discovery made in the contract area, PetroVietnam at its option may hold a PI of up to 20%.

**2.9** Your Company has been awarded 100% PI and operatorship in Blocks 34 and 35 in Cuba deepwater with 30 months first exploration period having a work commitment of USD 12 million. The PSC has been negotiated. The Cuban Government at its option may hold a PI of up to 20% in the Blocks.

## 3. PROJECTS

### 3.1 Block 06.1, Vietnam

Your Company with 45% PI, British Petroleum with 35% PI and the Operatorship and PetroVietnam, a Vietnamese Government-owned entity with 20% PI, have developed the Lan Tay field in Block 06.1, Vietnam. The field started commercial production in January, 2003. Your Company's share of the development expenditure was estimated at USD 228 million, against which cumulatively about USD 166 million has been invested till $31^{st}$ March, 2006. During 2005-06, your Company's share of production was about 1.672 BCM of gas and 0.036 MMT of condensate.

### 3.2 Sakhalin-I, Russia

Sakhalin-1 is a large oil and gas field in far east offshore in Russia. Your Company holds 20% PI in the field; a subsidiary of Exxon-Mobil as the operator holds 30% PI; Sodeco, a consortium of Japanese companies holds 30% PI and balance 20% PI is held by two subsidiaries of Rosneft, a Russian Government entity. As per the terms of the farm-in, your Company is required to carry (provide loan to) the Russian entities for their share of investment. Your Company's net cash outflow in this project has been approved at USD 2,770 million, against which about USD 2,552 million including carry (loan) of USD 1,110 million to Rosneft's subsidiaries has been invested till $31^{st}$ March, 2006. On $31^{st}$ July, 2006, Rosneft's subsidiaries pre-paid the entire loan. The development of the field is currently in progress and with the installation of Interim Production Facility, the crude oil and natural gas production has started on a limited scale from October, 2005 for sales to domestic buyers. During 2005-06, your Company's share of production was about 0.178 MMT of oil and 0.083 BCM of gas. Full production of oil is expected to commence in early 2007.

### 3.3 Exploration Block-8, Iraq

Your Company is the sole licensee of Block-8, a large onland exploration Block in Iraq spread over 10,500 sq km. The minimum expenditure obligation for the first phase of exploration is USD 15 million, against which an investment of about USD 1 million has been made till $31^{st}$ March, 2006. Though, the work relating to archival, reprocessing and interpretation of the existing seismic data has been completed, due to prevailing conditions in Iraq, your Company notified the force majeure situation to the Ministry of Oil, Iraq in April, 2003. As per information obtained, all pre-war contracts are to be reviewed by the constitutionally elected Iraqi Government. As this contract is one of the few contracts which were ratified by the Government of Iraq by passing a separate law and your Company had completed a part of the committed work programme and was to commence acquisition of additional seismic data before the notification of force majeure, it is confident of retaining the license.

### 3.4 Exploration Block A-1, Myanmar

Block A-1 is an exploration Block in offshore Myanmar. Your Company holds 20% PI in the Block, GAIL (India) Ltd., another Indian PSU holds 10% PI, Daewoo International Corporation (DIC) of Korea as the operator holds 60% PI and KOGAS of Korea holds the balance 10% PI. Your Company's share of investment in exploration phase upto October, 2006 is currently estimated at about USD 50.77 million against which about USD 35.77 million has been invested till $31^{st}$ March, 2006. The operator has announced discovery of natural gas in two of the prospects in the Block. The project is currently in the third one year extension of exploration period w.e.f. 01.11.2005 to 31.10.2006. During this period 6 exploratory / appraisal wells have been drilled. The consortium is planning to prepare the geological model, reserve estimates and third party reserve certification and the preparation of development plan for the Block A-1 gas prospects followed by a feasibility study for gas evacuation and marketing.

**3.5 Farsi Offshore Exploration Block, Iran**

Farsi is an offshore exploration Block in Iran spread over 3,500 sq km. Your Company holds 40% PI as operator and remaining PI is held by Indian Oil Corporation Ltd. (40% PI) and Oil India Ltd. (20% PI). Against your Company's currently estimated share of investment of about USD 31.6 million in the exploration phase, actual expenditure of about USD 5 million has been incurred till 31st March, 2006 mainly on reprocessing and interpretation of historical seismic data and acquisition of new 2D and 3D seismic data. Four locations for drilling of exploratory wells have already been released and drilling is in progress in the Block. Rig Kedarnath from ONGC's fleet of contract rigs has been deployed for drilling the wells in the Block as the efforts of the Company to hire locally available / foreign rigs did not succeed. The rig Kedarnath spudded the first well on 28th April, 2006. The drilling of four wells is expected to be completed during 2006.

**3.6 Exploration Blocks NC-188 and NC-189, Libya**

Your Company holds 49% PI in exploration Blocks NC-188 and NC-189 in Libya with Turkish Petroleum Overseas Company (TPOC), a subsidiary of National Oil Company of Turkey, holding the remaining 51% PI with Operatorship. Your Company's share of investment in the exploration phase is currently estimated at about USD 30 million, out of which about USD 14 million has been invested till 31st March, 2006. Two exploratory wells drilled in Block NC-188 proved dry. As exploration phase of five years was completed on 21st February, 2005, the Government of Libya has granted its approval for further extension for three years w.e.f. 12th June, 2006 to complete the remaining work obligations of drilling two wells in NC-189 and one well in NC-188.

**3.7 Exploration Block-XXIV, Syria**

Your Company holds 60% PI in the Block-XXIV, Syria with IPRMEL (operator) holding the remaining 40% PI. Your Company's share of investment in the exploration phase is estimated at about USD 10 million, against which about USD 3.52 million has been invested till 31st March, 2006. The work programme and budget for the year 2006 has been finalized. Reprocessing of existing seismic data, acquisition, processing and interpretation of additional seismic data and drilling of two exploratory wells is planned during 2006-07.

**3.8 Block 5A and 5B, Sudan**

Your Company holds 24.125% PI in Exploration Block 5A and 23.5% PI in Exploration Block 5B in Sudan. Your Company partners Malaysian National Oil Company, Petronas (67.875% PI in Block 5A and 39% PI in Block 5B), Sudanese Government company, Sudapet (8% PI in Block 5A and 13% PI in Block 5B) and Swedish oil company Lundin Petroleum AB (24.5% PI in Block 5B). Both the Blocks are jointly operated by White Nile Petroleum Operating Company (WNPOC) a consortium of Petronas and Sudapet. Two discoveries-Thar Jath and Mala, have been made in Block 5A. Development of Thar Jath field in Block 5A has been undertaken and the Field Development Plan for Mala has also been approved. Production of oil from Thar Jath began on 26th June, 2006 with first lifting of oil expected in September, 2006. The first phase of exploration period for Block 5B expired on 2nd May, 2005 and a four year extension up to 2nd May, 2009 has been granted by the Government of Sudan. Reprocessing of available 2,700 km 2D seismic data has been partially completed and at present further G&G studies are in progress. In view of the security clearance after the peace agreement in Sudan, it is planned to carry out field operations in the Block 5B during 2006. Your Company has already committed investment of USD 393 million in these Blocks, out of which USD 249 million has been invested till 31st March, 2006.

**3.9 Block CI-112, Cote d'Ivoire**

Your Company invested approx USD 13 million in the Block till 31st March, 2006. Since, the exploratory well drilled in the Block did not result into discovery of hydrocarbons, your Company and all the partners decided to withdraw from the PSC and process of relinquishment of the Block is in progress.

**3.10 Najwat Najem, Qatar**

Your Company had signed the Appraisal, Development and Production Sharing Agreement for the Najwat Najem oil structure in offshore Qatar with the Government of the State of Qatar on 2nd March, 2005. The contract was ratified by Emiree Decree on 19th May, 2005. Najwat Najem is a proven oil bearing structure located offshore North East Qatar, spread over an area of about 120 sq km. Your Company, being the operator, and 100% stake-holder in the Block, has committed to spend USD 15.5 million during the appraisal/ delineation phase, against which about USD 8 million has been invested till 31st March, 2006. The reprocessing and interpretation of 200 sq km of 3D seismic has been completed at GEOPIC, ONGC. Currently, locations for drilling of wells are being finalized along with Qatar Petroleum. Simultaneously, the tenders for rig/services/and well materials are also being processed.

**3.11 North Ramadan, Egypt**

Your Company holds 70% PI in the North Ramadan Block (Block 6), Egypt with the remaining 30% PI being held by IPR Energy Red Sea Inc (IPR). The Block is located in the Gulf of Suez, covering an area of about 290 sq km. Your Company and IPR will jointly develop the Block with IPR taking the lead during exploration phase. Your Company's share of investment in the first exploration phase of three years would be about USD 21.3 million, against which about USD 1 million has been invested till 31st March, 2006. Based on evaluation of existing G&G data, the location for drilling First Exploration well, North Ramadan 1 has been finalised and drilling is expected to commence shortly.

**3.12 Sudan Pipeline Project**

An agreement was signed by your Company with the Ministry of Energy & Mining (MEM), Government of Sudan (GOS) on 30th June, 2004, for construction of a 12", 741-km multi-product pipeline from Khartoum refinery to Port Sudan. The project has been executed on Build, Own, Lease and Transfer (BOLT) basis at a base lump sum price of USD 194 million subject to variations, and was to be completed within 16 months from signing of the agreement. Oil India Limited, the other partner in the project, has 10% PI in the project. Your Company's share of investment / expenditure in the project is USD 110.84 million (net of USD 33.25 million being non-recourse financing by the EPC contractor). Your Company has already completed the construction and handed over the pipeline to GOS on 31st August, 2005, two months ahead of the scheduled completion date. The pipeline has since been commissioned and is being operated by the Government of Sudan and the first two repayment installments have been received.

## 4. FINANCIAL RESULTS

**4.1 ONGC Videsh Limited :**

**(Rs. in Million)**

| Particulars | 2005-06 | 2004-05 |
|---|---|---|
| Total Income | **20,857.71** | 18,405.45 |
| Expenditure | **12,312.39** | 11,299.22 |
| Profit Before Tax | **8,545.32** | 7,106.23 |
| Provision for Tax (including Deferred Tax) | **2,050.82** | 3,076.43 |
| **Profit After Tax** | **6,494.50** | **4,029.80** |
| Proposed Dividend | **0.00** | 1,050.00 |
| Tax on Proposed Dividend | **0.00** | 147.26 |
| Transfer to General Reserve | **649.45** | 402.98 |
| Paid-up Equity Share Capital | **3,000.00** | 3,000.00 |
| Net Worth | **14,098.23** | 7,603.73 |
| Earning Per Share of Rs. 100 each (Rs.) | **216.48** | 134.33 |
| Dividend Per Share of Rs. 100 each (Rs.) | **0.00** | 35.00 |

**4.2 Consolidated Accounts :**

The Consolidated Accounts incorporate accounts of 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) and form part of the Annual Report and Accounts.

**(Rs. in Million)**

| Particulars | 2005-06 | 2004 -05 |
|---|---|---|
| Total Income | **81,707.28** | 60,258.42 |
| Expenditure | **64,770.27** | 45,846.92 |
| Profit Before Tax | **16,937.01** | 14,411.50 |
| Provision for Tax (including Deferred Tax) | **8,234.17** | 6,797.67 |
| Profit After Tax | **8,702.84** | 7,613.83 |
| Share of Profit /(Loss)- Minority Interest of ONGC | **(309.12)** | - |
| **Group Profit After Tax** | **9,011.96** | **7,613.83** |
| Paid-up Equity Share Capital | **3,000.00** | 3,000.00 |
| Net Worth | **21,977.47** | 12,226.94 |
| Earning Per Share of Rs. 100 each (Rs.) | **300.40** | 253.79 |
| Dividend Per Share of Rs. 100 each (Rs.) | **----** | 35.00 |

5. **RESERVES**

Details of balance proven Oil and Gas reserves held by your Company, including that of the wholly-owned subsidiary, ONGC Nile Ganga BV are placed at Note-14 of Schedule '26' of Consolidated Accounts. In brief, your Company's balance reserve holding is as under:

| | As on 31st March, 2006 | As on 31st March,2005 |
|---|---|---|
| Oil (including Condensate) (In MMT) | **92.823** | 82.822 |
| Gas (In BCM) | **113.367** | 115.122 |
| **Total (In MMTOE)** | **206.190** | **197.944** |

6. **INVESTMENTS**

Till 31st March, 2006, your Company has committed investments amounting to about USD 5,160 million in overseas Oil and Gas projects, against which about USD 4,050 million has already been invested. With the repayment of carry (loan) by Rosneft's subsidiaries in respect of Sakhalin -1 Project, these investments shall reduce by USD 1,339 million. The investments have been almost entirely funded by the parent, ONGC, by way of equity and zero-interest loans. The Equity Share Capital of your Company is being enhanced from Rs. 3,000 million to Rs. 10,000 million by way of right issue of equity shares of Rs. 7,000 million to ONGC at par.

7. **SUBSIDIARY COMPANIES**

7.1 **ONGC NILE GANGA BV**

ONGC Nile Ganga BV (ONGBV) holds 25% PI in Greater Nile Oil Project (GNOP), Sudan; the other partners in this project are China National Petroleum Corporation (40% PI), Petronas Carigali Overseas Sdn Berhad, a subsidiary of the Malaysian National Oil Company, Petronas (30% PI) and Sudapet, the National Oil Company of Sudan (5% PI). ONGBV's share in oil production from GNOP was 3.413 MMT during 2005-06, and it earned a profit after tax of USD 237.36 million during the year 2005-06 against USD 204.37 million during 2004-05. Your Company received a dividend of USD 117 million from ONGBV. Participating interest in four PSCs of 36 producing fields in Syria and deepwater offshore Block BC-10 in Brazil have also been acquired through ONGBV.

7.2 **ONGC NARMADA LIMITED & ONGC BONNY BRAHMAPUTRA LIMITED**

On 7th December, 2005, your Company incorporated two wholly owned subsidiaries i.e. ONGC Narmada Limited and ONGC Bonny Brahmaputra Limited in Nigeria to meet the requirement of local laws to hold participation in E&P projects. Subsequently, your Company acquired PI in deep water exploration Block-2 in Nigeria-São Tomé & Principe, Joint Development Zone (JDZ) through ONGC Narmada Limited. The other company ONGC Bonny Brahmaputra has been assigned to OMEL to hold interest in one of the two exploration Blocks awarded to it in Nigeria.

In view of exemption granted by the Central Government under Section 212(8) of the Companies Act, 1956 (Act), the annual accounts of the ONGBV have not been attached with the accounts of the Company. As the first financial year of ONGC Narmada Limited and ONGC Bonny Brahmaputra Limited would end on 31st March, 2007, the requirement of attaching the accounts of these two subsidiaries under section 212 of the Act would arise during the financial year 2006-07. As per the terms of exemption, the necessary information in respect of subsidiary is attached to the Annual Accounts.

8. **JOINT VENTURE COMPANY-ONGC MITTAL ENERGY LIMITED**

During the year, your Company entered into a Joint Venture Agreement with Non-Resident Indian Group headed by Shri L. N. Mittal of the Mittal Steel Group for cooperation in the hydrocarbons business. Accordingly, your Company along with Mittal Investments Sarl (MIS) promoted ONGC Mittal Energy Limited (OMEL), a joint venture company incorporated in Cyprus. Your Company and MIS each holds 50% shares of OMEL currently. However, the ultimate shareholding of OMEL is proposed to be in the ratio of 51(OVL) : 49(MIS) of 98% as between the promoters with 2% shares to be held by a financial institution.

OMEL acquired PI during the year in the AFPC Syrian Assets along with ONGC, through ONGBV; OMEL's share being 45%. Further, a Memorandum of Understanding was signed between OMEL and the Ministry of Petroleum Resources of the Federal Republic of Nigeria on 9th November, 2005, which provides for award of suitable Blocks to OMEL in Nigeria in return for OMEL undertaking investment commitments in Nigeria in the infrastructure and downstream sector. Accordingly, OMEL has been awarded two Blocks namely OPL 209 and OPL 212 in Nigeria.

9. **OVERSEAS OFFICES**

Your Company during the year opened its representative office in Tripoli (Libya) and Doha (Qatar). Other overseas representative offices of your Company are located in Ho Chi Minh City (Vietnam), Dubai (UAE), Yuzhno Sakhalinsk (Russia), Baghdad (Iraq) and Tehran (Iran). The wholly-owned subsidiary, ONGC Nile Ganga BV, has its registered office in Amsterdam (The Netherlands), and its representative office in Khartoum (Sudan). The wholly owned subsidiaries, ONGC Narmada Limited and ONGC Bonny Brahmaputra Limited, have their registered offices in Lagos (Nigeria).

10. **INFORMATION TECHNOLOGY**

During the year 2005-06, the ERP system was extended to OVL's overseas subsidiary ONGBV on SAP R/3 platform. Another ERP Package was also implemented in GNPOC, Sudan in which your Company has 25% PI. Infrastructure development with respect to high-end work station and associated facilities is in progress for analysis and review of Geological and Geophysical (G&G) data.

11. **HUMAN RESOURCE DEVELOPMENT (HRD)**

Your Company has been operating with optimally required manpower seconded from the parent company. The total manpower of your Company was 90 as on 31st March, 2006 as compared to 85 as on 31st March, 2005. Besides, 48 ONGC executives were seconded to GNPOC, Sudan and 15 executives to various other overseas projects.

12. **BOARD OF DIRECTORS**

(i) Shri D. K. Pande, Director (Exploration), ONGC joined as Director of your Company on 1st October, 2005.
(ii) Shri U. N. Bose, Director (T&FS), ONGC joined as Director of your Company on 1st October, 2005.
(iii) Shri Arvind Mayaram, Joint Secretary, Ministry of Finance, joined as Director of your company on 3rd March, 2006.
(iv) Shri Subir Raha, Ex-C&MD, ONGC resigned from the office of Chairman of your Company w.e.f. 25th May, 2006. Subsequently, Shri R. S. Sharma, Director, took over as Chairman of your Company on 30th May, 2006.
(v) Shri Talmiz Ahmad, Additional Secretary, Ministry of Petroleum and Natural Gas, joined as Director of your Company on 11th May, 2005 and consequent to his transfer, resigned from the office of the Director w.e.f. 15th June, 2006.
(vi) Shri Sunjoy Joshi, Joint Secretary, Ministry of Petroleum and Natural Gas, resigned from the office of Director w.e.f. 21st February, 2006. Shri Joshi again joined as Director of your Company on 7th July, 2006 and consequent to his transfer, resigned from the office of the Director w.e.f. 31st July, 2006.

Your Directors place on record their deepest sense of gratitude and appreciation for the invaluable contributions made by Shri Subir Raha during his tenure as Chairman of the Company. Your Directors also place on record their sincere appreciation for the excellent contribution made by Shri Talmiz Ahmad and Shri Sunjoy Joshi. Your Directors extend a warm welcome to Shri D. K. Pande, Shri U. N. Bose and Shri Arvind Mayaram.

Under the provisions of Section 255 and 256 of the Companies Act, 1956, Shri R. S. Sharma, Chairman and Shri N. K. Mitra, Director retire by rotation at the ensuing Annual General Meeting, and being eligible, offer themselves for re-appointment.

13. **AUDITORS**

M/s Ashok Praveen & Co., Chartered Accountants, New Delhi were re-appointed as the Statutory Auditors of your Company by the Comptroller & Auditor General (C&AG) of India for the financial year 2005-06.

14. **STATUTORY DISCLOSURES**

(i) None of the employees of your Company is drawing remuneration exceeding limits laid down under the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.
(ii) None of the Directors of your company is disqualified under the provisions of Section 274 (1) (g) of the Companies Act, 1956.
(iii) Information required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 regarding Energy Conservation and Technology Absorption is given below:
a) that the sources of energy used by the Company are Electricity and Motor Spirit (Petrol);
b) that the Board, as part of its existing internal control measures, is striving for the conservation of electricity and petrol under the supervision of Managing Director on a continuous basis and is satisfied that the utilisation of energy is optimum for the operations of the Company in India; and
c) the provisions of the Companies Act, 1956, in regard to technology absorption are not applicable to the Company.
(iv) The information on foreign exchange earnings and outgo during the financial year 2005-06, as required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, is given below:

| | | **(Rs. in Million)** |
|---|---|---|
| (i) | Foreign Exchange earned | 20,370.70 |
| (ii) | Foreign Exchange outgo | 51,504.87 |

15. **SECRETARIAL COMPLIANCE REPORT**

Secretarial Compliance Report confirming compliance to the applicable provisions of Companies Act, 1956 and applicable rules thereunder, though not mandatory, obtained from a practicing Company Secretary, form part of the Directors' Report.

16. **DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to provisions of Section 217(2AA) of the Companies Act, 1956, the following statement relating to Annual Accounts for the financial year ended 31st March, 2006 is made:

(i) The applicable Accounting Standards have been followed in the preparation of the Annual Accounts for the financial year 2005-06. The Company has not taken any material departure from those applicable Accounting Standards;

(ii) The Directors have selected such accounting policies as described in Schedule-26 to the Annual Accounts and applied them consistently as stated in the Annual Accounts and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2006 and of the profit of the Company for the year ended on that date;

(iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; and

(iv) The Directors have prepared the Annual Accounts on a "going concern" basis.

17. **MEETINGS OF THE BOARD OF DIRECTORS**

During the year ended 31st March, 2006, 13 Board Meetings were held on 12th April, 11th May, 24th May , 6th June, 14th July, 10th August, 6th September, 19th September, 2nd November, 16th November, 28th November, 19th December, 2005 and 13th February, 2006.

These meetings were attended by the members of the Board, as under:

| Members | Meetings held during the tenure | Meetings attended |
|---|---|---|
| Shri Subir Raha | 13 | 12 |
| Shri R. S. Butola | 13 | 13 |
| Shri D. K. Sarraf | 13 | 12 |
| Shri Sunjoy Joshi | 13 | 13 |
| Shri Talmiz Ahmad | 12 | 7 |
| Shri P. K. Sinha | 1 | 1 |
| Shri R. S. Sharma | 13 | 11 |
| Dr. A. K. Balyan | 13 | 10 |
| Shri N. K. Mitra | 13 | 9 |
| Shri A. K. Hazarika | 13 | 9 |
| Shri Y. B. Sinha | 1 | 1 |
| Shri Nathu Lal | 1 | 1 |
| Shri D. K. Pande | 5 | 4 |
| Shri U. N. Bose | 5 | 3 |

18. **AUDIT COMMITTEE**

Complying with the requirement of Section 292A of the Companies Act, 1956, the present composition of the Audit Committee is as follows:

Shri Arvind Mayaram-Chairman, Audit Committee
Shri R. S. Sharma-Member, Audit Committee
Shri N. K. Mitra-Member, Audit Committee



In view of resignation of Shri Sunjoy Joshi w.e.f. 21st February, 2006, Shri Arvind Mayaram was appointed as Chairman of the Audit Committee in the 13th Audit Committee meeting held on 15th June, 2006. During the year ended 31st March, 2006, two meetings of the Audit Committee were held on 6th June, 2005 and 16th January, 2006. These meetings were attended by the members of the Committee, as under:

| Members | Meetings held during the tenure | Meetings attended |
|---|---|---|
| Shri Sunjoy Joshi | 2 | 2 |
| Shri R. S. Sharma | 2 | 2 |
| Shri N. K. Mitra | 2 | 1 |

19. **ACKNOWLEDGEMENT**

Your Directors would like to place on record their gratitude for all the guidance and co-operation received from the Government of India, especially the Ministry of Petroleum & Natural Gas, Ministry of Finance, Ministry of External Affairs, the Reserve Bank of India and the Indian Embassies / High Commissions abroad. Your Directors would also like to take this opportunity to express their appreciation to the dedicated and committed team of employees for their valuable contribution. Your Directors recognize that the achievements of your Company would not have been possible without the unstinted and total support from the Parent Company, Oil and Natural Gas Corporation Limited.

**On behalf of the Board of Directors**

**New Delhi,**
**August 14, 2006**

(R. S. Sharma)
**Chairman**

## COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF ONGC VIDESH LIMITED, FOR THE YEAR ENDED 31ST MARCH, 2006.

I have to state that the Comptroller and Auditor General of India has no comments upon or supplement to the Auditors' Report under Section 619(4) of the Companies Act,1956 on the accounts of the ONGC Videsh Limited for the year ended 31st March, 2006.

(A. K. Singh)
**Principal Director of Commercial Audit**
**& Ex-officio Member, Audit Board-II**
**New Delhi**

**Place: New Delhi**
**Dated: 28 July 2006**



## REVIEW OF ACCOUNTS OF ONGC VIDESH LTD. FOR THE YEAR ENDED 31ST MARCH, 2006 BY THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

**Note:** The Review of Accounts has been prepared without taking into account the qualifications contained in the Statutory Auditor's Report.

**1. FINANCIAL POSITION**

The table below summarizes the financial position of the company under broad headings for the last three years:

**(Rs. in Crore)**

| | As at 31st March, 2004 | As at 31st March, 2005 | As at 31st March, 2006 |
|---|---|---|---|
| **Liabilities** | | | |
| a) Paid up Capital | | | |
| i) Government | - | - | - |
| ii) Others | 300.00 | 300.00 | **300.00** |
| b) Reserves & Surplus | | | |
| i) Free Reserves & Surplus | 159.71 | 442.97 | **1,092.42** |
| ii) Share Premium Account | - | - | - |
| iii) Capital Reserve | 17.41 | 17.41 | **17.41** |
| c) Borrowings from | | | |
| i) Govt. of India | - | - | - |
| ii) OIDB | 25.30 | 15.71 | **6.12** |
| iii) Foreign Currency Loans | 247.93 | 98.41 | **151.87** |
| iv) Cash Credit | - | 0.00 | **0.00** |
| v) Others | 8,484.83 | 11,546.89 | **15,481.37** |
| d) i) Current Liabilities & Provisions | 629.05 | 727.23 | **721.99** |
| ii) Provision for Gratuity | 0.88 | 1.55 | **1.92** |
| e) Deferred Tax Liability | 41.34 | 280.84 | **439.14** |
| f) Liability for Abandonment Cost | - | - | **251.88** |
| **Total** | **9,906.45** | **13,431.01** | **18,464.12** |
| **Assets** | | | |
| e) Gross Block | 623.01 | 777.57 | **1,502.62** |
| f) Less : Depreciation | 309.49 | 407.01 | **546.68** |
| g) Net Block | 313.52 | 370.56 | **955.94** |
| h) Capital work in progress | 3,233.50 | 4,974.77 | **5,172.65** |
| i) i) Producing properties: | 631.50 | 610.99 | **2,417.67** |
| ii) Less : Depletion | 116.68 | 90.10 | **250.42** |
| iii) Net Amount | 514.82 | 520.89 | **2,167.25** |
| j) Pre-producing properties | - | - | - |
| k) Investment | 2,987.08 | 2,987.22 | **2,989.11** |
| l) Deferred Tax Asset | - | - | - |
| m) Current Assets, Loans & Advances | 2,857.53 | 4,577.57 | **7,179.17** |
| n) Misc. Expenditure not written off (accumulated project expenditure) | - | - | - |
| o) Accumulated loss | - | - | - |
| **Total** | **9,906.45** | **13,431.01** | **18,464.12** |
| p) Working capital (m-d(i)) | 2,228.48 | 3,850.34 | **6,457.18** |
| q) Capital employed (g+i+k+p) | 6,043.90 | 7,729.01 | **12,569.48** |
| r) Net worth (a+b(i)+b(ii)-n-o) | 459.71 | 742.97 | **1,392.42** |
| s) Net worth per rupee of Paid up Capital (in Rs.) | 1.53 | 2.48 | **4.64** |

1) Borrowings from Others have increased from Rs. 11546.89 crore in 2004-05 to Rs. 15481.37 crore in 2005-06 due to increase in loan raised from Parent Company (Rs. 3,930.06 crore) and due to availment of overdraft from bank (Rs. 4.42 crore) during the year.

2) The amount of Rs. 98.41 crore in 2004-05 indicated against Foreign Currency Loans pertains to Non-Recourse Deferred Credit of a foreign contractor in respect of Sudan Pipeline which was shown as a part of 'Borrowings from Others' during the year 2004-05 has been shown by the Company as 'Foreign Currency Loan' during the current year. Accordingly, the amount of Rs. 151.87 crore in 2005-06 has also been shown against 'Foreign Currency Loans'.

3) Working Capital has increased from Rs. 2228.48 crore in 2003-04 to Rs. 3850.34 crore in 2004-05 and to Rs. 6457.18 crore in 2005-06. This is mainly due to increase in Loans & Advances (Rs. 3190.62 crore) during the year 2005-06.

4) Capital Employed has also increased from Rs. 6043.90 crore during 2003-04 to Rs. 7729.01 crore in 2004-05 and to Rs. 12569.48 crore in 2005-06. This is due to increase in Net Block (Rs. 585.38 crore), increase in Producing Properties (Net) (Rs. 1646.36 crore), increase in Investment (Rs. 1.89 crore) and increase in working capital (Rs. 2606.84 crore) during the year 2005-06.

5) Net Worth has increased from Rs 459.71 crore during 2003-04 to Rs. 742.97 crore in 2004-05 and to Rs. 1392.42 crore in 2005-06 due to increase in the free reserves (Rs. 649.45 crore) during 2005-06 on account of increase in profit during the year.

## 2. WORKING RESULTS

Working results of the company during the last three years are given below:

(Rs. in Crore)

| | | 2003-04 | 2004-05 | 2005-06 |
|---|---|---|---|---|
| i) | Sales | 156.62 | 1081.52 | **1194.59** |
| ii) | Less : Excise Duty | - | - | - |
| iii) | Net Sales | 156.62 | 1081.52 | **1194.59** |
| iv) | Other or Misc. Income | 571.52 | 759.36 | **889.73** |
| v) | Profit/Loss before tax and prior period adjustment | 223.75 | 748.90 | **966.85** |
| vi) | Prior period adjustment | (0.29) | 38.27 | **112.32** |
| vii) | Profit/Loss before tax and after prior period adjustment | 224.04 | 710.63 | **854.53** |
| viii) | Tax provisions | 84.98 | 307.65 | **205.08** |
| ix) | Profit after tax | 139.06 | 402.98 | **649.45** |
| x) | Prepaid dividend | - | - | - |

The increase in sales during the period 2005-06 is due to commencement of production/sale of crude oil & gas of Sakhalin-I Project in October 2005 and reduction in construction contract revenue of Sudan pipeline due to completion of the project in August 2005.

## 3. RATIO ANALYSIS

Some important ratios on the financial health and working of the Company at the end of last 3 years are given below:

( In Percentage )

| | | 2003-04 | 2004-05 | 2005-06 |
|---|---|---|---|---|
| A) | **LIQUIDITY RATIO** | | | |
| | Current Ratio : (Current Assets to Current Liabilities & Provisions and Interest Accrued & due but excluding Provision for Gratuity) | 454.26 | 629.45 | **994.36** |
| B) | **DEBT EQUITY RATIO** | | | |
| | Long Term Debt to Net Worth [c(i) to c(v) but excluding the Short-Term Loans/r] | 1905.12 | 1569.51 | **1120.73** |
| C) | **PROFITABILITY RATIOS** | | | |
| | a) Profit before tax to | | | |
| | i) Capital Employed | 3.71 | 9.19 | **6.80** |
| | ii) Net Worth | 48.74 | 95.65 | **61.37** |
| | iii) Sales | 143.05 | 65.71 | **71.53** |
| | b) Profit after tax to equity capital | 46.35 | 134.33 | **216.48** |
| | c) Earnings per share (in Rs.) of Rs.100 each | 46.35 | 134.33 | **216.48** |



(i) Liquidity Ratio of the Company has been increased from 454.26 during 2003-04 to 629.45 during 2004-05 and to 994.36 in 2005-06. This is due to increase in Loans & Advances (Rs. 3190.62 crore) during the year 2005-06.

(ii) Debt equity ratio has been declining from 1905.12 during 2003-04 to 1569.51 during 2004-05 and further to 1122.87 during 2005-06. This is due to increase in Free Reserves (Rs. 649.45 crore) on account of increase in profit during the year 2005-06.

## 4. SOURCES AND USES OF FUNDS (2005-06)

(Rs. in Crore)

| | |
|---|---|
| **Sources of Funds**<br>**Funds from operations** | |
| -Profit after tax | 649.45 |
| -Depreciation | 139.67 |
| Increase in Borrowings | 3978.35 |
| Increase in Deferred Tax Liability | 158.31 |
| Increase in Liability for Abandonment | 251.88 |
| **Total** | **5177.66** |
| **Utilization of funds** | |
| Increase in Fixed Assets | 725.05 |
| Increase in Capital Works-in-Progress | (189.80) |
| Increase in Wells in Progress | 387.69 |
| Increase in Investments | 1.89 |
| Increase in Working Capital | 2606.47 |
| Increase in Producing Properties | 1646.36 |
| Proposed Dividend (including tax on proposed dividend) | - |
| **Total** | **5177.66** |

## 5. SUNDRY DEBTORS

(Rs. in Crore)

| Year | Debts Considered good | Provision for Doubtful Debts | Total Debtors | Sales | Percentage of Debtors to Sales |
|---|---|---|---|---|---|
| 2003-04 | 42.10 | - | 42.10 | 156.62 | 26.88 |
| 2004-05 | 624.89 | - | 624.89 | 1081.52 | 57.78 |
| **2005-06** | **182.71** | - | **182.71** | **1194.59** | **15.29** |

The decrease in Debtors from Rs. 624.89 crore during 2004-05 to Rs. 182.71 crore during 2005-06 is due to transfer of Pipeline construction contract amount to Loans & Advances.

## 6. INVENTORY

Inventory position as at the end of last three years was as follows: (Rs. in Crore)

| | 2003-04 | 2004-05 | 2005-06 |
|---|---|---|---|
| i) Stores and Spares | 20.26 | 33.03 | **61.76** |
| ii) Capital Stores | - | - | - |
| iii) Stock in trade | 5.00 | 1.92 | **3.36** |
| iv) Others | - | - | - |

The inventory represents the Company's share in Joint Ventures.

(A. K. Singh)
**Principal Director of Commercial Audit**
**& Ex-officio Member, Audit Board-II**
**New Delhi**

**Place: New Delhi**
**Dated: 28 July 2006**

To,

**The Board of Directors,**
**ONGC Videsh Ltd.,**
601 "Kailash",
26, Kasturba Gandhi Marg,
New Delhi-110 001.

**SECRETARIAL COMPLIANCE REPORT FOR THE FINANCIAL YEAR ENDED MARCH 31, 2006.**

We have examined the registers, records and documents of ONGC Videsh Ltd. (the Company) as required to be maintained under the Companies Act, 1956 (the Act) and the rules made there under, and the Memorandum and Articles of Association of the Company for the financial year ended on March 31, 2006 (financial year). In our opinion and according to the information and explanations given to us by the Company, we report that in respect of the aforesaid financial year:

1. The Company is a "Government Company" as defined in Section 617 of the Act. It is an unlisted public company.
2. The Company has kept and maintained all registers as required to be maintained under the provisions of the Act and the rules made there under and all entries have been duly recorded.
3. The Company has duly filed the requisite forms and returns with the Registrar of Companies, NCT of Delhi, under the Act and the rules made there under.
4. The Board of Directors duly met 13 times in respect of which meetings, proper notices were given and the proceedings were properly recorded and signed in the minutes book maintained for the purpose.
5. The Board has constituted an Audit Committee as required under Section 292A of the Act. The Audit Committee met 2 times in respect of which meetings notices were given and the proceedings were properly recorded and signed in the minutes book maintained for the purpose.
6. The Annual General Meeting of the Company for the financial year ended on March 31, 2005 was held on 19.9.2005. The resolutions passed thereat were duly recorded in minutes book maintained for the purpose. No extraordinary general meeting was held during the year under report.
7. The Company declared dividend at the Annual General Meeting held on 19.9.2005 and paid the amount of dividend on 23.9.2005.
8. The Board of Directors of the Company is duly constituted and the appointments of Directors including Managing Director and whole time Directors have been duly made in accordance with the provisions of Articles of Association of the Company read with relevant provisions of the Act.
9. The Company has not altered Memorandum of Association or Articles of Association during the year under report.
10. The Company:
    a) Has duly complied with requirements of Section 217 of the Act.
    b) Under Section 212(8) of the Act had made an application to the Central Government seeking exemption from provisions of Section 212 of the Act in relation to its subsidiary company. The approval/directions of the Central Government under Section 212(8) of the Act have been received vide letter No.47/257/2006-CL-III dated 28th June, 2006.
11. The Company has not received any money as security from any of its employees during the financial year as envisaged under Section 417 of the Act.
12. The Company has not invited/accepted any deposits falling within the purview of Section 58A of the Act during the financial year.
13. The Company has deposited both employee's and employer's contribution with the ONGC Employees Contributory Provident Fund Trust within the prescribed time pursuant to section 418 of the Act.
14. The Company being a "Government Company" is exempt from the provisions of Section 295 of the Act. An amount of Rs. 0.58 million on account of loans/advances was, however, outstanding from the whole time Directors at the end of financial year.
15. The Company has not issued any shares or other securities during the financial year under report.
16. There was no prosecution initiated against or show cause notice received by the Company and no fines or penalties or any other punishment was imposed on the Company, its Directors and Officers during the financial year for offences under the Act.

For A.N. Kukreja & Co.
**Company Secretaries**

(A.N. Kukreja)
**Proprietor**
**CP 2318**

**July 20, 2006**



# AUDITORS' REPORT

**THE MEMBERS**
**ONGC VIDESH LIMITED**
**6th Floor, Kailash Building**
**26, Kasturba Gandhi Marg**
**New Delhi 110001**

We have audited the attached Balance Sheet of ONGC VIDESH LIMITED, NEW DELHI as at 31st March, 2006, the Profit & Loss Account and the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

1. As required by the Companies (Auditor's Report) Order, 2003 as amended by Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956, a statement on the matters specified in paragraph 4 & 5 of the said Order to the extent applicable to the Company, is annexed.

2. Categorization of expenditure on project in Development & Exploratory Wells in Progress, Producing Properties, and Capital work in Progress, allocation of cost incurred on them, depletion of producing properties, 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.

3. The Accounts have been drawn up in accordance with the statement of Significant Accounting Policies Schedule '26'.

**4. Further to our comments in the Annexure referred to in paragraph 1 above, we report that the incorporation of Company's 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. (Refer Note No. 3 of the Schedule-27).**

5. **Subject to our comments in para 4 above**, we report as follows:

   5.1 We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary, for the purposes of our audit.
   5.2 In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books.
   5.3 The Balance Sheet and the Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
   5.4 In our opinion and based on the information given to us, the Profit and Loss Account and Balance Sheet and Cash Flow Statement referred to in this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
   5.5 Based on the written representation made by all the Directors of the Company which was taken on record by the Board of Directors of the Company and the information and explanations as made available, none of the Directors of the Company is disqualified as on 31st March, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
   **5.6 Subject to above and other comment in para-4**, in our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet and Profit and Loss Account and Cash Flow Statement read together with significant accounting policies and notes to accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
   (a) In the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2006; and
   (b) In the case of Profit and Loss Account, of the Profit for the year ended on that date; and
   (c) In the case of Cash Flow Statement for the cash flow of the Company for the year ended on that date.

For ASHOK PRAVEEN & CO.
**Chartered Accountants**

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

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