



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

We have examined the attached Consolidated Balance Sheet of **Oil and Natural Gas Corporation Limited** ("the Company") subsidiaries, Joint Ventures and its associates, as at March 31, 2005 and the consolidated profit and loss account and consolidated cash flow statement for the year then ended and annexed thereto. These financial statements are the responsibility of the management of the company. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

1. We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
2. We have not audited the financial statements of the subsidiaries namely Mangalore Refineries and Petrochemicals Limited, ONGC Videsh Limited and ONGC Nile Ganga BV, whose financial statements reflect total assets of Rs. 224,621.82 million as at March 31, 2005 and total revenues of Rs. 249,149.99 million for the year ended on that date. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the subsidiaries, is based solely on the report of the other auditors.
3. We have not audited the financial statements of associates namely Pawan Hans Helicopters Limited and ONGIO International Private Limited. These financial statements have been audited by other auditors whose reports or certificates have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of these associates, is based solely on the reports of the other auditors.
4. We have not audited the financial statements of joint ventures whose financial statements reflect total assets of Rs.109,310.94 million, total liabilities of Rs 18,026.62 million as at 31st March, 2005 and total revenues of Rs 33,642.03 million, total expenditure of Rs. 25,530.27 million for the year ending on that date. These financial statements have been audited by other auditors or are certified by management whose reports or certificates have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of these associates, is based solely on the reports of the other auditors or certificates of management as the case may be.
5. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21, viz., 'Consolidated Financial Statements', and Accounting Standard (AS) 23, viz., 'Accounting for Investment in Associates in Consolidated Financial Statements' and Accounting Standard(AS) 27, viz., Financial Reporting of interest in Joint Ventures, issued by the Institute of Chartered Accountants of India.
6. We further report that:
Categorisation of wells as exploratory and producing, allocation of cost incurred on them, depletion of producing properties on the basis of the proved developed hydrocarbon reserves, provision for abandonment costs and impairment, allocation of depreciation on process platforms to transportation and facilities, projects in progress are made according to evaluation by the management, technical and /or other wise on which we have placed reliance.

7. Attention is invited to the following notes

- 7.1 the financial statements include unaudited figures relating to joint venture project as under
- total assets of Rs 65,273.66 million and total liabilities of Rs 4,474.88 million and
 - total revenues of Rs Nil and total expenditures of Rs 3,353.04 million.
- 7.2 Note '10' regarding accounts pending reconciliation. We are unable to comment on the adjustments/provisions if any, required to be made in this respect.
- 7.3 Note '3.3' regarding incorporation of figures of associates, viz., Pawan Hans Helicopters Ltd (PHHL) on the basis of audited accounts upto 31st March, 2004 and pending adjustments for changes on the basis of the financials of PHHL as at 31st March, 2005.

8. Subject to our comments in Paragraph 7 above, with consequential aggregate effects the quantification of which could not be determined on the profit for the year, reserves and surplus and net assets as at Balance Sheet date, we report that :

On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of the Company, its subsidiaries, joint ventures and associates, we are of the opinion that the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- the Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of Group as at March 31, 2005; and
- the Consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of the Group for the year then ended on that date; and
- in the case of Consolidated Cash Flow Statement, of the consolidated cash flows of the Group for the year ended on that date.

For K K Soni & Co.
Chartered Accountants

K.K. Soni
Partner (Mem. No. 7737)

For Brahmaya & Co.
Chartered Accountants

V.Seetaramaiah
Partner (Mem. No. 3848)

For S. Bhandari & Co.
Chartered Accountants

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

For Lodha & Co.
Chartered Accountants

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

For RSM & Co.
Chartered Accountants

Vijay N. Bhatt
Partner (Mem.No. 36647)

New Delhi
June 20, 2005

OIL AND NATURAL GAS CORPORATION LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2005

(Rupees in million)

	Schedule	As at 31st March, 2005	As at 31st March, 2004
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	14,259.28	14,259.27
Reserves and Surplus	2	<u>471,940.81</u>	<u>399,158.09</u>
		486,200.09	413,417.36
		6,204.11	4,274.50
MINORITY INTEREST			
LOAN FUNDS			
Secured Loans	3	10,509.23	19,100.94
Unsecured Loans	4	<u>30,093.71</u>	<u>43,433.80</u>
DEFERRED TAX LIABILITY (NET)		57,893.92	54,249.75
LIABILITY FOR ABANDONMENT COST		<u>80,940.64</u>	<u>80,292.03</u>
TOTAL		<u>671,841.70</u>	<u>614,768.38</u>
APPLICATION OF FUNDS			
GOODWILL ON CONSOLIDATION			
		13,683.13	14,591.08
FIXED ASSETS			
Gross Block	5	519,966.47	496,759.46
Less: Depreciation And Impairment		<u>403,277.09</u>	<u>379,710.51</u>
NET BLOCK		116,689.38	117,048.95
PRODUCING PROPERTIES			
Gross Cost	6	512,525.03	481,962.30
Less: Depletion and Impairment		<u>266,971.24</u>	<u>235,254.10</u>
NET PRODUCING PROPERTIES		245,553.79	246,708.20
CAPITAL WORKS-IN-PROGRESS (NET)	7	87,774.99	44,081.08
EXPLORATORY/DEVELOPMENT			
WELLS -IN-PROGRESS (NET)	8	23,888.05	14,840.46
INVESTMENTS	9	26,555.41	30,307.27
CURRENT ASSETS, LOANS AND ADVANCES			
Interest Accrued	10	4,707.39	4,910.88
Inventories	11	43,729.89	35,528.79
Sundry Debtors	12	47,090.85	29,310.50
Cash and Bank Balances	13A	66,034.80	64,799.15
Deposit with Bank Under Site Restoration Fund Scheme	13B	36,180.55	31,681.97
Loans and Advances	14	72,474.09	56,188.11
Other Current Assets	15	<u>10.11</u>	<u>99.83</u>
		<u>270,227.68</u>	<u>222,519.23</u>
LESS: CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	16	77,025.56	56,167.73
Provisions	17	<u>41,122.07</u>	<u>25,180.09</u>
		<u>118,147.63</u>	<u>81,347.82</u>
NET CURRENT ASSETS		152,080.05	141,171.41
MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)	18	5,616.90	6,019.93
TOTAL		<u>671,841.70</u>	<u>614,768.38</u>
SIGNIFICANT ACCOUNTING POLICIES	28		
NOTES TO THE ACCOUNTS	29		

Schedules referred to above form an integral part of the Accounts

H. C Shah
Company Secretary

R.S.Sharma
Director (Finance)

Subir Raha
Chairman & Managing Director

In terms of our report of even date attached
For K.K.Soni & Co.
Chartered Accountants

For S. Bhandari & Co.
Chartered Accountants

For RSM & Co.
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K.K.Soni
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Partner (Mem. No. 3848)

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

New Delhi,
June 20, 2005

OIL AND NATURAL GAS CORPORATION LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2005

(Rupees in million)

	Schedule	2004-05	2003-04
INCOME			
Gross Sales	19	622,798.44	453,143.59
Less : Excise Duty		<u>25,334.18</u>	<u>16,695.72</u>
Net Sales		597,464.26	436,447.87
Other Income	20	<u>19,577.13</u>	<u>22,433.99</u>
		617,041.39	458,881.86
Increase/(decrease) in stocks	21	<u>1,276.23</u>	<u>1,383.47</u>
		618,317.62	460,265.33
EXPENDITURE			
Purchases		28.29	0.00
Production, Transportation, Selling and Distribution Expenditure	22	314,718.20	240,523.18
Recouped Costs	23	73,586.41	65,524.99
Financing Costs	24	1,876.69	3,822.40
Provisions and Write-offs (Net)	25	<u>3,281.24</u>	<u>1,343.37</u>
		393,490.83	311,213.94
Profit before Tax and Prior Period Adjustments		224,826.79	149,051.39
Adjustments relating to Prior Period (Net)	26	204.31	290.71
Provision for Taxation			
- Current Tax (including Wealth Tax Rs.17.43 million Previous Year Rs. 16.25 million)		74,744.23	46,242.48
- For Earlier years		(54.72)	(141.55)
- Deferred Tax		<u>4,726.81</u>	<u>7,778.81</u>
Profit after Taxation		145,206.16	94,880.94
Add: Share of Profit/(Loss) in Associates for the year		0.00	(4.76)
Add: Share of Profit/(Loss) in Associates for earlier years		113.47	160.91
Less: Share of Profit/(Loss)- Minority Interest		<u>1,929.60</u>	<u>1,234.48</u>
Group Profit after Tax		143,390.03	93,802.61
Surplus at the beginning		0.84	0.40
BALANCE AVAILABLE FOR APPROPRIATION		143,390.87	93,803.01
APPROPRIATIONS			
Proposed Dividend on Preference Shares		0.01	0.00
Proposed Dividend on Equity Shares		29,016.07	14,259.34
Tax on Proposed Dividend (including Rs. 36.54 million for Previous Year)		4,429.35	1,826.98
Interim Dividend		28,518.68	19,963.08
Tax on Interim Dividend		3,727.03	2,557.77
Transfer to General Reserve		77,698.98	55,195.00
Balance carried to Balance Sheet		<u>0.75</u>	<u>0.84</u>
		143,390.87	93,803.01
EARNINGS PER EQUITY SHARE	27		
(Face Value Rs. 10/-Per Share)			
Basic & Diluted (Amount in Rs.)		100.56	65.78
SIGNIFICANT ACCOUNTING POLICIES	28		
NOTES TO THE ACCOUNTS	29		

Schedules referred to above form an integral part of the Accounts

H. C Shah
Company Secretary

R.S.Sharma
Director (Finance)

Subir Raha
Chairman & Managing Director

In terms of our report of even date attached
For K.K.Soni & Co.
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Partner (Mem. No. 55104)

New Delhi,
June 20, 2005

(Rupees in million)

	As at 31st March, 2005	As at 31st March, 2004
Schedule to the Consolidated Balance Sheet		
SCHEDULE-1		
SHARE CAPITAL		
Authorised:		
15000,000,000 Equity Shares of Rs. 10 each	<u>150,000.00</u>	<u>150,000.00</u>
Issued and Subscribed:		
1425,933,992 Equity Shares of Rs. 10 each	<u>14,259.34</u>	<u>14,259.34</u>
Paid up :		
1425,933,992 Equity Shares of Rs. 10 each	14,259.34	14,259.34
Less : Calls in Arrears (Other than Directors)	<u>0.06</u>	<u>0.07</u>
	14,259.28	14,259.27
TOTAL	<u>14,259.28</u>	<u>14,259.27</u>

Note : The above includes:

- (i) 342,853,716 Equity Shares issued as fully paid up to the President of India without payment being received in cash in terms of Oil and Natural Gas Commission (Transfer of Undertaking and Repeal) Act, 1993.
- (ii) 1,076,440,366 Equity Shares issued as fully paid up by way of bonus shares by capitalisation of General Reserve.

(Rupees in million)

	As at 31st March, 2005	As at 31st March, 2004
Schedule to the Consolidated Balance Sheet		
SCHEDULE-2		
RESERVES AND SURPLUS		
Capital Reserve *		
a) Opening Balance	333.52	1,485.30
b) Addition during the year	0.00	0.00
c) Deduction during the year	0.00	1,151.78
	<u>333.52</u>	<u>333.52</u>
Deferred Government Grant		
a) Opening Balance	41.97	37.82
b) Addition during the year	5.82	13.62
c) Deduction during the year **	10.46	9.47
	<u>37.33</u>	<u>41.97</u>
Share Premium Account ***		
a) Opening Balance	1,868.90	1,724.50
b) Addition during the year	0.34	144.40
	<u>1,869.24</u>	<u>1,868.90</u>
Premium on Foreign Currency Bonds (As per last year Balance Sheet)	168.12	168.12
Insurance Reserve (As per last year Balance Sheet)	2,500.00	2,500.00
General Reserve		
a) Opening Balance	394,244.74	338,516.60
b) Add: Adjustment based on audited accounts of subsidiary	0.00	533.14
c) Less : Transfer to Foreign Exchange Translation Reserve	(42.19)	0.00
d) Less: Adjustment for Impairment loss as on 01.04.2004 (Refer note 4.1)	2,002.28	0.00
e) Transferred from Profit and Loss Account	77,698.98	55,195.00
	<u>469,983.63</u>	<u>394,244.74</u>
Foreign Exchange Translation Reserve	(2,951.78)	0.00
Profit and Loss Account	0.75	0.84
TOTAL	<u>471,940.81</u>	<u>399,158.09</u>

Includes Rs. 158.78 million share of jointly controlled entity. (Previous year Rs. 144.33 million)

* Represents assessed value of assets received as gift.

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

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

(Rupees in million)

		As at 31st March, 2005		As at 31st March, 2004
Schedule to the Consolidated Balance Sheet				
SCHEDULE-3				
SECURED LOANS				
(a)	Foreign Currency Term Loans			
-	From Banks	4,714.64		5,757.81
(b)	Rupee Term Loans			
-	From Banks	2,066.64	1,771.83	
-	From Financial Institutions	725.30	725.30	
-	From Others	<u>261.25</u>	<u>261.25</u>	2,758.38
(c)	Suppliers' Deferred Payment Credit - Foreign Currency	1,377.76		2,323.04
(d)	Working Capital facilities			
-	From Banks			
	Rupee Loans	1,363.64	0.00	
	Foreign Currency Loans	<u>0.00</u>	<u>8,261.71</u>	8,261.71
TOTAL		<u>10,509.23</u>		<u>19,100.94</u>

Note:

Includes Rs.1574.86 million share of jointly controlled entity. (Previous year Rs. 1280.05 million)

NOTES TO SCHEDULE - 3

1. A) Foreign Currency Term Loan from a bank of Rs.3,909.70 Million (Previous Year Rs.4,717.24 Million) is secured by the letter of comfort/guarantees issued by the local bank in favour of overseas lending branch. These letters of comfort/guarantees are secured by equitable mortgage/hypothecation of MRPL's immovable and movable properties (save and except book debts) both present and future.
- B) Foreign Currency Term Loan from a bank of Rs 804.94 million (Previous Year Rs. 1,040.57 million) is secured by equitable mortgage/hypothecation of MRPL's immovable and movable properties (save and except book debts) both present and future.
2. A) Rupee Term Loans as referred in (b) from Banks of Rs. 753.03 Million (Previous Year Rs.753.03 million) and from Financial Institutions of Rs. 725.30 Million (Previous Year Rs.725.30 Million) along with all interest, cost charges, expenses and other monies whatsoever payable to Lenders are secured/to be secured by :
 - i) Equitable mortgage over the immovable properties of MRPL, both present & future;
 - ii) Hypothecation over the present and future movable properties of MRPL.
- B) In respect of Jointly Controlled entity-Rs.1574.86 Million (Previous Year Rs. 1280.05 million) secured by way of hypothecation of all movable properties, both present and future ranking pari-passu with all the lenders.
3. Supplier's Deferred Payment Credit - Foreign Currency is guaranteed by the consortium of Banks/Financial Institutions. These guarantees are secured/to be secured by equitable mortgage /hypothecation of MRPL's immovable and movable properties (save and except book debts) both present and future.
- 4.1 Working Capital Facilities from banks - Rupee Loans are secured by way of hypothecation of MRPL's stocks of raw materials, finished goods, stock-in-process, stores, spares, components, book debts, outstanding moneys receivable, claim, bills, contracts, engagements, securities, both present and future and further secured/to be secured by residual charge on MRPL's immovable and movable properties (save and except Current Assets) both present and future, ranking pari passu inter se.
- 4.2 Working Capital Facilities from banks - Foreign Currency Loans are backed/earmarked by Non Fund Based Limits (i.e Letter of Credit) extended by Banks. These Letter of Credit/Non fund based limits are secured/to be secured by way of hypothecation of MRPL's stocks of raw materials, finished goods, stock in-process, stores, spares, components, book debts, outstanding money receivable, claim, bills, contracts, engagements, securities, both present and future, ranking pari passu with the other Working Capital Facilities.
5. Charges created/to be created in favour of lenders as referred to in note 1,2 & 3, shall rank pari passu inter se and are subject to the charge(s) created /to be created by the MRPL in favour of its bankers on the MRPL's stock of raw materials, semi-finished goods, consumable stores and book debts and such other movables as may be specifically permitted to secure its working capital requirements in the ordinary course of business.

(Rupees in million)

	As at 31st March, 2005	As at 31st March, 2004
Schedule to the Consolidated Balance Sheet		
SCHEDULE-4		
UNSECURED LOANS		
(a) Long Term		
- From Oil Industry Development Board	763.66	1,061.70
Foreign Currency Loans:		
- From Banks/Financial Institutions	9,851.52	7,121.89
- Sales Tax Deferment Loan	879.44	479.44
- From others	882.90	1,308.94
(b) Line of Credit		
- From a Bank	8,550.00	26,443.56
(c) Non - Recourse deferred credit (in respect of Joint Venture)	984.07	0.00
(d) Cash credit		
- From a Bank	8,182.12	7,018.27
TOTAL	<u>30,093.71</u>	<u>43,433.80</u>
Long term includes Repayable within one year	8,433.46	9,319.19

Note:

Includes Nil as share of jointly controlled entity.(Previous year Rs. 293.56 million)

Schedule to the Consolidated Balance Sheet

SCHEDULE-5

FIXED ASSETS

(Rupees in million)

PARTICULARS	GROSS BLOCK			DEPRECIATION			IMPAIRMENT			NET BLOCK				
	As at 1st April, 2004	Additions during the year	Deletions/adjustments during the year	As at 31st March, 2005	Up to 31st March, 2004	For the Year	Deletions/Adjustments during the year	Upto 31st March, 2005	As at 1st April, 2004	For the Year	Deletions/Adjustments during the year	Upto 31st March, 2005	As at 31st March, 2005	As at 31st March, 2004
Land														
i) Freehold	1,139.50	137.96	0.00	1,277.46	0.00	0.00	0.00	0.00	26.08	0.00	0.12	25.96	1,251.50	1,139.50
ii) Leasehold	1,089.41	3,280.93	0.00	4,370.34	168.16	17.19	0.00	185.35	0.00	0.00	0.00	0.00	4,184.99	921.25
Buildings and Bunk Houses	11,983.08	876.59	64.71	12,794.96	5,253.52	329.33	10.45	5,572.40	228.32	23.12	10.40	241.04	6,981.52	6,729.56
Railway Sidings	89.95	0.00	0.00	89.95	73.26	2.32	0.00	75.58	0.00	0.00	0.00	0.00	14.37	16.69
Plant and Machinery														
i) owned	469,646.52	22,152.58	2,182.47	489,616.63	365,551.86	22,844.02	(180.83)	388,576.71	456.07	130.24	23.48	562.83	100,477.09	104,094.66
ii) Taken on Lease	4,158.46	0.00	3,037.56	1,120.90	1,785.71	177.41	1,432.60	530.52	0.00	0.00	0.00	0.00	590.38	2,372.75
Furniture and Fittings	3,620.67	374.08	55.12	3,939.63	2,459.27	242.03	52.89	2,648.41	35.19	5.64	0.00	40.83	1,250.39	1,161.40
Vehicles, Survey Ships, Crew Boats, Aircrafts and Helicopters	4,404.80	347.12	16.78	4,735.14	3,985.54	167.56	42.87	4,110.23	15.23	1.02	0.01	16.24	608.67	419.26
Intangibles	496,132.39	27,169.26	5,356.64	517,945.01	379,277.32	23,779.86	1,357.98	401,699.20	760.89	160.02	34.01	886.90	115,358.91	116,855.07
	627.07	1,375.36	(19.03)	2,021.46	433.19	221.55	(8.48)	663.22	0.14	27.63	0.00	27.77	1,330.47	193.88
TOTAL	496,759.46	28,544.62	5,337.61	519,966.47	379,710.51	24,001.41	1,349.50	402,362.42	761.03	187.65	34.01	914.67	116,689.38	117,048.95
Previous year	475,764.98	22,348.35	1,353.87	496,759.46	355,832.87	24,634.63	756.99	379,710.51	0.00	0.00	0.00	0.00	117,048.95	
The above includes the Corporation's share in Joint Venture Assets	21,629.44	1,752.41	53.78	23,328.07	15,380.19	1,938.39	9.91	17,308.67	23.48	49.96	23.48	49.96	5,969.44	
Previous year	20,907.75	919.66	197.96	21,629.45	12,366.01	3,113.15	98.96	15,380.20	0.00	0.00	0.00	0.00	6,249.25	

Notes:

1. Additions to Plant and Machinery are net of Rs. 187.89 million on account of net exchange gain during the year (Previous Year Rs.304.62 million on account of exchange loss).
2. Land includes land in respect of a certain projects for which execution of lease/conveyance deeds are in process.
3. Registration of title deeds in respect of certain Buildings is pending execution.
4. Plant & Machinery-owned includes an amount of Rs. 782.98 million (Previous year Rs.782.98 million) being MRPL share of an asset owned together with another company.
5. Net Fixed Assets include Rs. 2,262.37 million share of jointly controlled entity. (Previous year Rs. 12.31 million)



(Rupees in million)

	As at 31st March, 2005	As at 31st March, 2004
Schedule to the Consolidated Balance Sheet		
SCHEDULE-6		
PRODUCING PROPERTIES		
Gross Cost		
Opening Balance	481,069.55	373,455.24
Acquisition Cost	2,183.07	0.00
Expenditure during the year	12,342.00	11,264.49
Transfer from Exploratory Wells-in-Progress	2,316.73	1,547.90
Transfer from Development Wells-in-Progress	15,591.20	16,990.76
Estimated Abandonment costs	648.61	80,292.03
Transfer to Development Wells-in-Progress	0.00	(1,560.10)
Other Adjustments	(1,626.13)	(28.02)
Total (Gross)	<u>512,525.03</u>	<u>481,962.30</u>
Less: Depletion		
Opening Balance	234,361.35	182,962.13
Depletion for the Year	27,802.07	25,747.77
Provision for Abandonment	0.00	25,664.72
Written off due to Change in Accounting Policy	0.00	892.75
Other Adjustments	(728.32)	(13.27)
Total Depletion	<u>261,435.10</u>	<u>235,254.10</u>
Less : Impairment		
Provision For Impairment (Transfer from Schedule 17)	3,432.11	0.00
Impairment Loss as on 1.4.2004 (Refer Note 4.1)	2,153.02	0.00
Impairment for the year	223.31	0.00
Write back during the year	(272.30)	0.00
Closing impairment	<u>5,536.14</u>	<u>0.00</u>
NET PRODUCING PROPERTIES	<u>245,553.79</u>	<u>246,708.20</u>

(Rupees in million)

	As at 31st March, 2005	As at 31st March, 2004
Schedule to the Consolidated Balance Sheet		
SCHEDULE-7		
CAPITAL WORKS-IN-PROGRESS		
Buildings	736.90	689.63
Plant and Machinery	40,164.61	8,592.07
Others	45,995.87	30,869.73
Advances for Capital Works and Progress Payments	880.59	3,605.73
Pre-operative Expenditure pending allocation in respect of jointly controlled entity	0.00	323.92
TOTAL	<u>87,777.97</u>	<u>44,081.08</u>
Less : Impairment		
Impairment loss as on 1.04.2004 (Refer note 4.1)	6.67	0.00
Impairment for the year	0.13	0.00
Write back during the year	3.82	0.00
Total	<u>2.98</u>	<u>0.00</u>
NET CAPITAL WORKS- IN- PROGRESS	<u>87,774.99</u>	<u>44,081.08</u>

Note:

Includes Rs. 100.49 million share of jointly controlled entity. (Previous year Rs. 2182.97 million)

(Rupees in million)

	As at 31st March, 2005	As at 31st March, 2004
Schedule to the Consolidated Balance Sheet		
SCHEDULE-8		
EXPLORATORY/DEVELOPMENT WELLS -IN-PROGRESS		
A) EXPLORATORY WELLS-IN-PROGRESS		
Gross Cost		
Opening Balance	11,789.73	10,730.94
Acquisition Cost	3,711.22	0.00
Expenditure during the year	27,044.13	17,927.58
Less : Sale proceeds of Oil and Gas (Refer Schedule-19)	<u>19.30</u>	<u>1.42</u>
	27,024.83	17,926.16
Dry wells written back	<u>0.00</u>	<u>22.00</u>
	42,525.78	28,679.10
Less :		
Transfer to Producing Properties	2,316.73	1,547.90
Wells written off during the year	23,525.85	17,386.39
Other adjustments	21.97	9.89
	<u>25,864.55</u>	<u>18,944.18</u>
EXPLORATORY WELLS-IN-PROGRESS	16,661.23	9,734.92
B) DEVELOPMENT WELLS-IN-PROGRESS		
Opening Balance Transfer from Producing Properties	3,050.72	1,560.10
Expenditure during the year	19,904.28	20,536.20
Transfer to Producing Properties	(15,591.20)	(16,990.76)
Sub Total	<u>7,363.80</u>	<u>5,105.54</u>
Less : Impairment		
Impairment loss as on 1.04.2004 (Refer Note 4.1)	97.48	0.00
Impairment for the year	136.98	0.00
Reversal during the year	(97.48)	0.00
Total	<u>136.98</u>	<u>0.00</u>
NET DEVELOPMENT WELLS - IN - PROGRESS	<u>7,226.82</u>	<u>5,105.54</u>
EXPLORATORY/DEVELOPMENT WELLS -IN-PROGRESS (A+B)	<u>23,888.05</u>	<u>14,840.46</u>

(Rupees in million)

	No. of Shares/ Bonds/Units	Face Value per Share/ Bond/Unit (in Rupees)	As at 31st March, 2005	As at 31st March, 2004
Schedule to the Consolidated Balance Sheet				
SCHEDULE-9				
INVESTMENTS				
LONG-TERM INVESTMENTS (FULLY PAID UP)				
A. TRADE INVESTMENTS				
1 Equity Shares (Unquoted)				
Investment in Associates				
i) Pawan Hans Helicopter Limited	24,500	10,000	804.62	728.84
ii) ONGIO International Private Ltd.	1,505,000	10	0.00	0.00
Investment in Others				
i) Oil Spill Response Ltd.	100	*	0.01	0.01
2 Equity Shares (Quoted)				
i) Indian Oil Corporation Limited	106,453,095	10	13,720.49	13,720.49
ii) GAIL (India) Limited	40,839,549	10	2,451.06	2,451.06
3 Oil Companies Govt. of India Special Bonds (Unquoted)				
i) 10.5% Government of India Special Bonds 2005	0 (1)	3,850,000,000	0.00	3,850.00
ii) 6.96% Government of India transferable Special Bonds 2009	698,037	10,000	6,980.37	6,980.37
iii) 5% Oil companies' Government of India Special Bonds 2009	257,600	10,000	2,576.00	2,576.00
TOTAL TRADE INVESTMENTS			26,532.55	30,306.77
B. NON-TRADE INVESTMENTS (Unquoted)				
12% UP State Development Loan-2011	1	500,000	0.50	0.50
TOTAL LONG TERM INVESTMENTS			26,533.05	30,307.27
CURRENT INVESTMENTS				
NON-TRADE INVESTMENTS (Unquoted)				
91 Days Treasury bills (In Govt. Securities)			22.36	0.00
GRAND TOTAL			26,555.41	30,307.27
Total Quoted Investments			16,171.55	16,171.55
Total Unquoted Investments			10,383.86	14,135.72
			26,555.41	30,307.27
Total Market value of Quoted Investments			55,292.61	61,518.36

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

Figures in the () relate to previous year.

Note:

Includes Rs. 22.36 million share of jointly controlled entity. (Previous year Nil)

(Rupees in million)

	As at 31st March, 2005	As at 31st March, 2004
Schedule to the Consolidated Balance Sheet		
SCHEDULE-10		
INTEREST ACCRUED		
Unsecured, Considered Good unless otherwise stated		
Interest Accrued On		
- Investments	4.37	36.94
- Deposits with Banks/Financial Institutions	1,892.68	2,438.68
- On carry finance	280.27	0.00
- Others		
- Considered Good	2,530.07	2,435.26
- Considered Doubtful	246.89	259.12
	<u>4,954.28</u>	<u>5,170.00</u>
Less : Provision	246.89	259.12
	<u>4,707.39</u>	<u>4,910.88</u>

Note:

Includes Rs. 0.41 million share of jointly controlled entity. (Previous year Rs. 0.33 million)

SCHEDULE-11

INVENTORIES

(As verified and valued by the Management)

Stores and spare parts		
- on hand	20,140.59	15,007.63
- in transit (including inter-project transfers)	3,444.51	7,142.76
Capital Stores		
- on hand	1,407.18	718.50
- in transit	360.53	821.41
Finished Goods	9,612.25	6,414.71
Raw Material		
- on hand	4,351.37	3,548.11
- in transit	3,014.62	912.78
Stock in Process	1,231.38	808.38
Unserviceable Items	167.46	154.51
	<u>43,729.89</u>	<u>35,528.79</u>

Note:

Includes Rs. 158.34 million share of jointly controlled entity. (Previous year Rs 125.39 million)

(Rupees in million)

	As at 31st March, 2005	As at 31st March, 2004
Schedule to the Consolidated Balance Sheet		
SCHEDULE-12		
SUNDRY DEBTORS		
Debts - Outstanding for a period exceeding six months :		
- Considered Good	3,323.42	2,191.30
- Considered Doubtful	1,010.42	1,101.99
Other debts :		
- Considered Good	43,767.43	27,119.20
- Considered Doubtful	<u>618.58</u>	<u>20.45</u>
	48,719.85	30,432.94
Less: Provision for Doubtful Debts	1,629.00	1,122.44
TOTAL	<u>47,090.85</u>	<u>29,310.50</u>

Note:

Includes Rs.149.56 million share of jointly controlled entity. (Previous year Rs. 38.77 million)

(Rupees in million)

	As at 31st March, 2005	As at 31st March, 2004
Schedule to the Consolidated Balance Sheet		
SCHEDULE-13		
A) CASH AND BANK BALANCES		
Cash balance on Hand*	20.16	45.00
Balances with Scheduled Banks in:		
Current Accounts	1,160.68	357.50
Margin Money Deposit Account	0.12	0.43
Fixed Deposits	62,221.39	58,789.05
Balances with Non-Scheduled Banks in:		
Current Accounts with J.P Morgan Chase Bank - Texas (Maximum balance during the year Rs 0.02 million previous year Rs.86.60 million.)	0.00	0.02
Current Accounts with Commerz Bank - Frankfurt (Maximum balance during the year Rs. 2.89 million previous year Rs. 2.76 million.)	2.89	2.76
SB Dollar Account with Bank for Foreign Trade of Vietnam, HCMC Vietnam (Maximum balance during the year Rs 344.62 million. Previous year Rs 0.03 million)	0.02	0.02
SB VND Account with Bank for Foreign Trade of Vietnam, HCMC Vitenam (Maximum balance during the year Rs.377.74 million. Previous year Rs 612.83 million)	0.04	0.03
Current Accounts (USD), CITI Bank, HCMC, Vietnam (Maximum balance during the year Rs. 17.10 million Previous year Rs. 4.33 million)	0.32	0.01
Current Accounts (VND), CITI Bank, HCMC, Vietnam (Maximum balance during the year Rs. 58.06 million Previous year Rs. 10.41 million)	0.05	0.09
Current Account with Bank of Moscow, Sakhalin (Maximum balance during the year Rs.0.70 million Previous year Rs.0.47 million)	0.73	0.14
Mashreq Bank, Khartoum, Sudan (Maximum balance during the year Rs.24.14 million Previous year Rs. 16.69 million)	19.25	1.90
Mashreq Bank (Sudanees Dinar Account), Khartoum, Sudan (Maximum balance during the year Rs. 10.52 million Previous year Rs.4.05 million)	1.26	1.13
On deposit account with CITI Bank, HCMC, Vietnam (Maximum balance during the year Rs.62.72 million Previous year Nil)	36.71	0.00
Deutsche Bank AG(Multi currency), Amsterdam (Maximum balance during the year Rs.430.10 million Previous year Rs. 1.88 million)	2.19	1.10
Deutsche Bank AG, Amsterdam (Maximum balance during the year Rs. 0.04 million Previous year Rs.0.05 million)	0.00	0.04
Deutsche Bank AG(GBP), Amsterdam (Maximum balance during the year Rs. 595.45 million Previous year Rs.728.85 million)	0.46	11.00
Deposit Account, Deutsche Bank AG, Amsterdam (Maximum balance during the year Rs. 2573.84 million Previous year Rs..4222.48 million)	0.00	4,189.03
ICICU Bank London- GBP (Maximum balance during the year Rs. 4.60 million Previous year Rs. 15.11 million)	0.07	15.11
Current account with CITI Bank, London (Maximum balance during the year Rs. 5.79 million Previous year Nil)	5.79	0.00
Mashreq Bank, London- GBP (Maximum balance during the year Rs.8.08 million Previous year Rs. 8.08 million)	0.00	8.08
Bank Balances (With Project Operators)	<u>2,562.67</u>	<u>1,376.71</u>
Total	<u>66,034.80</u>	<u>64,799.15</u>
B) DEPOSIT WITH BANK UNDER SITE RESTORATION FUND SCHEME***	<u>36,180.55</u>	<u>31,681.97</u>

Note: Includes Rs. 372.46 million share of jointly controlled entity. (Previous year Rs. 533.13 million)

* Includes Cheques in hand Rs. 3.28 million Previous year Rs. 26.46 million.

** Includes Rs. 16.40 million (Previous year Rs. 18.40 million) under lien/pledge with Banks/customs authorities. Also includes Rs. 216.99 million unutilised out of share issue proceeds in respect of jointly controlled entity. (Previous year Rs.478.75 million)

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

(Rupees in million)

	As at 31st March, 2005	As at 31st March, 2004
Schedule to the Consolidated Balance Sheet		
SCHEDULE-14		
LOANS AND ADVANCES		
Loans to Public Sector Undertakings	790.54	763.94
Advance for Petronet MHB Limited-Shares	383.41	383.41
Loans and Advances to Employees	7,465.47	7,737.00
Advances Recoverable in Cash or in Kind or for Value to be received	20,095.21	14,468.71
Recoverable from Petroleum Planning & Analysis cell (PPAC)	9,082.24	8,832.14
Carry Finance to SMNG-S & RN-ASTRA, Russian Federation	30,338.49	16,956.52
Carry finance to Sudapet	472.44	0.00
Insurance Claims	799.58	965.59
Deposits:		
a) With Customs/Port Trusts etc.	52.04	631.64
b) Others	4,160.95	2,548.79
	<u>73,640.37</u>	<u>53,287.74</u>
Less : Provision for Doubtful Claims/advances	<u>3,624.85</u>	<u>3,649.23</u>
	70,015.52	49,638.51
Income Tax :		
Advance payment of Income Tax	208,989.77	142,534.79
Less: Provision	<u>206,531.20</u>	<u>135,985.19</u>
(Including provision for Wealth Tax Rs. 33.43 million Previous Year Rs.33.53 million)		
TOTAL	<u>72,474.09</u>	<u>56,188.11</u>
Particulars of loans and advances:		
Secured	6,899.87	7,049.16
Unsecured -Considered Good	65,574.22	49,138.95
-Considered Doubtful	<u>3,624.85</u>	<u>3,649.23</u>
	76,098.94	59,837.34
Less : Considered Doubtful and provided for	3,624.85	3,649.23
TOTAL	<u>72,474.09</u>	<u>56,188.11</u>

Notes:

1. Includes Rs. 34.94 million share of jointly controlled entity. (Previous year Rs. 20.28 million)
2. Loans to employees include an amount of Rs. 1.60 million (Previous Year Rs. 0.73 million) outstanding from whole time Directors. Maximum amount outstanding during the year Rs. 2.12 million. (Previous Year Rs. 0.82 million)

(Rupees in million)

	As at 31st March, 2005	As at 31st March, 2004
Schedule to the Consolidated Balance Sheet		
SCHEDULE-15		
OTHER CURRENT ASSETS		
Unsecured, Considered Good unless otherwise stated		
Repair Jobs-in-progress-at Cost	0.00	72.94
Other Accounts		
- Considered Good	10.11	26.89
- Considered Doubtful	<u>1,123.99</u>	<u>942.33</u>
	1,134.10	969.22
Less: Provision for Doubtful Accounts	<u>1,123.99</u>	<u>942.33</u>
	10.11	26.89
TOTAL	<u>10.11</u>	<u>99.83</u>

SCHEDULE-16

CURRENT LIABILITIES

Sundry Creditors for Supplies / Works :

- Small Scale Industries	5.32	9.11
- Other than Small Scale Industries	51,913.63	32,077.21
Liability for Royalty/Cess/Sales tax etc.	7,326.23	5,697.59
Investor Education and Protection Fund:		
- Unpaid Matured debentures	165.07	171.93
- Unclaimed Interest on debentures	<u>69.54</u>	<u>92.25</u>
Deposits	4,087.98	3,611.01
Deferred Credit on Vietnam gas Sales	358.15	981.70
Accounts Payable-Sudan	0.00	1,575.37
Withholding tax on Dividend Payable	0.00	325.89
Other Liabilities	12,871.41	11,166.28
Unclaimed Dividend*	134.23	47.74
Interest Accrued but not due on loans	94.00	411.65
TOTAL	<u>77,025.56</u>	<u>56,167.73</u>

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

Note:

Includes Rs.446.64 million share of jointly controlled entity. (Previous year Rs. 203.82 million)

(Rupees in million)

	As at 31st March, 2005	As at 31st March, 2004
Schedule to the Consolidated Balance Sheet		
SCHEDULE-17		
PROVISIONS		
Gratuity	1,326.23	541.69
Leave Encashment	3,586.83	2,868.80
Provision for Impairment	*	3,432.11
Provision against Non-Moving Inventories and Others	2,800.13	2,251.17
Proposed Dividend on Preference Shares	0.01	0.00
Proposed Dividend on Equity Shares	29,016.07	14,259.34
Tax on Proposed Dividend	4,392.80	1,826.98
TOTAL	<u>41,122.07</u>	<u>25,180.09</u>
* Transferred to Producing properties(Schedule-6)		
Note:		
Includes Rs. 0.62 million share of jointly controlled entity. (Previous year Rs. 0.28 million)		

SCHEDULE-18

MISCELLANEOUS EXPENDITURE

(to the extent not written off or adjusted)

Dry Docking Charges	2,815.58	2,310.60
Extended Trial Run Expenditure	305.27	610.54
Preliminary expenses	0.00	1.01
Other Expenditure	2,496.05	3,097.78
TOTAL	<u>5,616.90</u>	<u>6,019.93</u>
Note:		
Includes Nil as share of jointly controlled entity.(Previous year Rs. 2.61 million)		

	2004-05		2003-04	
Schedule to the Consolidated Profit & Loss Account				
SCHEDULE-19				
SALES				
Sales		634,781.00		454,083.47
Less :				
Transfer to Exploratory Wells in Progress (Refer Schedule-8)	19.30		1.42	
Government of India's share in Profit Petroleum	<u>12,509.31</u>	<u>12,528.61</u>	<u>4,403.74</u>	<u>4,405.16</u>
		622,252.39		449,678.31
Adventitious gain		(37.48)		4.63
Price Revision Arrears		583.53		3,460.65
TOTAL		<u>622,798.44</u>		<u>453,143.59</u>
Note:				
Includes Rs. 2431.58 share of jointly controlled entity.(Previous year Nil)				

(Rupees in million)

	2004-05	2003-04
Schedule to the Consolidated Profit & Loss Account		
SCHEDULE-20		
OTHER INCOME		
Contractual Short Lifted Gas Receipts	158.90	42.91
Pipeline Transportation Receipts	23.21	23.61
Other Contractual Receipts	1,348.69	1,192.74
Export Benefits under duty free entitlement scheme	1,366.70	2,411.64
Difference on payment of Sales Tax deferral loan	0.00	2,556.85
Gain on transfer of participating interest in Vietnam Project in the earlier years	0.00	1,151.78
Income from Trade Investments :		
Dividend on Long term Investments	2,512.01	2,513.23
Interest on Long Term Investments	986.32	964.89
Profit on sale of Investment	3.33	194.60
	3,501.66	3,672.72
Income from Non Trade Investments :		
Interest on Long Term Investments	0.06	23.42
Interest Income on :		
Deposits with Banks/Financial Institutions (Tax deducted at source Rs. 696.49 million Previous year Rs. 531.26 million)	3,818.42	4,610.41
Loans and Advances to Employees	339.10	462.58
Income Tax Refund	328.95	772.03
On Site Restoration Fund Deposit	1,998.58	1,301.00
Delayed Payment from Customers and Others	2,647.91	713.81
	9,132.96	7,859.83
Excess Provisions written back	792.64	477.26
Liabilities no longer required written back	597.40	686.01
Miscellaneous Receipts	2,654.91	2,335.22
TOTAL	19,577.13	22,433.99

Note:

Includes Rs. 16.15 million share of jointly controlled entity. (Previous year Nil)

(Rupees in million)

	2004-05		2003-04	
Schedule to the Consolidated Profit & Loss Account				
SCHEDULE-21				
INCREASE/(DECREASE) IN STOCKS				
Closing Stock				
Stock in Process	1,231.38		808.38	
Finished Products	7,240.35	8,471.73	6,414.71	7,223.09
Opening Stock				
Stock in Process	808.38		903.00	
Finished Products	6,414.71		4,936.62	
Less : Adjustment	27.59	7,195.50	0.00	5,839.62
NET INCREASE/(DECREASE) IN STOCK		1,276.23		1,383.47

SCHEDULE-22

PRODUCTION, TRANSPORTATION, SELLING AND DISTRIBUTION EXPENDITURE

Royalty	65,930.94	44,749.34
Cess	43,052.86	41,938.08
Sales Tax	17,404.70	12,259.36
Natural Calamity Contingent Duty	1,137.93	1,116.68
Excise Duty on Stocks (Net)	132.23	13.58
Value Added Tax (VAT)	410.18	235.17
Octroi and Port Trust Charges	3,062.35	2,233.85
Staff Expenditure	10,688.56	9,914.18
Workover Operations	14,055.18	8,742.68
Water Injection, Desalting and Demulsification	2,551.05	2,073.28
Consumption of Stores and Spares & etc.	2,106.54	1,596.80
Raw Material Consumed	104,519.11	73,954.92
Pollution Control	3,335.66	3,703.32
Transport Expenses	2,231.25	2,071.33
Insurance	1,167.28	1,524.74
Power and Fuel	122.89	1,341.34
Repairs and Maintenance	4,575.73	3,936.30
Contractual payments including Hire charges etc.	3,893.49	3,184.11
Other Production Expenditure	4,304.21	4,814.00
Transportation and Freight of Products	10,319.75	6,095.08
Research and Development	947.29	794.83
Construction contract expenditure	4,253.16	0.00
General Administrative Overheads	11,364.77	10,423.12
Other Expenditure including Overheads	3,151.09	3,807.09
TOTAL	314,718.20	240,523.18

Note:

- The above expenses classified in accordance with Part II of Schedule VI to the Companies Act, 1956 and exhibited in note 21 (i) of Schedule 29.
- Includes Rs. 2242.44 million share of jointly controlled entity. (Previous year Nil).

(Rupees in million)

	2004-05	2003-04
Schedule to the Consolidated Profit & Loss Account		
SCHEDULE-23		
RECOUPED COSTS		
Survey	11,897.15	10,100.90
Project Expenditure Written off	0.00	1,663.71
Dry Wells		
During the year	23,525.85	17,386.39
Less: Written back	0.00	22.00
Depletion	23,525.85	17,364.39
Depreciation *	27,802.07	25,638.15
24,001.41		24,632.47
Less : Allocated to :		
Survey	585.94	762.07
Exploratory Drilling	1,513.19	1,564.08
Development	11,314.22	11,522.89
Others	367.19	25.59
	13,780.54	13,874.63
	10,220.87	10,757.84
Impairment loss (Refer Note 4.1)		
During the year	548.07	0.00
Less : reversal during the year	407.60	0.00
	140.47	
TOTAL	73,586.41	65,524.99

Note:

* Includes Rs.121 million share of jointly controlled entity. (Previous year Rs 0.66 million)

SCHEDULE-24

FINANCING COSTS

A. INTEREST:		
i) On Fixed Loans		
From Oil Industry Development Board	44.34	311.77
Foreign Currency Loans	32.37	114.13
Interest on Debentures	0.00	2,745.39
(ii) On Short Term Loans from Banks	628.25	0.00
(iii) Lease Finance Charges	0.00	208.56
(iv) On Cash Credit	48.58	13.65
(v) Others	887.84	384.85
Sub-Total	1,641.38	3,778.35
B. GUARANTEE AND COMMITMENT FEES	0.00	0.05
C. EXCHANGE FLUCTUATION		
Exchange Variation for the Year (Net)	47.42	(260.62)
Less : Capitalised	(187.89)	(304.62)
Sub-Total	235.31	44.00
TOTAL	1,876.69	3,822.40

Note:

Includes Rs.136.29 million share of jointly controlled entity. (Previous year Nil)

(Rupees in million)

	2004-05	2003-04
Schedule to the Consolidated Profit & Loss Account		
SCHEDULE-25		
PROVISIONS AND WRITE-OFFS		
PROVISIONS		
Provision for Doubtful Debts	1,026.34	474.90
Provision for Doubtful Claims/Advances	1,244.88	306.30
Provision for Impairment	*	161.71
Provision against Non-Moving Inventories & Others	671.89	148.79
Sub-Total	2,943.11	1,091.70
WRITE-OFFS		
Loss on Disposal/Condemnation of Fixed Assets (Net)	91.73	98.17
Claims / Advances Written Off	14.51	7.16
Inventories Written Off	101.08	128.29
Bad debts Written Off	123.63	0.33
Other Write offs	7.18	17.72
Sub-Total	338.13	251.67
TOTAL	3,281.24	1,343.37

* Transferred to Recouped Cost (Schedule 24)

Note:

Includes Rs.1.05 million share of jointly controlled entity. (Previous year Nil)

SCHEDULE-26

ADJUSTMENTS RELATING TO PRIOR PERIOD (NET)

Statutory levies*	(133.25)	(27.97)
Other Production Expenditure*	70.70	215.45
Interest -Others	2.10	6.86
Exchange Fluctuation	(32.27)	16.88
Depletion	0.00	109.62
Depreciation	1.86	0.38
Survey	351.02	0.00
Total Debit	260.16	321.22
Sales	(14.26)	(144.50)
Interest -Others	0.01	1.47
Other Income	70.10	173.54
Total Credit	55.85	30.51
Net Debit/(Credit)	204.31	290.71

*The above expenses classified in accordance with Part II of Schedule VI to the Companies Act, 1956 and exhibited in note 21(i) of Schedule 29.

(Amount in Rupees)

	2004-05	2003-04
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Schedule to the Consolidated Profit & Loss Account

SCHEDULE-27

EARNINGS PER EQUITY SHARE

Basic & Diluted earnings per equity share
(Face Value Rs. 10/-Per Share)

100.56

65.78

Earnings per equity share has been computed by dividing the net profit after taxation of Rs. 143,390.03 million (Previous year Rs. 93,802.61 million) by number of equity shares of 1,425,933,992 (Previous year 1,425,933,992).

SCHEDULE-28

SIGNIFICANT ACCOUNTING POLICIES

A. Principles of Consolidation

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

- i) The Financial Statements of the Company and its subsidiary companies are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after fully eliminating intra-group balances and intra-group transactions resulting in unrealised profits or losses in accordance with Accounting Standard (AS) 21 - "Consolidated Financial Statements" issued by The Institute of Chartered Accountants of India.
- ii) The financial statements of Joint Venture Company has been combined by applying proportionate consolidation method on a line by line basis on items of assets, liabilities, income and expenses after eliminating proportionate share of unrealised profits or losses in accordance with Accounting Standard (AS)-27 on "Financial Reporting of Interests in Joint Ventures" issued by The Institute of Chartered Accountants of India.
- iii) The consolidated Financial Statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate Financial Statements except as otherwise stated in the Notes to Accounts.
- iv) The difference between the cost of investment in the Subsidiaries/Associates, over the net assets at the time of acquisition of shares in the Subsidiaries/Associates is recognized in the Financial Statements as Goodwill or Capital Reserve as the case may be.
- v) Minority Interest's share of Net Profit/Loss of Consolidated Subsidiaries for the year is identified and adjusted against the income of the group in order to arrive at the Net Income attributable to the shareholders of the Company.
- vi) Minority Interest's share of Net Assets of Consolidated subsidiaries is identified and presented in the Consolidated Balance Sheet separately from liabilities and the equity of the Company's shareholders.
- vii) In case of foreign subsidiaries, foreign currency transactions are translated as per the provisions of (AS)-11 "Accounting for Effects of changes in Foreign Exchange Rates" issued by The Institute of Chartered Accountants of India, in the consolidated financial statements.
- viii) In case of Associates, where the company directly or indirectly through Subsidiaries holds more than 20% of equity, investments in Associates are accounted for using equity method in accordance with Accounting Standard (AS)-23 "Accounting for Investments in Associates in Consolidated Financial Statements" issued by The Institute of Chartered Accountants of India.
- ix) The difference between the proceeds from disposal of investments in a subsidiary and the carrying amount of its assets less liabilities as on the date of disposal is recognised in the Consolidated Statement of Profit and Loss Account as the profit or loss (as applicable) on disposal of the investment in the subsidiary.

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

C. Other Significant Accounting Policies:

1. Accounting Conventions

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



2. Exploration, Development and Production Costs

2.1 Acquisition Cost

Acquisition 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

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

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

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

2.4 Producing Properties

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

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

2.4.3 Depletion of Producing Properties

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

2.5 General Administrative Overheads

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

2.6 Production Costs

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

3. Impairment

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

4. Abandonment Cost

- 4.1 The full eventual liability towards costs relating to dismantling, abandoning and restoring offshore well sites and allied facilities is recognized at the initial stage as cost of producing property and liability for abandonment cost, based on the latest technical assessment available at current costs with the Company.
- 4.2 Cost relating to dismantling, abandoning and restoring onshore well sites and allied facilities are accounted for in the year in which such costs are incurred as the salvage value is expected to take care of the abandonment costs.

5. Joint Ventures

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

- 5.1 The financial statements reflect the share of the Company's assets and liabilities as well as income and expenditure of Joint Venture Operations which are accounted for according to the participating interest of the Company as per the various Joint Venture Agreements on a line by line basis along with similar items in the Company's financial statements, except in cases of abandonment, impairment, depletion and depreciation which are accounted based on accounting policies of the Company.
- 5.2 Past cost compensation and consideration for the right to commence operations received from other Joint Venture Partners are reduced from capitalised costs. The uncompensated cost continues in the Company's books as producing property/exploratory wells in progress.
- 5.3 The reserves of hydrocarbons in such areas are taken in proportion to the participating interest of the Company.

6. Fixed Assets

- 6.1 Fixed assets (including support equipment and facilities) are stated at historical cost. Fixed assets received as donations/gifts are capitalised at assessed values with corresponding credit taken to Capital Reserve.
- 6.2 All costs relating to acquisition of fixed assets till the time of commissioning of such assets are capitalised.

7. Intangible Assets

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

8. Depreciation

- 8.1 Depreciation on fixed assets is provided for under the written down value method in accordance with the rates specified in Schedule XIV to the Companies Act, 1956 except on fixed assets with 100% rate of depreciation which are fully depreciated in the year of addition and in case of two subsidiaries and one joint venture which is provided on Straight Line Method.
- 8.2 Leasehold land is amortised over the lease period.
- 8.3 Depreciation on adjustments to fixed assets on account of exchange difference and price variation is provided for prospectively over the remaining useful life of such assets.
- 8.4 Depreciation on fixed assets (including support equipment and facilities) used for exploration and drilling activities and on facilities is initially capitalised as part of exploration or development costs and expensed/depleted as stated in policy 2 above.

9. Taxes on Income

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



10. Inventories

- 10.1 Finished goods (other than Sulphur) and stock in pipelines/tanks are valued at Weighted Average Cost or net realisable value whichever is lower. Sulphur is valued at net realisable value. The value of inventories includes excise duty wherever applicable.
- 10.2 Natural gas in pipelines and crude oil in flow lines and Group Gathering Stations are not valued.
- 10.3 Raw material - on First in First Out (FIFO) basis.
- 10.4 Inventory of stores and spare parts is valued at Weighted Average Cost.
- 10.5 Capital items are valued at cost of their acquisition.
- 10.6 Unserviceable items, when determined are valued at estimated net realizable value.

11. Investments

- 11.1 Long-term investments (except PSU Bonds) are valued at cost. Provision is made for any diminution, other than temporary, in the value of such investments.
- 11.2 PSU Bonds are carried at lower of face value or cost. Diminution in their carrying value with reference to the market value is not recognized since these are intended to be held till maturity.

12. Foreign Exchange Transactions

- 12.1 Foreign currency transactions on initial recognition in the reporting currency are accounted for at the exchange rates prevailing on the date of transaction.
- 12.2 At each Balance Sheet date, foreign currency monetary items are translated using the average of the exchange rates prevailing on the balance sheet date and non-monetary items are translated using the exchange rate prevailing on the date of transaction or on the date when the fair value of such item was determined.
- 12.3 The loss or gain thereon and also the exchange differences on settlement of the foreign currency transactions during the year are recognized as income or expense and adjusted to the profit and loss account except in cases (a) where such liabilities and /or transactions relate to fixed assets/ projects and these were incurred/ entered into before 1.4.2004; (b) fixed assets acquired from a country outside India, in which case, these are adjusted to the cost of respective fixed assets.
- 12.4 In respect of the Company's integral foreign operations:
 - 12.4.1 The foreign currency transactions on initial recognition in the reporting currency are recorded following the policy stated in 12.1. For practical reasons, the average exchange rate of the relevant month is taken for the transactions of the month in respect of joint venture operations, where actual date of transaction is not available.
 - 12.4.2 At each Balance Sheet date, monetary and non-monetary items are translated following the policy stated in 12.2.
 - 12.4.3 All exchange differences are treated following the policy stated in 12.3.
- 12.5 The financial statements of the non-integral foreign operations of the company are incorporated in the financial statements using the following principles:
 - 12.5.1 the assets and liabilities, both monetary and non-monetary, of the non-integral foreign operation are translated at the average of the exchange rate prevailing on the date of the balance sheet;
 - 12.5.2 income and expense items of the non-integral foreign operation are translated at the average exchange rates for the period to which the financial statements relate; and
 - 12.5.3 all resulting exchange differences are accumulated in a foreign currency translation reserve until the disposal of the net investment in the non-integral foreign operation.
- 12.6 Exchange differences arising on the company's net investment in a non-integral foreign operation are accumulated in a foreign currency translation reserve until the disposal of such investment, at which time they are recognized as income or as expenses.

13. Revenue Recognition

- 13.1 Revenue from sale of products is recognized on transfer of custody to customers.
- 13.2 Sale of crude oil and gas produced from exploratory wells in progress in exploratory areas is deducted from expenditure on such wells.
- 13.3 Sales are inclusive of all statutory levies. Any retrospective revision in prices is accounted for in the year of such revision.
- 13.4 Revenue in respect of the following is recognized when there is reasonable certainty regarding ultimate collection:
 - a. Short lifted quantity of gas.
 - b. Gas pipeline transportation charges and statutory duties thereon.
 - c. Reimbursable subsidies and grants.
 - d. Interest on delayed realization from customers.

14. Retirement Benefits

- 14.1 Contribution to Provident Fund is made as per the Rules of the Company. The same is paid to a fund administered through a separate Trust.
- 14.2 Provision for gratuity is made as per actuarial valuation at the end of the financial year. The same is paid to a fund administered through a separate Trust.
- 14.3 Provision towards leave encashment is made on the basis of actuarial valuation at the end of the financial year.

15. Claims

- 15.1 Claims/Surrenders on/to Petroleum Planning and Analysis Cell, Government of India are booked on 'in principle acceptance' thereof on the basis of available instructions/clarifications subject to final adjustments, as stipulated. All other claims and provisions are booked on the merits of each case.
- 15.2 Export benefits entitlements to the Company viz., Duty free credit entitlement scheme /Target Plus scheme/ Advance Licence scheme under the EXIM policy, is recognised in the year of exports on accrual basis.

16. Leases

Lease rentals in respect of finance lease are segregated into cost of assets and interest component by applying the implicit rate of return.

17. Transportation Costs

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

18. Voluntary Retirement Scheme

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

19. Insurance claims

Insurance claims in respect of total loss of assets are accounted for on intimation to the Insurer. In respect of other claims, expenditure incurred to put an asset back to use, less policy deductibles, if any, is accounted for as recoverable from the Insurer. Such policy deductibles are expensed in the year, these are incurred.

20. Research and Development

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



21. Rig Days Costs

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

22. Deferred Revenue Expenditure

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

23. Borrowing Costs

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

24. Provisions, Contingent Liabilities and Contingent Assets

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

SCHEDULE-29

NOTES TO ACCOUNTS

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

Name of the Subsidiaries/Joint Venture Company	Country of Incorporation	Proportion of ownership interest	
		31.03.2005	31.03.2004
ONGC Videsh Limited (OVL)	India	100%	100%
ONGC Nile Ganga B.V. (ONG BV) *	The Netherlands	100%	100%
Mangalore Refinery and Petrochemicals Ltd. (MRPL)	India	71.62 %	71.62 %
Petronet LNG Limited (PLL) - (JV)	India	12.50%	12.50%

*100% subsidiary of ONGC Videsh Ltd.

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

(Rupees in million)

Particulars	Name of Subsidiary/JV	Accounting Policies		Proportion (Net Block)	
		Company	Subsidiaries	2004-05	2003-04
Depreciation-Fixed Assets (Schedule-5)	ONG BV	Written Down Value Method	Straight Line Method as applicable in The Netherlands	8307.64	9580.71
Depreciation-Fixed Assets (Schedule-5)	MRPL	Written Down Value Method	Straight Line Method	43756.03	47424.13
Depreciation-Fixed Assets (Schedule-5)	PLL	Written Down Value Method	Straight Line Method	2254.51	4.16

- 2.2 The subsidiary – ONG BV follows the entitlement method for revenue recognition associated with sale of crude oil and liquids for its share of petroleum production as specified in the Exploration Production Sharing Agreement (EPSA) and Crude Oil Pipeline Agreement (COPA). The amount involved is Rs. 47,696.41 million (Previous year Rs.30,880.69 million) shown as sales under Schedule –19.
- 2.3 The subsidiary - ONG BV conducts its operations in Sudan jointly with the national oil company of Sudan (Sudapet) among others. All government stakes other than income taxes are considered to be royalty interest. Royalties on production represents the entitlement of the Government of Sudan to a portion of the subsidiary company's share of crude oil and liquid production and are recorded using the rates in effect under the terms of the contract at the time of production. The amount involved on this account under the head Royalty in Schedule– 22 is Rs 27,781.31 million (Previous year Rs. 16,288.75 million).
- 2.4 The subsidiary – OVL has followed the Accounting Standard –11 “Accounting for the effects of changes in foreign exchange rates” (revised 2003) for incorporating in its consolidated financial statements (CFS), following the principles for translation of the financial statements of Non-integral Foreign Operation. Accordingly, the resulting cumulative exchange difference of Rs. 2951.78 million (including Rs. 2,909.59 million for the year) has been accumulated as debit balance in the foreign currency translation reserve in Schedule –2.

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

As per the terms of EPSA, the cost of all capital expenditure is recovered over a period of four years; from the date such cost is incurred. However, such assets may not be fully written down in the books since the depreciation and depletion in books is on a different basis. No record of cost recovery in respect of individual assets is maintained by the consortium and consequently details of assets, the title of which are liable to be transferred to the Government of Sudan are not available. However, the total cost recovered by the ONG BV out of its share of fixed assets till 31.03.2005 is USD 358.85 million equivalent to Rs. 15,721.22 Million (Previous Year USD 301.91 million equivalent to Rs. 13,296.12 million).

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

Name of the Associates	Country of incorporation	Proportion of ownership interest	
		2004-05	2003-04
Pawan Hans Helicopters Limited	India	21.5 %	21.5 %
ONGIO International Pvt. Ltd.	India	50.0 %	50.0 %

- 3.2 In terms of the decision of the promoters of ONGIO International Pvt. Ltd. to wind-up the operations of the Associate, an application for striking off the name of the Associate from the records of Registrar of Companies has been made on 10.03.2005 under "Simplified Exit Scheme" of Section 560 of the Companies Act, 1956. Pending winding-up of the Associate, investment in ONGIO International Pvt. Ltd. of Rs. 15.05 million had been fully provided for as diminution in value, as required by AS-23 on 'Accounting for Investments in Associates in Consolidated Financial Statements.'
- 3.3 In respect of Pawan Hans Helicopters Limited, the share of profit of Rs. 113.47 million (gross of dividend of Rs. 37.69 million) (previous year Rs. 160.91 million), for the year 2003-04 has been considered as share of Profit in Associates on the basis of audited results. The Annual Accounts for the year 2004-05 have not yet been received. Necessary adjustments will be made on receipt of the audited accounts for the year 2004-05.
- 3.4 Due to different nature of their operations, Pawan Hans Helicopters Limited, the Associate of the Company, follows different accounting policies namely charging of depreciation on fixed assets, accounting of investments etc. It is not practicable for the Company to make adjustment for the purposes of applying the equity method.

4. Impact of Changes in Accounting Policies:

- 4.1 The Company has implemented the Accounting Standard (AS-28) on "Impairment of Assets" issued by the Institute of Chartered Accountants of India (ICAI). Accordingly, the earlier policy of impairing producing properties with reference to the short fall in the market value of the proved developed reserves at the year end average prices and attributable future estimated costs at current levels over its book value (without discounting) on individual lease/licence/amortization base is revised. The Company had recognized an amount of Rs. 3432.11 million as impairment up to 31st March, 2004. The impairment loss as worked out in accordance with AS-28 after considering the report of consultant works out to Rs. 6450.31 million as on 01.04.2004. The differential amount of Rs. 2002.28 million (net of deferred tax asset amounting to Rs. 1015.92 million) has been adjusted to General Reserve in accordance with the transitional provision of the said Standard.

The Impairment loss for the year as per the above policy works out to Rs. 140.47 million after adjustment of reversal of impairment loss amounting to Rs. 407.60 million, which has been charged to Profit and Loss Account. Had Company continued to provide impairment on producing property as per its earlier method, the impairment loss for the year would have been lower by Rs. 391.96 million with corresponding increase in profit by same amount.

- 4.2 The Company has discontinued its policy of writing back of exploratory wells in progress written off earlier as dry wells, on subsequent commencement of commercial production, based on the opinion of the Expert Advisory Committee of the ICAI. The said change has the effect of reducing both the profit for the year and producing property by Rs. 383.19 million.
- 4.3 From the current year, expenses incurred on repairs jobs in progress at central workshop of the company are being charged to revenue account as against past practice of carrying forward such expenses on incomplete jobs as current assets. The impact due to such change has not been ascertained as the same is not likely to be material.
5. The Company is mainly in the oil exploration and production activities where each cost centre used for depreciation (depletion) purposes has been identified as independent Cash Generating Unit (CGU) for assessing the impairment in Producing Properties and fixed assets etc. on the basis of 'value in use'. The Company has tested all its assets for impairment by applying discount rates of 10.22% and 11.74% for Rupee transactions and 8.92% and 9.74% for crude oil and value added products revenue measured in USD as on 01.04.2004 and 31.03.2005 respectively.
- 6.1 Sales Revenue in respect of Crude Oil from Indian operations is based on the pricing formula agreed with the customers for the period from 1.4.2002 to 31.3.2004 and the same has been provisionally applied pending finalisation of the Memorandum of Understanding (MOU) with the refineries i.e. the customers for the year 2004-05 onwards.
- 6.2 Sales revenue in respect of Natural Gas from Indian operations is based on the gas prices fixed on provisional basis as per directives of the Government of India (GOI), Ministry of Petroleum and Natural Gas (MoP&NG) dated 9th November, 2000.
- 6.3 In terms of the decision of the GOI conveyed by MoP&NG on quarterly basis during the year 2004-05, the Company has shared under recoveries of Oil Marketing Companies (OMCs) on PDS Kerosene and domestic LPG for the year 2004-05 by allowing discount in the prices of Crude Oil, PDS kerosene and domestic LPG based on the provisional rates of discount communicated by Petroleum Planning and Analysis Cell (PPAC). Accordingly, Sales Revenue in respect of Crude Oil, LPG and SKO during the year is net of Rs. 41,038.04 million (Previous Year Rs. 26903.92 million) on this account.
7. Production, Transportation, Selling and Distribution Expenditure (Schedule – 22) includes Rs. 2585.52 million (including Rs. 2383.62 million for the period 1978 - March 2004) under the head Transportation and Freight of Products on account of the claim of Mumbai Port Trust towards way leave fees and compensation in respect of crude & gas pipelines .
8. The Net Deferred Tax Liability as at 31st March, 2005 comprises of the major components of Deferred Tax Liabilities and Deferred Tax Assets as under:

	As on 31.03.2005	As on 31.03.2004
(Rs.in Million)		
(i) Liabilities		
Depletion of Producing Properties	76,906.13	81,167.15
Depreciation Allocated to Wells in Progress	294.31	458.21
Deferred Revenue Expenditure written off	1,864.36	2,101.90
Development wells-in Progress	1,287.83	596.84
Exploratory Wells in ML Areas	310.45	173.13
Lease Finance	742.39	871.93
Depreciation	13,682.95	12,628.13
Others	1,444.40	1,320.76
Total (i)	96,532.82	99,318.05

(ii) Assets		
Depreciation	167.97	125.72
Unabsorbed losses and allowances	12,252.19	18,582.89
Dry wells written off	6,572.40	4,658.95
Provision for Non Moving Inventories	942.52	801.40
Provision for Doubtful Claims/Advances	1,766.32	1,587.04
Provision for Abandonment	15,075.56	17,443.93
Provision for Leave Encashment	1,191.70	1,019.47
Others	670.24	848.90
Total (ii)	38,638.90	45,068.30
Net Liability (i-ii)	57,893.92	54,249.75

9. Joint Venture Accounting:

9.1 Jointly Controlled Operations:

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

Joint Ventures (in India)

Sl. No.	Joint Ventures / PSCs	Company's PI	Operatorship/ Others Partners' PI
A	Non-Operated JVs		
1	Mid & South Tapti	40%	British Gas Exploration & Production India Ltd. (BGEPIIL) (Operator) -30% Reliance Industries Ltd. (RIL) -30%
2	Panna & Mukta	40%	BGEPIIL (Operator) - 30% RIL - 30%
3	Ravva	40%	Cairn Energy India Pty. Ltd (CEIL) (Operator) - 22.5% Petrocon India Ltd. - 25% Ravva Oil (Singapore) Pte. Ltd. - 12.5%
4	CY-OS-90/1 (PY3)	40%	Hardy Exploration & Production (India) Inc. (Operator) - 18% HOEC - 21% TPL - 21%
5	RJ-ON-90/1	30%	Cairn Energy India Pty. Ltd. (CEIL) (Operator) - 35% Cairn Energy Hydrocarbons Ltd. - 35%
6	CB-OS/2	50%	Cairn Energy Group (Operator) - 40% Tata Petrodyne Ltd. (TPL) - 10%
7	CB-ON/7	30%	Hindustan Oil Exploration Co. Ltd. (HOEC) (Operator) - 35% Gujarat State Petroleum Corporation Ltd. (GSPC) - 35%
8	GK-OSJ-1 (PSC terminated w.e.f. 19.12.2003)	25%	RIL (Operator) -50% Tullow India Operations Ltd. - 25%
9	GK-OSJ-3	25%	RIL (Operator) - 60% Oil India Ltd. (OIL) - 15%
10	MN-ONN-2000/1	20%	OIL (Operator) - 40% Gail India Ltd. (GAIL) - 20% Indian Oil Corporation Ltd. (IOC) - 20%
11	RJ-ONN-2001/1	30%	OIL (Operator) - 70%
12	RJ-ONN-2002/1	40%	OIL (Operator) - 60%
13	AA-ONN-2002/3	70%	OIL (Operator) - 30%

B	ONGC Operated		
14	Jharia	90%	Coal India Ltd. (CIL) - 10%
15	Raniganj	74%	CIL - 26%
16	CB-OS/1	32.89%	TPL - 10% HOEC - 57.11%
17	GV-ONN-97/1	40%	IOC - 30% CEIL - 30%
18	KG-DWN-98/4	85%	OIL - 15%
19	MN-OSN-97/3	85%	GAIL - 15%
20	KG-DWN-98/2	90%	CEIL - 10%
21	MB-OSN-97/4	70%	IOC - 30%
22	GV-ONN-2000/1 (relinquished on 5.11.2003)	85%	IOC - 15%
23	MB-OSN-2000/1	75%	IOC - 15% GSPC - 10%
24	MN-OSN-2000/2	40%	GAIL - 20% IOC - 20% OIL - 20%
25	WB-OSN-2000/1	85%	IOC - 15%
26	WB-ONN-2000/1 (relinquished on 28.9.2003)	85%	IOC - 15%
27	KK-DWN-2000/2 (relinquished on 30.7.2004)	85%	GAIL - 15%
28	MB-DWN-2000/1	85%	IOC - 15%
29	MB-DWN-2000/2	50%	IOC - 15% GAIL - 15% OIL - 10% GSPC - 10%
30	GS-DWN-2000/2	85%	GAIL - 15%
31	AA-ONN-2001/2	80%	IOC - 20%
32	AA-ONN-2001/3	85%	IOC - 15%
33	CY-DWN-2001/1	80%	OIL - 20%
34	CB-ONN-2001/1	70%	CEIL - 30%
35	NK-CBM-2001/1	80%	IOC - 20%
36	BK-CBM-2001/1	80%	IOC - 20%
37	MN-DWN-2002/1	70%	OIL - 20% Bharat Petroleum Corporation Ltd. (BPCL) - 10%
38	CB-ONN-2002/1	70%	CEIL - 30%
39	KK-DWN-2002/2	80%	Hindustan Petroleum Corporation Ltd. (HPCL) - 20%
40	KK-DWN-2002/3	80%	HPCL - 20%
41	KG-DWN-2002/1	70%	OIL - 20% BPCL - 10%
42	CY-ONN-2002/2	60%	BPCL - 40%
43	BS(3) CBM-2003/II	70%	GSPC - 30%
44	AA-ONN-2003/4	90%	OIL - 10%

Joint Ventures (Outside India)					
S. No.	Name of the Project	Country of operation and Block	Company's Participating Share	Other Partners	Project Status
1.	Vietnam Project	Vietnam Block 06.1 Offshore	45%	BP Exploration Operating Co. Ltd. - 35% Petrovietnam - 20%	The project is under production.
2.	Sakhalin Project	Russia Sakhalin 1 Offshore	20%	Exxon Neftgas Ltd - 30% SODECO - 30% SMNG - 11.5% R N Astra - 8.5%	The project is under development
3.	Block 5 A Project	Sudan Block 5A Onshore	24.125%	Petronas - 68.875% Sundapet - 7%	The project is under development
4.	Myanmar Project	Myanmar Block A-1 Offshore	20%	Daewoo International Corpn. - 60% KOGAS - 10% GAIL (India) Ltd. - 10%	The project is under exploration and appraisal
5.	Iran Project	Iran Farsi Block Offshore	40%	Indian Oil Corp. Ltd. - 40% Oil India Ltd., - 20%	The project is under exploration
6.	Libya Project	Libya Blocks NC - 188 and NC - 189 Onshore	49%	TPOC - 51%	The project is under exploration
7.	Syria Project	Syria Block - XXIV Onshore	60%	IPR International - 40%	The project is under exploration
8.	Block 5B Project	Sudan Block 5B onshore	23.5%	Petronas 41% Lundin - 24.5% Sudapet - 11%	The project is under exploration
9.	Australia Project	Australia Block WA-306-P Offshore	55%	Antrim Energy - 32.50% Magellan - 12.50%	The project is under exploration
10.	Cote D'Ivoire Project	Cote D'Ivoire Block CI-112 Offshore	23.5%	Vanco - 30% Petroci - 5% Oil India - 11.5% Sinopec - 30%	The project is under exploration
11.	Sudan Pipeline Project	Sudan, Khartoum - Port Sudan	90%	Oil India Ltd. - 10%	The pipeline is under Construction

- (b) During the year, the Company has acquired additional 15% Participating Interest (PI) of Exploration (increased from 10% to 25%) and additional 10% of Development (increased from 40% to 50%) in Block CB-OS-02 with retrospective effect from 1.1.2003, for a lump-sum consideration of Rs. 2183.07 million (USD 50 Million). Accordingly, the Sales Revenue and Expenditure in respect of this Joint Venture includes Rs. 979.10 million and Rs. 406.90 million respectively pertaining to the period up to 31.03.2004. The Company has also acquired from Cairn Energy India Ltd. (CEIL) 90% PI in exploration block KG-DWN-98/2 with retrospective effect from 30th September, 2003, for a lump sum consideration of Rs. 3711.22 million (USD 85 million).
- (c) The Company has transferred 30% PI in NELP Blocks CB-ONN-2001/1 and GV-ONN-97/1 to CEIL with retrospective effect from 30th September 2003 and as a result PI of ONGC in these blocks has reduced from 100% to 70% and 70% to 40% respectively. For this, an amount of Rs. 76.00 million is recoverable from CEIL.
- (d) On relinquishment of its PI by British Gas Exploration and Production India Pvt. Ltd. (the then operator), PI of ONGC in Pre-NELP Block CB-OS-01 has increased from 10% to 32.89%. This change has been approved by Govt. of India vide letter dated 20th December 2004 and the operatorship of block transferred to ONGC. Further, PEL of NELP Block GV-ONN-2000/1 has been surrendered by the Company.



- (e) In respect of Ravva JV, Government of India (GOI) had periodically been raising demands towards additional profit petroleum for the period up to 2004-05. The said demand was disputed by the operator. At the instance of the other JV partners, the matter was referred to arbitration. ONGC requested GOI to keep the collection of the demand in abeyance till issue of final award by the Arbitral Tribunal, committing itself to abide by the terms of the award. In its partial award dated 12th October, 2004, the Arbitral Tribunal has issued certain directions. The liability in respect of the amount payable by ONGC towards its share pursuant to the directions in the partial award as per provisional calculation furnished by the operator amounting to Rs. 3098.40 million has been provided for in the accounts for the year. GOI has preferred an appeal against one of the directions in the partial award and in this regard ONGC's share of additional profit petroleum (as per the calculations given by the operator) comes to Rs. 4985.60 million, which has been shown as contingent liability, pending issue of final Award by the Arbitral Tribunal.
- (f) In the year 2003-04, where unaudited figures were incorporated, necessary adjustments have been carried out with reference to the audited figures of 2003-04, in the current period.
- (g) The company has entered into 55 joint ventures for exploration and production. As at the end of the year, the total value of assets, liabilities, income, expenditure and net profit before tax of these joint ventures amounts to Rs. 106,191.72 million, Rs. 16,003.67 million, Rs. 31,193.86 million, Rs. 23,029.05 million and Rs. 8,164.81 million respectively.

Of the above financial figures relating to 9 joint venture having assets, liabilities, income, expenditure and net profit/(loss) before tax amounting to Rs. 65,273.66 million, Rs. 4,474.88 million, Rs. Nil million, Rs. 3,353.04 million and Rs. (3,353.04) million respectively have been accounted on the basis of unaudited returns received from the joint venture.

- (h) In respect of Sudan Pipeline Project, the subsidiary - OVL signed agreements for execution of 12"X741 Kilometers (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 at a lump sum price of USD 194 Million. The project is being implemented in consortium with M/S Oil India Ltd., OVL's share being 90%. This is a fixed price contract in which the revenue is recognized for the quantum of work done on the basis of percentage of completion method. The corresponding receivables relating to revenue recognized is shown as debtors. 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 in 18 equal semi-annual installments along with lease rental. The lease period will continue till all payments by MEM are completed. All titles in the works and the transportation system shall vest in OVL and the title shall pass to MEM in proportion to the payments made by MEM against total payments due to OVL under the contract. Further, subject to regular payments on due dates by MEM to OVL, MEM shall have the exclusive right to use and operate the pipeline system and OVL shall not assign, transfer, sub-let, sub-contract, mortgage or create any rights to any third party or encumbrances or make any disposition to any third party. The disclosure in accordance with the Accounting Standard (AS) 7 viz. Construction Contracts is as under:

(Rupees in million)

Particulars	Current Year 2004-05	Previous Year 2003-04
(a) The amount of contract revenue recognized as revenue in the year	5,429.46	Nil
(b) The method used to determine the contract revenue recognized in the year	As per Accounting Policy 12.4 of the Subsidiary-OVL	Not Applicable
(c) The method used to determine the stage of completion of the contract	As per Accounting Policy 12.4 of the Subsidiary-OVL	Not Applicable.
(d) The aggregate amount of costs incurred and recognized profits (less recognized losses) up to the reporting date	5,429.46	Nil
(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	5,429.46	Nil
(h) Gross amount due to customer for contract as a liability	Nil	Nil

9.2 Jointly Controlled Entity:

ONGC's share in assets, liabilities, income, expenses, contingent liabilities and capital commitments of Jointly Controlled Entity viz. Petronet LNG Ltd. is as below:

(Rupees in million)

Description	31.03.2005	31.03.2004
i) Assets		
- Long Term assets	2362.82	2195.28
- Investments	22.36	-
- Current assets	716.54	720.51
- Deferred Tax Assets	17.50	-
ii) Liabilities		
- Current liabilities & provisions	448.08	204.10
- Other liabilities	1574.87	1573.61
iii) Income	2448.17	-
iv) Expenses	2501.22	-
v) Contingent liabilities	728.67	180.41
vi) Capital commitments	247.80	440.01

10. The Company has physical verification system of Inventory, Fixed Assets and Capital Stores in a phased manner at regular intervals and reconciliation with general ledger balances. Adjustment of differences in books of accounts, if any, is carried out after examination of these differences, a few of which are in progress.
11. Some of the Balances of Debtors, Creditors and Loans & Advances are subject to confirmation / reconciliation. Adjustments, if any, will be accounted on receipt / confirmation of the same.
12. Loans and advances include loans to employees having repayment schedule of more than 7 years amounting to Rs. 6899.87 million (previous year Rs. 7049.16 million). No money has been advanced to the employees for the purpose of investment in the securities of the Company and /or subsidiaries.
13. Other Income (Schedule-20) includes Export benefits (Import duty credits) of Rs. 1,366.70 Million (Previous year Rs 2,411.64 million) in respect of the subsidiary - MRPL's entitlement towards the amount of incremental export turnover achieved during this year in respect of which the claims will be made in due time in accordance with the relative scheme under the EXIM policy.

14. Disclosures as per AS-19 in respect of Leases:

14.1 Finance Leases

a) Significant terms of the lease agreement

No.	Terms of the lease agreement provide for:	Amount (Rs. In million)			
		Yes	No	Not specified	TOTAL
a.	Purchase Option	208.73	-	912.17	1120.90
b.	Renewal Option	541.70	-	579.20	1120.90

b) In respect of the assets taken on lease of Rs.1120.90 million (Previous year Rs 4,158.46 million) the primary period of the lease has expired and the Company is taking necessary steps to get the ownership transferred in its name.

14.2 Operating Leases

The lease agreements entered into with various parties are mutually renewable/ cancellable.

15.1 As per the Government of Karnataka notification, The Company's Subsidiary MRPL is entitled to certain Commercial Tax Incentives (Sale Tax deferment loan) as follows:

Refinery Project	Maximum Amount (Rs. in million)	Availment period	Repayment terms
Phase I (3 MMTPA)	400.00 per annum	11 years from the date of issue of notification viz., 26th April, 1997	11 annual installments on year to year basis commencing from the date of completion of the deferment period
Phase II (6 MMTPA)	2500.00 per annum	14 years from the date of issue of notification viz., 14th August, 2000	14 annual installments on year to year basis commencing from the date of completion of the deferment period.

15.2 Sales tax deferment loan in respect of MRPL shown under Unsecured Loans includes a sum of Rs.348.57 million (Previous Year Rs.348.57 million) relating to CST on excise duty for the years 2000-01, 2001-02 and 2002-03, which were earlier paid under protest and are now being claimed as sales tax deferral loan payable by the MRPL, in respect of which the assessments are yet to be completed

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

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

Joint Ventures (In India)

- i) Ravva
- ii) PY-3
- iii) Panna, Mukta & Tapti
- iv) Petronet LNG Ltd.
- v) CB-OS-1
- vi) CB-OS-2
- vii) GK-OSJ-3
- viii) GK-OSJ-1
- ix) KG-DWN-98/2
- x) CB-ONN-2001/1
- xi) CB-ONN-2002/1
- xii) RJ-ON-90/1
- xiii) GV-ONN-97/1

Joint Ventures (Outside India)

- i) Vietnam Project
- ii) Sakhalin Project
- iii) Myanmar Project
- iv) Iran Project
- v) Libya Project
- vi) Syria Project
- vii) Block 5A Project
- viii) Block 5B Project
- ix) Australia Project
- x) Cote D'Ivoire Project
- xi) Sudan Pipeline Project

16.2 Key Management Personnel: -

Functional Directors:

- i) Shri Subir Raha, C&MD
- ii) Shri Y.B. Sinha
- iii) Shri V.K. Sharma (up to 31.05.2004)
- iii) Shri Nathu Lal
- iv) Shri R.S. Sharma
- v) Dr. A. K. Balyan
- vi) Shri A.K. Hazarika (w.e.f. 9.9.2004)
- vii) Shri N.K. Mitra (w.e.f. 9.9.2004)
- viii) Shri R.S. Butola, Managing Director (OVL)
- ix) Shri D.K. Sarraf

16.3 Details of Transactions

(Rs. in Million)

Particulars	Joint Ventures	Key Management Personnel	Total
Payment towards Helicopter charges (PY-3)	0.00 (0.52)		0.00 (0.52)
Amount paid /payable for Oil Transfer Services (Ravva)	33.39 (41.86)		33.39 (41.86)
Amount received for use of Drill Site Accommodation (Ravva)	8.50 (11.51)		8.50 (11.51)
Receipt towards transportation and Processing Charges (Panna Mukta)	724.02 (668.69)		724.02 (668.69)
Remuneration to Directors (As per 16.2 above)		9.87 (11.23)	9.87 (11.23)
Amount Outstanding (Ravva)	2.74 (3.78)	0.00 (0.85)	2.74 (4.63)
Interest Income	3.87 (0.00)		3.87 (0.00)
Income from rendering services	101.47 (94.28)		101.47 (94.28)

17. Capital commitments (net of advances) not provided for

- (a) In respect of Joint Ventures Rs. 2627.01 million (Previous year Rs. 886.08 million)
- (b) In respect of others Rs. 42718.39 million (Previous year Rs. 53,872.56 million)

18. Contingent Liabilities:

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

(Rupees in million)

Sl. No.	Particulars	As at 31 st March, 2005	As at 31 st March, 2004
i)	in respect of Joint Ventures		
	i) Income tax matters	8.91	—
	ii) Custom Duty matters	3693.28	1458.86
	iii) Royalty	167.12	167.12
	iv) Cess	7.76	0.60
	v) Sales Tax	1926.80	1926.80
	vi) Claim of GOI for additional Profit Petroleum	4985.60	7944.37
	vii) Claims of contractors in Arbitration/Court	89.80	88.68
	viii) in respect of other matters	2607.22	2415.57
	Sub Total	13486.49	14002.00
ii)	in respect of others		
	i. Income tax matters	13180.74	9341.56
	ii. Excise Duty matters	1760.25	2893.67
	iii. Custom Duty matters	1466.51	4592.96
	iv. Sales Tax	3255.94	562.78
	v. Royalty	360.64	253.64
	vi. Cess	0.89	749.54
	vii. Claims of contractors in Arbitration/Court.	18134.82	15714.35
	viii. Municipal Corporation	84.50	336.68
	ix. in respect of other matters	5169.49	3354.02
	x. Performance bank guarantee	728.67	—
	xi. Other in respect of GNOPC Sudan	14.90	—
	Sub Total	44157.35	37799.20
	Total	57643.84	51801.20

In respect of subsidiary - OVL, 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.

18.2 Guarantees executed by the company on behalf of its wholly owned subsidiary

ONGC Videsh Limited in favour of:-

(Rupees in million)

S. No.	Details	Guarantee Amount	Amount Outstanding
1	National Iranian Oil Company, USD 10.80 million.	473.15 (475.63)	473.15 (475.63)
2.	National Oil Company of Tripoli, Libya, USD 15.974 million.	699.82 (703.49)	699.82 (703.49)
3.	M/s Rosneft-S, R N Astra, SMNG-S and Exxon-N to the extent of USD 2770 million in terms of Assignment and Carry Finance Agreements in respect of Sakhalin-I Project (out of this ONGC Videsh Ltd has already made remittances aggregating USD 1639.20 million and balance outstanding is USD 1130.80 million (Previous year USD 672.956 million)	121353.70 (76673.64)	49540.35 (29636.98)
4.	Talisman Energy Inc to the extent of USD 720.00 million (previous year USD 720.00 million) in terms of the Purchase and Sale Agreement in respect of acquisition of 25% participating interest in Greater Nile Oil Project, Sudan. Balance outstanding as on 31.3.2005 is USD 5.925 million. (Previous year USD 8.545 million).	31543.20 (31708.80)	259.57 (376.32)

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

1	Certain banks towards short term loan granted to Petronet LNG Limited (a company which is promoted by the Company together with three other co-promoters) to the extent of Rs. 14000 million out of which Company's share is Rs. 3500 million.	3500.00 (3500.00)	— (2560.10)
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18.4 Guarantee given by the MRPL on behalf of NMPT:

1	Guarantee given by the MRPL towards loan of Rs. 3372.30 million sanctioned by certain bankers/financial institutions to New Mangalore Port Trust (NMPT) for construction of Jetties.	3372.30 (3372.30)	1018.12 (1356.12)
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19. The Consolidated Segment Information as per Accounting Standard AS-17 for the Company is given below

(Rupees in million)

Particulars	2004-05						2003-04					
	In India			Outside India	Unallocated	Grand Total	In India			Outside India	Unallocated	Grand Total
	E&P		Refining				E&P		Refining			
	Offshore	Onshore		Offshore	Onshore							
Revenue												
External Sales	316894.16	155125.55	210028.14	58882.49	2881.68	743812.02	249961.20	79597.25	132229.93	34261.29	(693.58)	495356.09
Inter Segment Sales	(56093.22)		(52004.42)	(4085.06)		(112182.70)	(22811.49)		(145.78)	(7708.35)		(30665.62)
Total Revenue	260800.94	155125.55	158023.72	54797.43	2881.68	631629.32	227149.71	79597.25	132084.15	26552.94	(693.58)	464690.47
Results												
Segment Result Profit(+)/Loss(-)	161242.20	28900.11	17459.07	13044.38		220645.76	118550.67	11109.82	9841.12	6906.92		146408.53
Unallocated Corporate Expenses					5181.92	5181.92					4780.25	4780.25
Operating Profit	161242.20	28900.11	17459.07	13044.38	(5181.92)	215463.84	118550.67	11109.82	9841.12	6906.92	(4780.25)	141628.28
Interest					1643.46	1643.46					3785.27	3785.27
Interest/Dividend Income					10802.11	10802.11					10917.65	10917.65
Income Taxes					79416.33	79416.33					53879.72	53879.72
Profit from Ordinary Activities	161242.20	28900.11	17459.07	13044.38	(75439.60)	145206.16	118550.67	11109.82	9841.12	6906.92	(51527.59)	94880.94
Extraordinary loss												
Net Profit	161242.20	28900.11	17459.07	13044.38	(75439.60)	145206.16	118550.67	11109.82	9841.12	6906.92	(51527.59)	94880.94
Other Information												
Segment Assets	296187.62	140891.95	81393.93	142872.22		661345.72	246108.86	134190.48	73927.52	106157.39		560384.25
Unallocated Corporate Assets					128643.60	128643.60					135132.90	135132.90
Total Assets	296187.62	140891.95	81393.93	142872.22	128643.60	789989.32	246108.86	134190.48	73927.52	106157.39	135132.90	695517.15
Segment Liabilities	124666.24	20434.49	60422.01	126464.73		331987.47	110543.25	19032.22	64772.36	95781.14		290128.97
Unallocated Corporate Liabilities					(28198.24)	(28198.24)					(8029.18)	(8029.18)
Total Liabilities	124666.24	20434.49	60422.01	126464.73	(28198.24)	303789.23	110543.25	19032.22	64772.36	95781.14	(8029.18)	282099.79
Capital Expenditure	87882.54	20197.75	4041.56	25392.88	1542.16	139056.89	42088.96	19935.82	239.58	14725.56	2964.74	79954.66
Depreciation*	46813.94	14733.54	3781.43	7669.75	587.75	73586.41	40370.45	14995.30	3781.97	6134.38	242.89	65524.99
Non-cash Expenses	1915.45	902.87	439.00	12.94	10.97	3281.24	663.55	310.16	16.69	0.00	352.97	1343.37

* Also Includes Depletion, Amortisation and Impairment Loss

Segment Revenue in respect of Onshore Segment for the Year ended 31st March, 2005 includes Rs. 51040 million (Previous year - Nil) on account of trading of MRPL products- a subsidiary of ONGC.

Notes:

- The above matrix presentation depicts the geographical segments and business segments as primary segments.
- Segments have been identified and reported taking into account the differing risks and returns, the organization structure and the internal reporting systems. These have been organized into the following main geographical and business segments:

Geographical Segments	Business Segments
a) In India	a) Exploration & Production
- Offshore	
- Onshore	
b) Outside India.	b) Refining
- Segment Revenue, Results, Assets and Liabilities include the respective amounts identifiable to each of the segments and amount allocated on reasonable basis. Un-allocated includes common expenditure incurred for all the segments and expenses incurred at the corporate level.
- The external sales shown under segment revenue includes sales, income from pipeline transportation receipts, other income (excluding interest and dividend income of Rs. 10802.11 million) and prior period income of Rs. 55.84 million.

20. Details of Oil and Gas Reserves (as determined by Reserve Estimates Committee)

20.1 Company's share of Proved Reserves on the geographical basis as on 31st March, 2005 is as under:-

	DETAILS	CRUDE OIL (MMT)*	GAS (BILLION CUBIC METER)	TOTAL OIL EQUIVALENT (MMT)**
OFFSHORE	OPENING	237.920	192.724	430.644
	ADDITION	9.840	4.779	14.619
	DEDUCTION			
	SALE/TRANSFER			
	PRODUCTION	19.830	19.866	39.696
	CLOSING	227.930	177.637	405.567
ONSHORE	OPENING	185.830	154.132	339.962
	ADDITION	16.980	6.601	23.581
	DEDUCTION			
	SALE/TRANSFER	0.450	0.392	0.842
	PRODUCTION	8.310	5.491	13.801
	CLOSING	194.050	154.850	348.900
VIETNAM	OPENING	0.758	19.471	20.229
	ADDITION			
	DEDUCTION			
	SALE/TRANSFER			
	PRODUCTION	0.039	1.349	1.388
	CLOSING	0.719	18.122	18.841
SAKHALIN	OPENING	61.400	97.000	158.400
	ADDITION			
	DEDUCTION			
	SALE/TRANSFER			
	PRODUCTION			
	CLOSING	61.400	97.000	158.400
GNOP SUDAN	OPENING	20.398		20.398
	ADDITION	3.980		3.980
	DEDUCTION			
	SALE/TRANSFER			
	PRODUCTION	3.675		3.675
	CLOSING	20.703		20.703

The Reserves indicated for the Sakhalin Project reflect the assessment in the Declaration of Commerciality, as accepted by the consortium members and approved by the Russian Government. The Consultant engaged by the Company, however, has placed only the Reserves of Chayvo Phase-1 in the Proved category (11.0 Million Tonnes of Oil and 11.4 Billion Cubic Meter of Gas) on the reasoning that export logistics and contracts for other phases / fields have not been firmed up. As for the total recoverable hydrocarbon volume (Proved plus Probable plus Possible plus Contingent Resources), the consultant has suggested downward revision by net 3.13 Million Tonnes of Oil equivalent (ultimate recoverable volume of oil increasing by 5.17 Million Tonnes and that of gas decreasing by 8.30 Billion Cubic Meter). The Consortium is confident of approvals for gas export pipeline as well as gas export contracts since the Development Plan for the entire Proved Reserves for all phases / fields has already been approved by the Russian Government, and therefore, the Company has not accepted the re-categorisation suggested by the consultant.

20.2 Company's share of Proved and Developed Reserves on the geographical basis as on 31st March, 2005 is as under:-

	DETAILS	CRUDE OIL (MMT)*	GAS (BILLION CUBIC METER)	TOTAL OIL EQUIVALENT (MMT)**
OFFSHORE	OPENING	198.780	141.066	339.846
	ADDITION	14.630	5.338	19.968
	DEDUCTION			
	SALE/TRANSFER			
	PRODUCTION	19.830	19.866	39.696
	CLOSING	193.580	126.539	320.119
ONSHORE	OPENING	138.920	120.476	259.396
	ADDITION	22.260	5.354	27.614
	DEDUCTION			
	SALE/TRANSFER	0.000	0.252	0.252
	PRODUCTION	8.310	5.491	13.801
	CLOSING	152.870	120.087	272.957
VIETNAM	OPENING	0.751	15.916	16.667
	ADDITION			
	DEDUCTION			
	SALE/TRANSFER			
	PRODUCTION	0.039	1.349	1.388
	CLOSING	0.712	14.567	15.279
GNOP SUDAN	OPENING	15.386		15.386
	ADDITION	3.480		3.480
	ADJUSTMENT	3.024		3.024
	DEDUCTION			
	SALE/TRANSFER			
	PRODUCTION	3.675		3.675
	CLOSING	18.215	0.000	18.215

* Crude includes oil condensate

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

In respect of ONG BV, the subsidiary of the Company, the consultant engaged by the subsidiary 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 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.

21. (i) DETAILS OF EXPENDITURE

(Details of expenditure incurred during the year on Production, Selling and Distribution, Operation and Maintenance of Pipelines, Exploration, Drilling and Development)

(Rupees in million)

	2004-05	2003-04
(a) Salaries, Wages, Ex-gratia etc.	21,768.47	21,103.50
(b) Contribution to Provident and other funds	1,404.91	1,361.83
(c) Provision for gratuity	1,340.07	516.45
(d) Provision for leave encashment	1,713.26	1,215.45
(e) Staff welfare expenses	<u>2,065.12</u>	2,019.82
Raw Material Consumed	104,519.11	73,954.92
Stores and spares consumed	14,341.52	12,628.91
Cess	42,457.84	41,938.66
Natural Calamity Contingent Duty - Crude Oil	1,127.28	1,116.70
Excise Duty	25,420.19	16,709.30
Royalty	65,694.96	44,737.56
Sales Tax	17,442.16	12,253.46
Value Added Tax (VAT)	410.18	235.17
Octroi/BPT	5,670.50	2,237.63
Service Tax	8.33	0.00
Education Cess	655.03	0.00
Rent, rates and taxes	1,234.22	2,337.39
Hire charges of equipments and vehicles	36,462.53	27,449.48
Power, fuel and water charges	1,234.24	2,203.82
Contractual drilling, logging, workover etc.	22,442.29	18,104.02
Contractual security	1,266.54	1,101.01
Repairs to building	202.80	308.10
Repairs to plant and machinery	2,092.15	2,877.30
Other repairs	5,292.25	5,303.34
Insurance	1,958.54	2,556.49
Miscellaneous expenditure	<u>17,417.39</u>	<u>9,271.44</u>
	395,641.88	303,541.75
Less:		
Allocated to exploration, development drilling, capital jobs recoverables etc.	55,652.05	46,137.56
Excise duty	25,334.18	16,695.72
Prior Period Adjustment	(62.55)	185.29
Production, Transportation, Selling and Distribution Expenditure etc.	<u>314,718.20</u>	<u>240,523.18</u>

(ii) **MANAGERIAL REMUNERATION** (included in 21(i) above)

	2004-05 Amount Rs. in million	2003-04 Amount Rs.in million
REMUNERATION PAID OR PAYABLE TO DIRECTORS		
Salaries and Allowances	14.79	7.59
Contribution to Provident & Other Funds	0.65	0.58
Sitting Fees	1.34	0.86
Other Benefits and Perquisites (do not include cost of medical treatment availed from the Corporation's own medical facilities as the amount is not determinable)	1.86	2.12
Leave Encashment and Gratuity of retired directors	1.00	0.94
	<u>19.64</u>	<u>12.09</u>

Note:

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

(iii) **AUDITORS' REMUNERATION** (included in 21(i) above)

	2004-05 Amount Rs. in million	2003-04 Amount Rs.in million
Audit Fees	5.49	4.10
For Certification work etc.	3.80	3.65
Travelling and Out of Pocket Expenses	4.94	5.39
	<u>14.23</u>	<u>13.14</u>

- Previous year's figures have been regrouped/reclassified wherever necessary to conform to current year's classification.
- Figures in bracket as given in Notes to Accounts relate to previous year.
- Figures in the accounts are stated in Rs. Million except those in paranthesis which would otherwise have become Nil on account of rounding off.

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2005

(Rupees in million)

	Year Ended 31st March, 2005	Year Ended 31st March, 2004
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Profit before tax and prior period items	224,826.79	149,051.39
Adjustments For:		
Recouped Costs (Represented by Depreciation, Depletion and Amortisation)		
Gross Amount	73,445.94	65,525.00
Cash Outflows	<u>(28,968.69)</u>	<u>(20,150.02)</u>
	44,477.25	45,374.98
- Interest on Borrowings	1,638.10	3,778.34
- Foreign Exchange Loss/(Gain)	537.56	1,059.49
- Preliminary Expenses	1.01	0.00
- Gain on transfer of participating interest	0.00	(1,151.78)
- Provision for Gratuity	1,274.23	510.84
- Provision for Leave Encashment	703.28	362.39
- Provision for Impairment	140.47	161.71
- Miscellaneous Expenditure written off	306.87	311.05
- Other Provision and Write offs	2,487.70	704.40
- Interest Income	(10,125.63)	(8,848.11)
- Deferred Government Grant	(10.46)	(9.47)
- Dividend Received	(2,509.00)	(2,513.23)
- Profit on sale of investments	0.00	(194.60)
Operating Profit before Working Capital Changes	<u>263,748.17</u>	<u>188,597.40</u>
Adjustments for:-		
- Debtors	(21,001.36)	12,398.92
- Loans and Advances	(5,320.59)	(5,123.95)
- Other Current Assets	(92.03)	168.62
- Deferred Revenue Expenditure/ Miscellaneous Exp. W/off	87.98	(4,116.84)
- Inventories	(8,321.48)	(10,008.79)
- Trade Payable and Other Liabilities	<u>21,619.26</u>	<u>8,750.36</u>
	(13,028.22)	2,068.32
Cash generated from Operations	250,719.95	190,665.72
Direct Taxes Paid (Net of tax refund)	(70,424.36)	(49,390.62)
Cash Flow before prior period and Extra ordinary Items	<u>180,295.59</u>	<u>141,275.10</u>
Prior period and other non cash items	148.57	(39.16)
Net Cash Flow from Operating Activities 'A'	<u>180,444.16</u>	<u>141,235.94</u>
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets (Net)	(54,624.25)	(24,662.89)
Exploratory and Development Drilling/ Board Approved and Contracted/ Board Approved Projects	(49,406.25)	(33,581.61)
Purchase of Investments	(22.36)	(2,576.00)
Advance for Share Capital	—	(120.91)
Refund of Advance for Shares	12.50	—
Acquisition of Subsidiary	(316.80)	(4,397.08)
Loan to Oil India Limited	—	(16.88)
Share of Profit in Associate Companies	113.47	—
Investment in Associate Companies	(75.78)	—
Adjustment of Preoperative expenditure	323.92	—
Advance to SMNG-S & RN ASTRA	(13,432.55)	(8,925.40)
Sale/Maturity/Redemption of Investments	3,866.04	3,163.73
Dividend Received from Trade Investments	2,509.00	2,572.03
Interest Received	9,322.57	6,714.97
Net Cash Flow from Investing Activities 'B'	<u>(101,730.49)</u>	<u>(61,830.04)</u>

(Rupees in million)

	Year Ended 31st March, 2005	Year Ended 31st March, 2004
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from issue of Share Capital	0.36	1.36
Proceeds from Government Grants	5.82	13.62
Proceeds from Line of Credit	8,550.00	—
Proceeds/(Repayment) of Long Term Borrowings	(4,607.22)	(27,786.13)
Proceeds/(Repayments) of Short Term Borrowings	(27,839.17)	25,458.33
Cash Credit Advance	1,155.26	2,460.47
Repayment of Finance Lease Liabilities	0.00	(397.17)
Dividend Paid	(42,691.53)	(38,502.58)
Tax on Dividend	(5,590.55)	(4,932.84)
Interest Paid	(1,955.74)	(4,228.17)
Net Cash Flow from Financing Activities 'C'	(72,972.77)	(47,913.11)
Net increase/(decrease) in Cash and Cash Equivalents (A+B+C)	5,740.90	31,492.79
Cash and Cash Equivalents as at 1st April, 2004 (Opening Balance)	96,454.51	64,726.34
Cash and Cash Equivalents as at 31st March, 2005 (Closing Balance)	<u>102,195.41</u>	<u>96,219.13</u>

Notes:

- 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..
- Adjustments have not been made to "Purchase of Fixed Assets" (Investing Activities), on account of increase/decrease in Capital Creditors. The impact of the above is not readily ascertainable.
- Cash and Cash equivalents represent:-

	(Rupees in million)	
	2004-05	2003-04
a) Cash and Bank Balances (Schedule 13A)	66,034.80	64,537.16
b) Deposits with Bank under Site Restoration Fund Scheme (Schedule 13B)	36,180.55	31,681.97
Total	<u>102,215.35</u>	<u>96,219.13</u>
- Cash balances in respect of MRPL include cheques in hand and balance with scheduled banks and excludes balances in current account/deposit account of interest warrant/refund accounts, under lien, pledge with banks/Govt. authorities Rs. 19.95 million (Previous year Rs. 26.60 million)
- Cash and cash equivalents as on 1st April 2004 includes Rs. 235.38 million as reclassification in respect of Subsidiary Company.
- Bracket indicates cash outflow.
- Previous years figures have been regrouped wherever necessary to conform to current year's classification.

for and on behalf of the Board

H.C. Shah
Company Secretary

R.S. Sharma
Director (Finance)

Subir Raha
Chairman & Managing Director

In terms of our report of even date attached
For K K Soni & Co.
Chartered Accountants

For S. Bhandari & Co.
Chartered Accountants

For RSM & Co.
Chartered Accountants

K.K. Soni
Partner (Mem. No. 7737)

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

Vijay N. Bhatt
Partner (Mem.No. 36647)

For Brahmayya & Co.
Chartered Accountants

For Lodha & Co.
Chartered Accountants

V.Seetaramaiah
Partner (Mem. No. 3848)

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

New Delhi
June 20, 2005



PROXY FORM

OIL AND NATURAL GAS CORPORATION LIMITED

Registered Office: Jeevan Bharati Bldg., Tower-II, 124 Indira Chowk, New Delhi-110 001

D.PID*	
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Master Folio No.	
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Client ID*	
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No. of Shares(s) held	
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I/We.....
of.....being a member(s) of **OIL AND NATURAL GAS CORPORATION LIMITED**
hereby appoint Mr/Ms.....of
..... or failing him/herof
..... as my/our proxy to vote for me/us on my/our behalf at the **12th Annual General Meeting to be held on Wednesday, 21st September, 2005 at 11.00 A.M.** or at any adjournment thereof.

Signed thisday of2005.

Affix Re.1/-
Revenue
Stamp

*Applicable for investor holding Share(s) in electronic form.

Note: The proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Corporation not less than 48 hours before the schedule time of the aforesaid meeting.

.....TEAR HERE.....

ATTENDANCE SLIP

OIL AND NATURAL GAS CORPORATION LIMITED

Registered Office: Jeevan Bharati Bldg., Tower-II, 124, Indira Chowk, New Delhi-110 001

Please fill in attendance slip and hand it over at the entrance of the meeting venue:

D.PID*	
--------	--

Master Folio No.	
------------------	--

Client ID*	
------------	--

No. of Shares(s) held	
-----------------------	--

I certify that I am a member/proxy for the member of the Corporation.

I hereby record my presence at the **12th Annual General Meeting** of the Corporation held on **Wednesday, the 21st September, 2005 at 11.00 A.M.** at **Sirifort Auditorium, Khel Gaon, August Kranti Marg, New Delhi-110 049.**

Member's/Proxy's name in Block Letters

Signature of Member/Proxy

*Applicable for investor holding Share(s) in electronic form