ओएनजीसी विदेश

ONGC VIDESH

ONGC Videsh Ltd.

ONGC VIDESH LIMITED

BOARD OF DIRECTORS

Shri R. S. Sharma
Chairman

Shri R. S. Butola
Managing Director

Shri D. K. Sarraf
Director (Finance)

Shri Anupam Mathur
Director (Commercial)

Shri Joeman Thomas
Director (Exploration)

Shri Arvind Mayaram
Director

Shri A. K. Jain
Director

Dr. A. K. Balyan
Director

Shri N. K. Mitra
Director

Shri A. K. Hazarika
Director

Shri D. K. Pande
Director

Shri U. N. Bose
Director

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Shri Anupam Mathur
Director (Commercial) (from 20th February, 2007)

Shri Joeman Thomas
Director (Exploration) (from 20th February, 2007)

Shri Arvind Mayaram
Director

Shri A. K. Jain
Director (from 4th December, 2006)

Dr. A. K. Balyan
Director

Shri N. K. Mitra
Director

Shri A. K. Hazarika
Director

Shri D. K. Pande
Director

Shri U. N. Bose
Director

COMPANY SECRETARY
Shri Jagdish Prasad

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

BANKERS
State Bank of India

WEB SITE
www.ongcvidesh.com

STATUTORY AUDITORS
M/s Batra Sapra & Co.

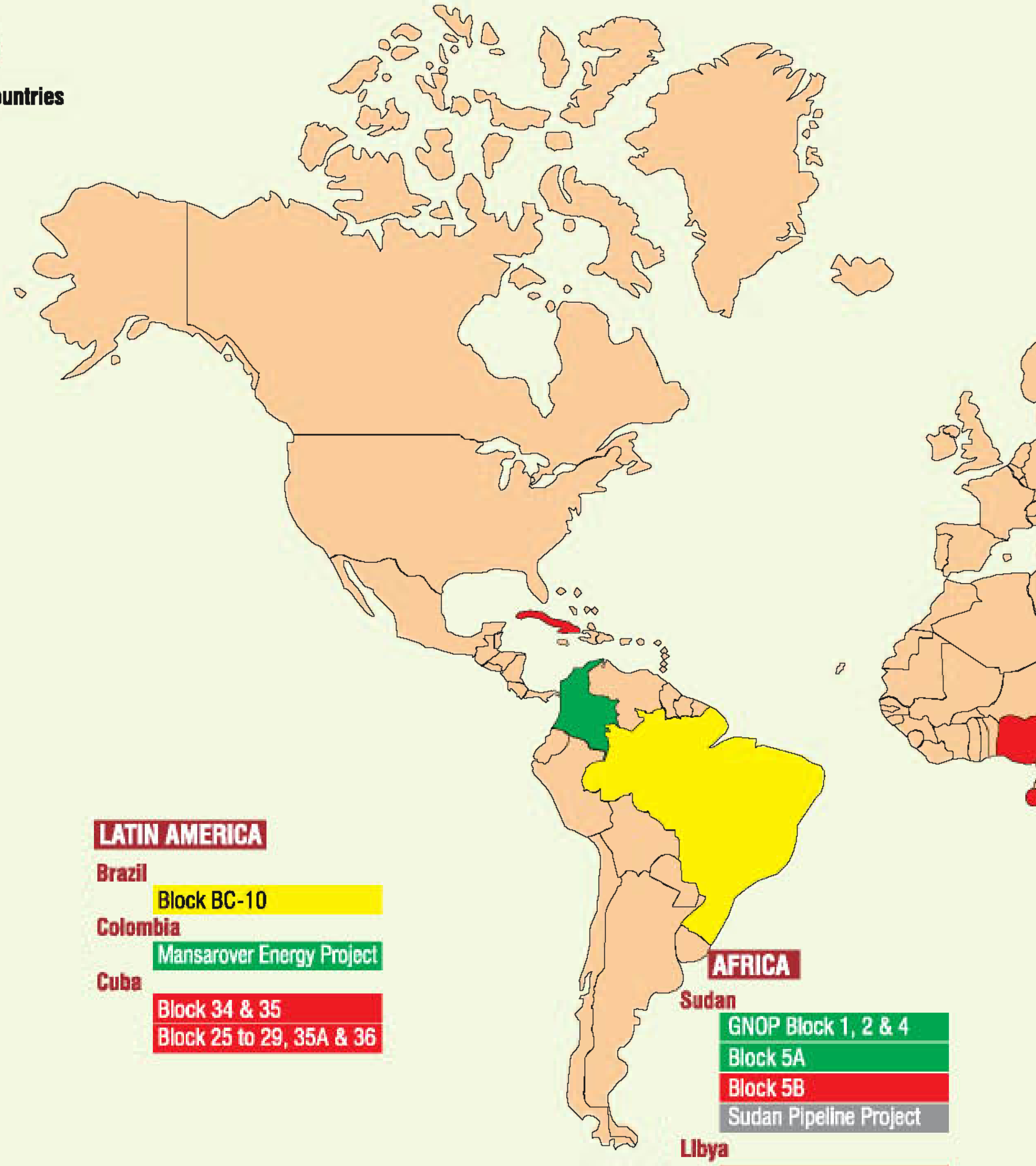
SUBSIDIARIES
ONGC Nile Ganga BV
ONGC Narmada Limited
ONGC Amazon Alaknanda Limited
ONGC Do Brasil Exploracao Petrolifera Ltda.
ONGC Compos Ltda.

JOINT VENTURE COMPANY
ONGC Mittal Energy Limited

ONGC VIDESH LIMITED

Global Presence

26 Projects in 15 Countries



LATIN AMERICA

Brazil
- Block BC-10

Colombia
- Mansarover Energy Project

Cuba
- Block 34 & 35
- Block 25 to 29, 35A & 36

AFRICA

Sudan
- GNOP Block 1, 2 & 4
- Block 5A
- Block 5B
- Sudan Pipeline Project

Libya
- Blocks NC-188 & NC-189
- Block 81-1
- Block 43

Egypt
- North Ramadan Block 6

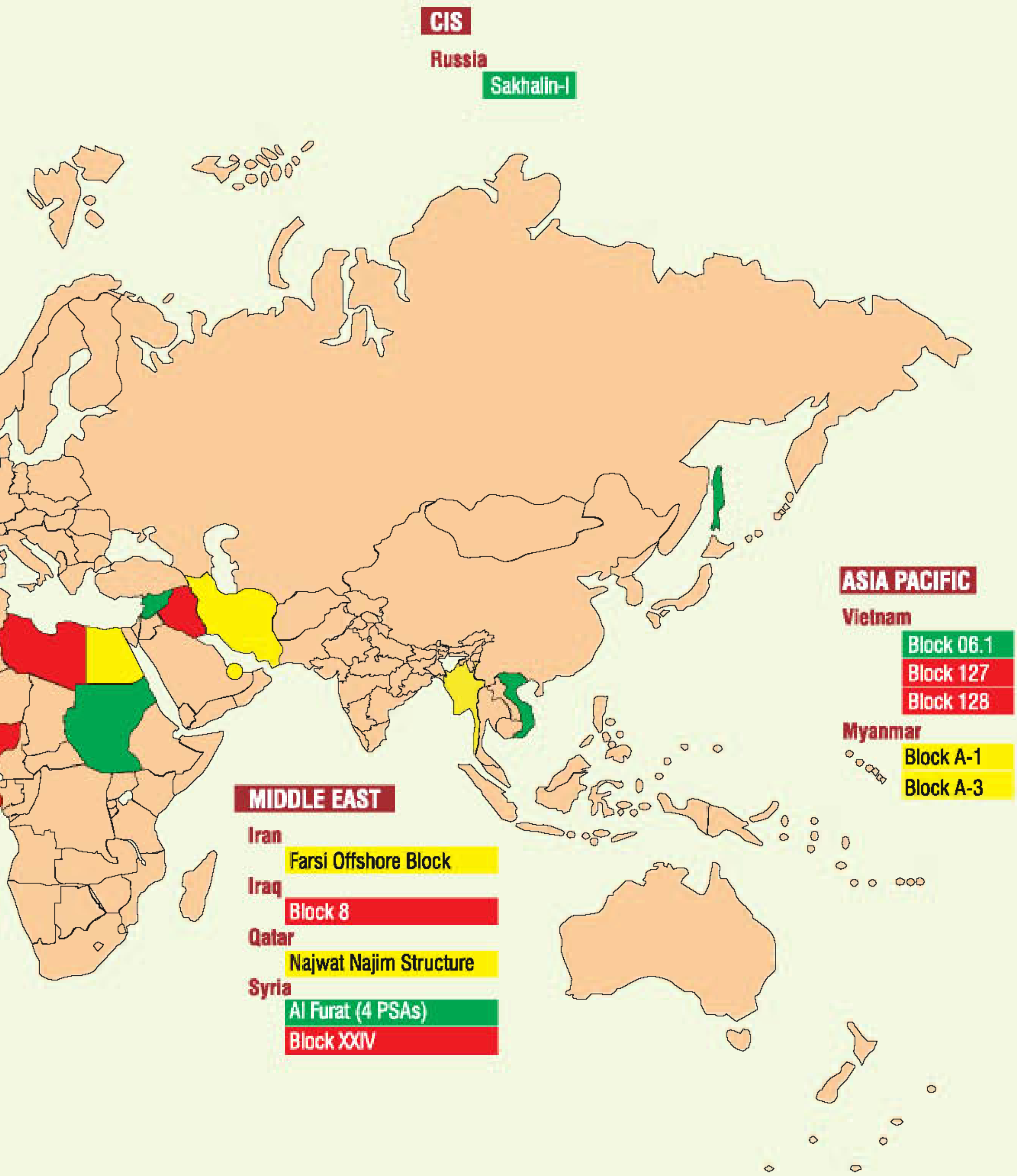
Nigeria
- OPL - 279
- OPL - 285

Nigeria Sao Tome & Principe JDZ
- Block 2

Producing

Development / Discovered

Exploration


CIS
Russia
Sakhalin-I
ASIA PACIFIC
Vietnam
Block 06.1
Block 127
Block 128
Myanmar
Block A-1
Block A-3
MIDDLE EAST
Iran
Farsi Offshore Block
Iraq
Block 8
Qatar
Najwat Najim Structure
Syria
Al Furat (4 PSAs)
Block XXIV

CONSOLIDATED PERFORMANCE AT A GLANCE

(Rupees in million, Unless otherwise Stated)

	2006-07	2005-06	2004-05	2003-04	2002-03
PHYSICAL					
Crude Oil (MMT) (including Condensate)	5.804	4.584	3.714	3.345	0.183
Gas (BCM)	2.148	1.755	1.349	0.523	0.070
FINANCIAL					
Income from Operations (Turnover)	119,010	81,707	60,258	35,023	2,328
Statutory Levies	52,509	39,997	28,191	16,524	770
Operating Expenses	18,107	14,534	9,709	3,821	406
Profit Before Interest Depreciation & Tax (PBIDT)	48,394	27,176	22,358	14,678	1,152
Recouped Costs	21,335	11,204	7,670	6,134	231
Operating Income (PBIT)	27,059	15,972	14,688	8,544	921
Exchange Loss / (Gain)	(2,527)	(1,005)	264	913	164
Interest Payment	318	40	13	64	30
Profit Before Tax	29,268	16,937	14,411	7,567	727
Corporate Tax	12,635	8,234	6,797	3,283	137
Net Profit	16,633	8,703	7,614	4,284	590
Less: Share of Profit/ (Loss)- Minority Interest (ONGC)	-	(309)	-	-	-
Group Profit After Tax (PAT)	**16,633**	**9,012**	**7,614**	**4,284**	**590**
Dividend	-	-	1,050	-	-
Tax on Dividend	-	-	147	-	-
Share Capital	10,000	3,000	3,000	3,000	3,000
Net Worth (Equity)	43,736	21,977	12,227	8,720	5,022
Borrowings	132,347	159,242	116,610	87,581	70,534
Working Capital	29,438	74,399	42,371	23,364	11,372
Capital Employed	159,451	140,105	81,084	63,645	52,853
Internal Resources Generation	41,774	21,158	6,275	4,887	835
Plan Expenditure	71,519	63,306	43,101	23,422	49,683
Expenditure on Employees	666	602	346	322	71
Number of Employees	110	90	85	63	51
FINANCIAL PERFORMANCE RATIOS					
PBIDT to Turnover (%)	40.66	33.26	37.10	41.91	49.48
PBDT to Turnover (%)	42.52	34.44	36.64	39.12	41.15
Profit Margin (%)	13.98	11.03	12.64	12.23	25.34
ROCE (PBIDT to Capital Employed) (%)	30.35	19.40	27.57	23.06	2.18
Net Profit to Equity (%)	38.03	41.01	62.27	49.13	11.75
BALANCE SHEET RATIOS					
Current Ratio	2.56:1	7.27:1	5.30:1	3.63:1	2.99:1
Debt Equity Ratio	3.03:1	7.25:1	9.54:1	10.04:1	14.05:1
Debtors Turnover Ratio (Days)	34	18	46	13	267
PER SHARE DATA					
Earning Per Share (Rs.)	224.44	300.40	253.79	142.82	19.66
Dividend (%)	-	-	35	-	-
Book Value Per Share (Rs.)	437	733	408	291	167

STATEMENT OF CONSOLIDATED INCOME & RETAINED EARNINGS

(Rupees in million)

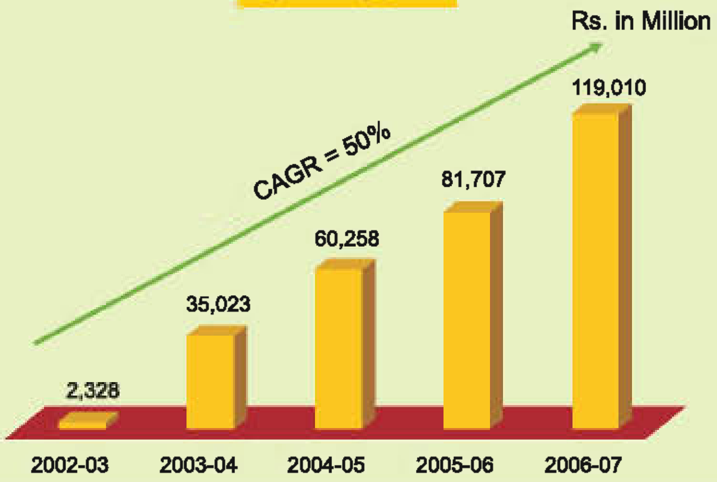
	2006-07	2005-06	2004-05	2003-04	2002-03
REVENUES					
Sales					
Crude Oil	102,426	64,415	47,696	30,881	1,690
Gas	8,004	6,668	4,552	1,469	99
Condensate	1,841	1,466	833	97	-
Construction Contract Revenue	-	2,174	5,430	-	-
Transportation and Other Services	3,269	3,199	-	-	-
Sub Total	**115,540**	**77,922**	**58,511**	**32,447**	**1,789**
Other Income					
Interest Income	2,273	3,127	1,418	814	366
Lease Income	435	271	-	-	-
Other Income	365	373	332	1,720	165
Increase/(Decrease) in Stock	397	14	(3)	42	8
Total Income from Operations	**119,010**	**81,707**	**60,258**	**35,023**	**2,328**
COST & EXPENSES					
Operating, Selling & General					
(a) Production, Transportation & other Operating Expenses	12,531	7,256	5,060	3,824	404
(b) Royalties	51,130	39,061	27,781	16,289	761
(c) Value Added Tax & other Taxes	1,379	936	410	235	9
(d) Construction Contract Expenditure	-	2,699	4,253	-	-
(e) Provisions & Write Offs	1,409	394	13	-	-
(f) Prior Period Adjustments (Net)	4,167	4,185	383	(3)	2
Sub Total (a to f)	**70,616**	**54,531**	**37,900**	**20,345**	**1,176**
Depletion, Depreciation & Amortisation					
(a) Depletion	12,590	4,615	2,952	2,424	140
(b) Depreciation	2,678	1,170	883	919	41
(c) Amortisation	5,275	4,272	3,769	1,119	-
(d) Others	792	1,147	66	1,672	50
Sub Total (a to d)	**21,335**	**11,204**	**7,670**	**6,134**	**231**
TOTAL COST & EXPENSES	**91,951**	**65,735**	**45,570**	**26,479**	**1,407**
Operating Income Before Financial Cost & Tax	**27,059**	**15,972**	**14,688**	**8,544**	**921**
Financial Costs					
Exchange Loss / (Gain)	(2,527)	(1,005)	264	913	164
Interest Payment	318	40	13	64	30
Sub Total	**(2,209)**	**(965)**	**277**	**977**	**194**
Profit Before Tax	**29,268**	**16,937**	**14,411**	**7,567**	**727**
Corporate Tax (Net)	12,635	8,234	6,797	3,283	137
Net Profit	**16,633**	**8,703**	**7,614**	**4,284**	**590**
Less: Share of Profit/ (Loss)- Minority Interest (ONGC)	-	(309)	-	-	-
Group Profit After Tax	**16,633**	**9,012**	**7,614**	**4,284**	**590**
Dividend	-	-	1,050	-	-
Tax on Dividend	-	-	147	-	-
Retained Earnings for the Year	**16,633**	**9,012**	**6,417**	**4,284**	**590**

STATEMENT OF CONSOLIDATED FINANCIAL POSITION

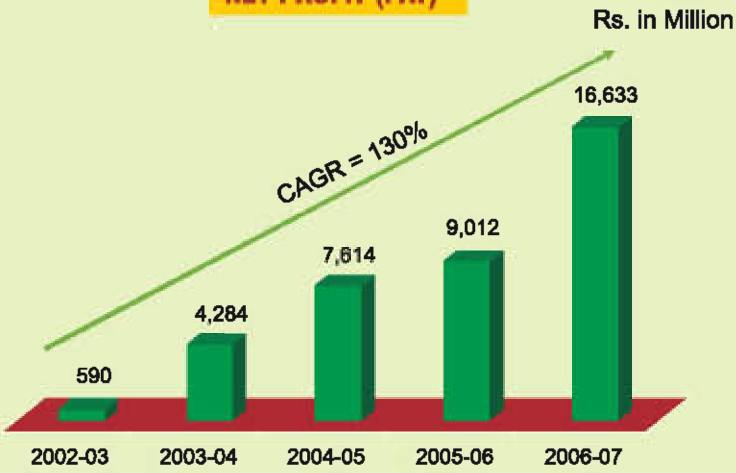
(Rs. in million)

	As at 31st March, 2007	As at 31st March, 2006	As at 31st March, 2005	As at 31st March, 2004	As at 31st March, 2003
RESOURCES					
A. Own					
1. Net worth					
(a) Equity					
i) Share Capital	10,000	3,000	3,000	3,000	3,000
ii) Reserves & Surplus	33,736	18,977	9,227	5,720	2,096
Sub Total	**43,736**	**21,977**	**12,227**	**8,720**	**5,096**
(b) Less: Intangible Assets	-	-	-	-	74
Net Worth	**43,736**	**21,977**	**12,227**	**8,720**	**5,022**
2. Minority Interest (ONGC)	-	6,708	-	-	-
3. Long Term Liability- Deferred Tax Liability	9,759	6,635	4,253	1,734	1,822
Total Own Funds (1+2+3)	**53,495**	**35,320**	**16,480**	**10,454**	**6,844**
B. Outside					
Loans					
Oil Industry Development Board	-	61	157	253	349
Oil and Natural Gas Corporation Limited	130,941	157,618	115,469	84,849	67,313
Non Recourse Deferred Credit	1,406	1,519	984	-	-
Bank Loans / Overdraft	-	44	-	2,479	2,872
Total Outside Resources	**132,347**	**159,242**	**116,610**	**87,581**	**70,534**
TOTAL RESOURCES (A+B)	**185,842**	**194,562**	**133,090**	**98,035**	**77,378**
DISPOSITION OF RESOURCES					
A. Block Capital					
1. Fixed Assets	50,774	17,247	12,013	12,716	14,323
2. Producing Properties (Net of Depletion)	56,056	36,806	15,947	15,904	15,497
Less: Liability for Abandonment Cost	4,503	2,519	-	-	-
Net Producing Property	51,553	34,287	15,947	15,904	15,497
3. Goodwill	27,686	14,172	10,753	11,661	11,661
Total Block Capital (1+2+3)	**130,013**	**65,706**	**38,713**	**40,281**	**41,481**
B. Working Capital					
(a) Current Assets					
i) Inventories	3,649	2,163	1,175	885	882
ii) Debtors (Net of Provision)	11,203	3,944	7,566	1,211	1,701
iii) Cash & Bank Balances	12,125	2,563	7,083	8,267	3,627
iv) Loans & Advances and Others	21,306	77,599	36,402	21,901	10,869
Sub Total	**48,283**	**86,269**	**52,226**	**32,264**	**17,079**
Less:					
(b) Current Liabilities and Provisions	18,845	11,870	9,855	8,900	5,707
Working Capital (a - b)	**29,438**	**74,399**	**42,371**	**23,364**	**11,372**
C. CAPITAL EMPLOYED (A + B)	159,451	140,105	81,084	63,645	52,853
D. CAPITAL WORKS IN PROGRESS	14,149	43,746	45,476	30,770	23,910
E. EXPLORATORY/ DEVELOPMENT WELLS IN PROGRESS	12,242	10,711	6,530	3,620	615
TOTAL DISPOSITION (C TO E)	**185,842**	**194,562**	**133,090**	**98,035**	**77,378**

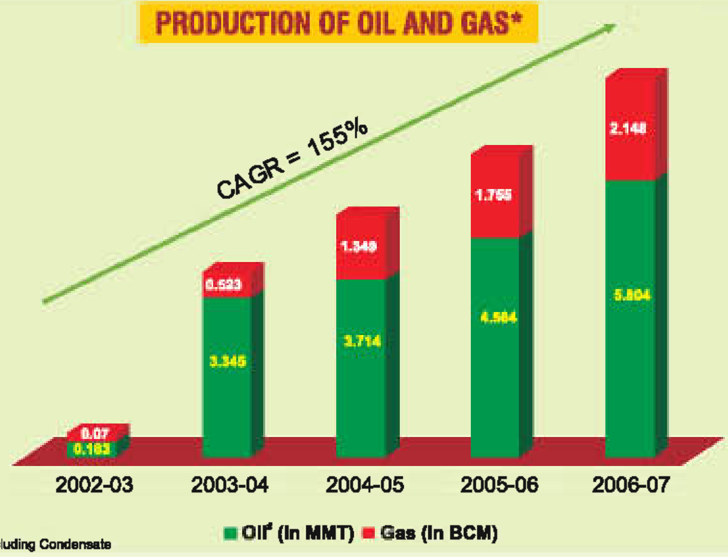
TOTAL INCOME*



NET PROFIT (PAT)*



PRODUCTION OF OIL AND GAS*



Including Condensate

*Consolidated

DIRECTORS' REPORT

Dear Members,

On behalf of the Board of Directors of your Company, I take immense pleasure in presenting to you the 42nd Annual Report on the working of the Company for the financial year ended 31st March, 2007, together with the Audited Statements of Accounts, the Auditors' Report and the Review of the Accounts by the Comptroller and Auditor General of India.

1. PERFORMANCE HIGHLIGHTS

- Company secured equity participation in 9 oil and gas projects in 6 countries.
- Export of crude oil from Sakhalin-1 project in Russia commenced from September, 2006 and peak production of over 250,000 bbl/day with Company's share of 50,000 bbl/day was achieved in March, 2007.
- Crude oil production from Block 5A in Sudan started in May, 2006.
- Gas discoveries made in Blocks A-1 and A-3, Myanmar in which Company holds 20% share.
- Oil discovery made in North Ramadan Block in Egypt, in which Company holds 70% share.
- Successfully completed drilling of four wells including a high pressure complex gas well in Farsi Offshore Block in Iran which resulted in discovery of oil and gas.
- Company's consolidated production of Oil plus Oil-Equivalent Gas (O+OEG) increased from 6.339 MMTOE to 7.952 MMTOE, up 25%.
- Company's consolidated gross revenue increased from Rs. 81,707.28 million to Rs. 119,009.55 million, up 46%.
- Company earned consolidated net profit of Rs.16, 632.87 million, up 85% from Rs. 9,011.96 million.

2. FINANCIAL RESULTS

ONGC Videsh Limited

(Rupees in million)

Particulars	**2006-07**	**2005-06**
Total Income	**31,791.81**	20,857.71
Expenditure	**17,386.76**	12,312.39
Profit Before Tax	**14,405.05**	8,545.32
Provision for Tax (including Deferred Tax)	**3,879.49**	2,050.82
Profit After Tax	**10,525.56**	6,494.50
Transfer to General Reserve	**1,052.55**	649.45
Paid-up Equity Share Capital	**10,000.00**	3,000.00
Net Worth	**31,993.47**	14,098.23
Earning Per Share of Rs. 100 each (Rs.)	**142.03**	216.48

Dividend

No dividend has been proposed for the financial year 2006-07, as the Company has decided to keep its internal resources for funding of its growing operations requirements.

Consolidated Accounts

The Consolidated Accounts incorporate accounts of ONGC Nile Ganga BV (Subsidiary), ONGC Narmada Limited (Subsidiary), ONGC Amazon Alaknanda Limited (Subsidiary) and ONGC Mittal Energy Limited (Jointly Controlled Entity) and form parts of the Annual Report and Accounts.

(Rupees in million)

Particulars	**2006-07**	**2005-06**
Total Income	**119,009.55**	81,707.28
Expenditure	**89,741.58**	64,770.27
Profit Before Tax	**29,267.97**	16,937.01
Provision for Tax (including Deferred Tax)	**12,635.10**	8,234.17
Profit After Tax	**16,632.87**	8,702.84
Share of Profit/(Loss)- Minority Interest of ONGC	**0.00**	(309.12)
Group Profit After Tax	**16,632.87**	9,011.96
Paid-up Equity Share Capital	**10,000.00**	3,000.00
Net Worth	**43,735.65**	21,977.47
Earning Per Share of Rs. 100 each (Rs.)	**224.44**	300.40

3. RESERVES

Details of balance proven Oil and Gas reserves held by your Company, including that of the wholly-owned subsidiaries are placed at Note-16 of Schedule '25' to Consolidated Accounts. In brief, your Company's balance proven reserve holding is as under:

	As on 31st March, 2007	As on 31st March, 2006
Oil (including Condensate) (In MMT)	**95.744**	92.823
Gas (In BCM)	**98.886**	113.367
Total (In MMTOE)	**194.630**	**206.190**

4. NEW ACQUISITIONS

4.1 Block BC-10, Brazil

Your Company through its wholly owned subsidiary Company, ONGC Nile Ganga BV (ONGBV) acquired 15% Participating Interest (PI) in a deepwater offshore Block BC-10 in Brazil on 25th April, 2006. Block BC-10 is located in the Campos Basin approximately 120 km southwest from the city of Vitoria off the coast of Brazil with a water depth of around 1800 meter. The other partners in the Block are Shell with 50% PI as operator and Petrobras with 35% PI. As per current estimates, OVL's net cash outflow in this project till first oil production from the project would be approx USD 478 million, against which the Company has invested approx USD 205 million till 31st March, 2007 including acquisition cost of about USD 170 million. The Block is currently being developed using sub-sea wells which will be connected via sub-sea manifolds, flowlines, and risers to a Floating Production, Storage and Offloading Vessel (FPSO). The production of oil from the project is expected to begin in late 2009.

4.2 Blocks 25, 26, 27, 28, 29, 35A and 36, Cuba

During the year, your Company acquired 30% PI from Repsol-YPF of Spain, in deep water exploration Blocks 25, 26, 27, 28, 29, 35A and 36 located in Cuba. The Blocks are spread over nearly 12,000 sq km in Cuba's Exclusive Economic Zone (EEZ). The supplementary agreement with Government of Cuba for assignment of stakes in the Block was signed on 23rd May, 2006. The transaction is effective from 1st January, 2005. The other partners in the Blocks are Repsol-YPF with 40% PI as operator and Norsk Hydro with 30% PI. Your Company's share of investment in the Blocks for remaining work commitment and the past cost is about USD 31.50 million, against which the Company has invested approx USD 16 million till 31st March, 2007 including payment of USD 7.50 million to Repsol-YPF towards past cost. During the year operator completed the acquisition, processing and interpretation of seismic data. Currently, there is proposal to enter into fourth exploration period having a commitment of drilling of one well.

4.3 Block 127, Vietnam

Your Company secured through participation in Licensing Round, 100% PI with Operatorship in Block 127, Vietnam. The PSC for the Block was signed in Hanoi, Vietnam on 24th May, 2006. Block 127 is an offshore deepwater Block, located at water depth of more than 400 meters with 9,246 sq km area. Your Company's investments during the 3-year first exploration period would be about USD 56.5 million, including signature bonus of USD 2 million. Your Company has invested approx USD 2 million till 31st March, 2007 in the Block. In the event of a commercial discovery made in the contract area, PetroVietnam at its option may hold a PI of up to 20% in the Block. Your Company has awarded a contract for 1,150 sq km 3D seismic survey in the Block. Currently, the acquisition of 3D seismic data is in progress in the Block.

4.4 Block 128, Vietnam

Your Company secured through participation in Licensing Round, 100% PI with Operatorship in Block 128, Vietnam. The PSC for the Block was signed in Hanoi, Vietnam on 24th May, 2006. Block 128 is an offshore deepwater Block, located at water depth of more than 400 meters with 7,058 sq km area. As per current estimates, OVL's investment during the 3-years first exploration period would be about USD 49.70 million including signature bonus of USD 2 million. Your Company has invested approx USD 2 million till 31st March, 2007 in the Block. In the event of a commercial discovery made in the contract area, PetroVietnam at its option may hold a PI of up to 20% in the Block. Your Company has awarded a contract for 1,500 sq km 3D seismic survey in the Block. Currently, the acquisition of 3D seismic data is in progress in the Block.

4.5 Block 34 and 35, Cuba

Your Company signed a Production Sharing Contract on 10th September, 2006 at Havana with CUPET, the State Oil Company of the Republic of Cuba for two offshore exploration Blocks 34 and 35 with 100% PI located in Exclusive Economic Zone of Cuba. As per current estimates, your Company's investment would be approx USD 46.45 million during the 24-month first exploration period for deepwater Blocks 34 and 35. Acquisition of 2D seismic data has been completed and acquisition of 3D seismic data is planned during the third quarter of 2007-08. Further, the interpretation of the existing seismic data is being carried out.

4.6 Mansarovar Energy Project, Colombia

Mansarovar Energy Colombia Limited (MECL), a 50:50 joint venture comprising a subsidiary of your Company i.e. ONGC Amazon Alaknanda Limited (OAAL) and a subsidiary of Sinopec International Petroleum Exploration and Production Corporation (SIPC) has acquired Omimex de Colombia Ltd. (Omimex) from Texas based Omimex Resources, Inc. The signing of the agreements / transfer of shares was done on 20th September, 2006. The transaction is effective from 1st April, 2006. MECL is currently producing oil at 20,000 bbls/d. MECL's assets constitute a 100% interest in the light oil Velasquez fee mineral property and a 50% interest in the Nare and Cocorna association contracts where the Colombian national oil company, Ecopetrol S.A. (Ecopetrol) holds the remaining 50%. MECL also owns 100% of the Velasquez-Galan pipeline, which runs 189 km from the Velasquez property to Ecopetrol's Barrancabermeja refinery. Your Company has invested approx USD 437.5 million toward cost of acquisition. During 2006-07, your Company's share of production was about 0.297 MMT of oil.

4.7 OPL 279, Nigeria

ONGC Mittal Energy Limited (OMEL), a joint venture company incorporated by OVL along with Mittal Investments Sarl in Cyprus, has been awarded exploration Block OPL 279 in Nigeria. The PSC for the block has been executed and the effective date of the PSC has been determined to be 23rd February, 2007. While presently, OMEL holds 60% PI in OPL 279 with a local Nigerian company, EMO holding 40% PI in the Block. OMEL plans to farm out a portion of PI to International Oil Company(ies) subject to reaching agreements for the same / approvals of the Nigerian authorities. The EMO would be carried by other participants in their respective share of participation. The estimated OVL's share of investment through OMEL would be approx USD 73 million in the block during the exploration phase.

4.8 OPL 285, Nigeria

OMEL has also been awarded exploration Block namely OPL 285 in Nigeria. The PSC for the block has been executed and the effective date of the PSC has been determined to be 23rd February, 2007. While presently, OMEL holds 90% PI in OPL 285 with a local Nigerian company, EMO holding 10% PI in the Block. OMEL plans to farm out a portion of PI to International Oil Company(ies) subject to reaching agreements for the same / approvals of the Nigerian authorities. The EMO would be carried by other participants in their respective share of participation. The estimated OVL's share of investment through OMEL would be approx USD 46 million in the Block during the exploration phase.

4.9 Contract Area 43, Libya

Your Company participated in Libya's 3rd Bid Round in 2006 and was awarded contract Area 43; the Exploration and Production Sharing Agreement (EPSA) was signed with National Oil Corporation of Libya on 5th March, 2007. The Contract Area consisting of four blocks measuring total area of 7,449 sq km located in Cyrenaica offshore in the Mediterranean Sea. The block boundaries extend from the coastline to the water depth of about 2,200 meters. The minimum work programme comprises acquisition of 1,000 lkm of 2D, 4,000 sq km of 3D seismic data and drilling of one exploratory well during the exploration phase of five years. Presently, about two third of the Contract Area has sparse coverage of 2D seismic data acquired earlier. As per current estimates, your Company's investment would be approx USD 71 million during the exploration phase. The exploration activities in the block are expected to start soon.

5. EXISTING PROJECTS

5.1 Block 06.1, Vietnam

Your Company with 45% PI, British Petroleum (Operator) with 35% PI and PetroVietnam, a Vietnamese Government-owned entity with 20% PI, have developed the Lan Tay field in Block 06.1, Vietnam. The field started commercial production in January, 2003. Your Company's share of the development expenditure was estimated at USD 228 million, against which about USD 192 million has been invested till 31st March, 2007. Currently as part of Phase II development, installation of a compression module on the Lan Tay Platform has been taken up. During 2006-07, your Company's share of production from the project was about 1.842 BCM of gas and 0.030 MMT of condensate.

Lan Tay Platform, Block 06.1, Vietnam

5.2 Sakhalin-I, Russia

Sakhalin-1 is a large oil and gas field in far east offshore in Russia. Your Company holds 20% PI in the field; a subsidiary of Exxon-Mobil as the operator holds 30% PI; Sodeco, a consortium of Japanese companies holds 30% PI and balance 20% PI is held by two subsidiaries of Rosneft, a Russian Government entity. Your Company's net cash outflow in this project was approved at USD 1,556 million (excluding carry finance), which has been invested by the company. With the start of exports of Sakhalin -1 crude oil from September, 2006, the project started to generate a positive cash flow. With the completion of facilities for Phase I Chayvo, the planned peak production for the current phase of 250,000 barrels per day was achieved in March, 2007. During 2006-07, your Company's share of production was about 0.955 MMT of oil and 0.306 BCM of gas.

5.3 Exploration Block-8, Iraq

Your Company is the sole licensee of Block-8, a large onland exploration Block in Iraq spread over 10,500 sq km. The minimum expenditure obligation for the first phase of exploration is USD 15 million, against which an investment of about USD 1.6 million has been made till 31st March, 2007. Though, the work relating to archival, reprocessing and interpretation of the existing seismic data has been completed, due to prevailing conditions in Iraq, your Company notified the force majeure situation to the Ministry of Oil, Iraq in April, 2003. As per information obtained, all pre-war contracts are to be reviewed by the constitutionally elected Iraqi Government. As this contract is one of the few contracts which were ratified by the Government of Iraq by passing a separate law and your Company had completed a part of the committed work programme and was to commence acquisition of additional seismic data before the notification of force majeure, it expects the license to be revalidated in its favour by the Government of Iraq.

Orlan Platform, Sakhalin-1, Russia

5.4 Exploration Block A-1, Myanmar

Block A-1 is an exploration Block in offshore Myanmar. Your Company holds 20% PI in the Block, GAIL (India) Limited, another Indian PSU holds 10% PI, Daewoo International Corporation of Korea as the operator holds 60% PI and KOGAS of Korea holds the balance 10% PI. Your Company's share of investment in exploration phase till March 2007 was about USD 45 million. Commercial quantity of natural gas has been discovered in two of the fields, Shwe and Shwe Phyu, in the Block. Consortium's request for extension of exploration period for additional 5 years till 31st October, 2011 has been allowed by the Myanmar Oil and Gas Enterprise. The Shwe and Shwe Phyu field appraisals have been completed by the consortium and the initially In-Place reserves certified by an independent firm, for the Shwe and Shwe Phyu gas fields are 3.84 TCF. So far, a total of 15 wells have been drilled in the block, out of which 9 wells have been gas bearing. As intimated by the Government of Myanmar, the Gas from the Block would be exported to China for which negotiations are currently in progress.

5.5 Farsi Offshore Exploration Block, Iran

Farsi is an offshore exploration Block in Iran spread over 3,500 sq km Your Company holds 40% PI as operator and the remaining PI is held by Indian Oil Corporation Limited (40% PI) and Oil India Limited (20% PI). Against your Company's currently estimated share of investment of about USD 35.6 million in the exploration phase, actual expenditure of about USD 32 million has been incurred till 31st March, 2007 mainly on reprocessing and interpretation of historical seismic data, acquisition of new 2D and 3D seismic data and drilling of four wells. Your Company successfully completed drilling of four wells including a high pressure complex gas well in the Block, thereby strengthening its credentials as a capable and efficient operator in the trans-national environment; more significantly the campaign resulted in discovery of oil and gas, the assessment of which is currently in progress. The project being under Exploration Service Contract, your Company is required to establish the commerciality of the discovery and if accepted, submit a proposal for entering into contract for the development phase.

Shri R. S. Butola, Managing Director (left) & Shri U. N. Bose, Director (T&FS), ONGC at Drilling Rig "Kedarnath", Farsi Offshore Block, Iran

5.6 Exploration Blocks NC-188 and NC-189, Libya

Your Company holds 49% PI in exploration Blocks NC-188 and NC-189 in Libya with Turkish Petroleum Overseas Company (TPOC), a subsidiary of National Oil Company of Turkey, holding the remaining 51% PI with Operatorship. Your Company's share of investment in the exploration phase is currently estimated at about USD 30 million, out of which about USD 15 million has been invested till 31st March, 2007. As exploration phase of five years was completed on 21st February, 2005, the Government of Libya has granted its approval for further extension for three years w.e.f. 12th June, 2006 to complete the remaining work obligations of drilling two wells in Block NC-189 and one well in Block NC-188. Currently, the operator is planning to drill two wells and acquire 500 LKM of new 2D seismic data in Block NC-189.

5.7 Exploration Block-XXIV, Syria

Your Company holds 60% PI in the Block-XXIV, Syria with IPRMEL (operator) holding the remaining 40% PI. Your Company's share of investment in the exploration phase is estimated at about USD 36.02 million, against which about USD 9 million has been invested till 31st March, 2007. The reprocessing of existing seismic data, acquisition, processing and interpretation of additional seismic data has been carried out during the year. The first and second exploratory well drilled in the block proved to be dry. Currently, an assessment of the data is in progress.

5.8 Block 5A, Sudan

Your Company holds 24.125% PI in Block 5A in Sudan. Your Company partners Malaysian National Oil Company, Petronas with 67.875% PI and Sudanese Government Company, Sudapet with 8% PI. The Block is jointly operated by White Nile Petroleum Operating Company (WNPOC) a consortium of Petronas and Sudapet. Two fields i.e Thar Jath and Mala, have been put on production in Block 5A. Production of oil from the project started in May, 2006. Your Company's share of production, during the year 2006-07 was 0.270 MMT of oil. At present, a cluster of fields-Mala Satellites is being put on development with first oil targeted for March 2008. Extensive exploration is also going on in the Block. Your Company has already committed investment of USD 424 million in the Block, out of which USD 323 million has been invested till 31st March, 2007.

5.9 Block 5B, Sudan

Your Company holds 23.5% PI in Block 5B in Sudan along with Malaysian National Oil Company, Petronas (39% PI), Sudanese Government Company, Sudapet (13% PI) and Swedish oil company Lundin Petroleum AB (24.5% PI) as partners. The Block is jointly operated by White Nile Petroleum Operating Company (WNPOC) a consortium of Petronas and Sudapet. In view of the security clearance after the peace agreement in Sudan, field activities were planned during the year 2006. However, due to difficult terrain, swampy and uncertain conditions and security issues, only acquisition of 500 lkm of 2D seismic data could be completed as against the planned acquisition of 1,100 lkm of 2D seismic and drilling of 3 wild cat wells. Your Company has committed investment of USD 66 million in this Block, out of which USD 37 million has been invested till 31st March, 2007.

5.10 Najwat Najem, Qatar

Najwat Najem is a proven oil bearing structure located offshore North East Qatar, spread over an area of about 120 sq km. Your Company holds 100% stake in the Block as operator under the Appraisal, Development and Production Sharing Agreement with the Government of the State of Qatar. Your Company's investment during the appraisal / delineation phase is currently estimated at about USD 66.5 million, out of which about USD 12 million has been invested till 31st March, 2007. The reprocessing and interpretation of 200 sq km of 3D seismic has been completed at ONGC's Geodata Processing and Interpretation Centre at Dehradun. The well locations for drilling of two appraisal wells have been identified and the drilling operations in the block has commenced from 6th July, 2007.

5.11 North Ramadan, Egypt

Your Company holds 70% PI in the North Ramadan Block (Block 6), Egypt with the remaining 30% PI being held by IPR Energy Red Sea Inc (IPR). The Block is located in the Gulf of Suez, covering an area of about 290 sq km. Your Company and IPR will jointly develop the Block with IPR taking the lead during exploration phase. Your Company's share of investment in the first exploration phase of three years would be about USD 31.41 million, against which about USD 12 million has been invested till 31st March, 2007. During the year, the consortium announced the discovery of oil in the first exploration well North Ramadan-1A drilled in the Block. Further appraisal of the discovery and completion of remaining work programme is currently under progress.

5.12 Block 81-1, Libya

Block 81-1 measuring 1,809 sq km is an onshore exploration Block located in Ghadames Basin in south-west Libya. Your Company holds 100% PI with operatorship in the Block. Your Company's estimated /committed investment during exploration phase is approx USD 32.10 million, out of which USD 7 million has been invested till 31st March, 2007. Currently, the interpretation of the existing seismic data is being carried out. Further, the contract for acquisition of 2D and 3D seismic data in the Block has been awarded.

5.13 Block A-3, Myanmar

Your Company holds 20% PI in exploration Block A-3 with an area of 6,780 sq km in Myanmar offshore with bathymetry upto 1500 m located south of the Block A-1. Your Company is participating in the Block along with Daewoo International Corporation who is the operator with 60% PI, GAIL with 10% PI and KOGAS with 10% PI. Your Company's share of investment in the Block upto 31st October, 2007 is estimated to be approx USD 33.80 million out of which about USD 20 million has been invested till 31st March, 2007. Commercial quantity of natural gas has been discovered in the Block in Mya field. The Block is currently in the first one year extension of exploration period from 1st November, 2006 until 31st October, 2007 in which as planned, four more wells have already been drilled. The Mya - 2 and Mya 3, appraisal wells, proved to be gas bearing but the other two exploratory wells were dry. As intimated by the Government of Myanmar, the Gas from the Block would be exported to China along with the Block A-1 gas for which negotiation is in progress.

5.14 **Pipeline Project, Sudan**

An agreement was signed by your Company with the Ministry of Energy & Mining (MEM), Government of Sudan (GOS) on 30th June, 2004, for construction of a 12", 741-km multi-product pipeline from Khartoum refinery to Port Sudan. The project was executed on Build, Own, Lease and Transfer (BOLT) basis at a base lump sum price of USD 194 million subject to variations, and was to be completed within 16 months from signing of the agreement. Payment of the lump sum price along with lease rental would be received in 18 equal semi annual instalments, with first instalment due in December 2005. Oil India Limited, the other partner in the project, has 10% PI in the project. Your Company's share of investment / expenditure in the project was USD 112 million (net of USD 33.25 million being non-recourse financing by the EPC contractor). Your Company completed the construction and handed over the pipeline to GOS on 31st August, 2005, two months ahead of the scheduled completion date. The pipeline has since been commissioned and is being operated by the Government of Sudan. First four repayment installments have been received.

6. SUBSIDIARY COMPANIES

6.1 **ONGC Nile Ganga BV**

6.1.1 **Greater Nile Oil Project (GNOP), Sudan**

ONGC Nile Ganga BV (ONGBV) holds 25% PI in Greater Nile Oil Project (GNOP), Sudan; the other partners in this project are China National Petroleum Corporation (40% PI), Petronas Carigali Overseas Sdn Berhad, a subsidiary of the Malaysian National Oil Company, Petronas (30% PI) and Sudapet, the National Oil Company of Sudan (5% PI). ONGBV's share in oil production from GNOP was 3.157 MMT during 2006-07.

Drilling Rig at Greater Nile Oil Project, Sudan

6.1.2 **Al Furat Project, Syria**

ONGBV and Fulin Investments Sarl, a subsidiary of China National Petroleum Company International (CNPCI), holds 33.33% to 37.5% PI in four Production Sharing Contracts (PSCs) comprising 36 producing fields in Syria from Petro-Canada. The project is being managed through a Dutch joint venture company, named Himalaya Energy (Syria) B.V., wherein ONGBV and Fulin Investments Sarl, hold 50% shareholding each. ONGBV was funded by ONGC and OMEL, in the ratio of 55:45. A sum of about USD 158 million was invested by ONGC and about USD 65 million by your Company through OMEL to acquire the stake. During the year, the parent company ONGC transferred its share in the project to your Company w.e.f. date of acquisition. The fields are operated by Al Furat Petroleum Company (AFPC), jointly owned by Syrian Petroleum Company, the National Oil Company, and Shell, the other partner in the fields. OVL's share in the production of crude oil during 2006-07 was about 1.095 MMT.

6.1.3 **Block BC-10, Brazil**

ONGC BV holds 15% PI in the deepwater offshore Block BC-10 in Brazil through its wholly owned subsidiary ONGC Campos Ltda. As per plan ONGC Campos Ltda. would eventually be merged with another wholly owned subsidiary company of ONGBV i.e. ONGC Do Brasil Exploracao Petrolifera Ltda. incorporated in Brazil. Other details about the Block have been mentioned at para 4.1.

6.2 **ONGC Narmada Limited**

6.2.1 **Block-2, Nigeria-São Tomé & Principe, JDZ**

ONGC Narmada Limited (ONL), Company's 100% subsidiary incorporated in Nigeria, holds 13.5% PI in deep water exploration Block-2 in Nigeria-São Tomé & Principe, Joint Development Zone (JDZ). The other partners in the Block include Sinopec (28.67% PI), Addex Petroleum (14.33% PI), ERHC Energy Inc. (22% PI), Equator Exploration (9% PI), Amber (5% PI), Foby (5% PI) and A & Hatman (2.5% PI) with Sinopec as the operator. ONL's share of investment, inclusive of the carry obligations to A & Hatman, till March, 2007 is estimated to be approx USD 17 million. The exploration work in the Block is currently under progress.

6.3 **ONGC Amazon Alaknanda Limited**

6.3.1 **Mansarover Energy Project, Colombia**

ONGC Amazon Alaknanda Limited (OAAL) is a wholly owned subsidiary of your Company incorporated on 8th August, 2006 in Bermuda. OAAL is engaged in exploration and production activities and holds stake in E&P project in Colombia through holding 50% shares in

Mansarover Energy Colombia Limited (MECL), a 50:50 Joint Venture company with Sinopec of China. Other details about the project have been mentioned at para 4.6.

In view of exemption granted by the Central Government under Section 212(8) of the Companies Act, 1956 (Act), the annual accounts of OVL's subsidiaries i.e. ONGBV, ONL, OAAL and ONGC Do Brasil Exploracao Petrolifera Ltda., as required under Section 212(1) of the Act have not been attached with the accounts of the Company. As per the terms of exemption, the requisite information in respect of subsidiaries is attached to the Annual Accounts.

7. JOINT VENTURE COMPANY - ONGC MITTAL ENERGY LIMITED

Your Company along with Mittal Investments Sarl (MIS) promoted ONGC Mittal Energy Limited (OMEL), a joint venture company incorporated in Cyprus. Your Company and MIS each holds 50% shares of OMEL currently. However, the ultimate shareholding of OMEL is proposed to be in the ratio of 51 (OVL): 49(MIS) of 98% as between the promoters with 2% shares to be held by a financial institution. OMEL holds PI in the AFPC Syrian Assets through ONGBV. Further, OMEL holds stake in two exploration Blocks namely OPL 279 and OPL 285 in Nigeria.

8. OVERSEAS OFFICES

Your Company during the year opened its offices in Havana (Cuba), Caracas (Venezuela) and Astana (Kazakhstan). Other overseas offices of your Company are located in Ho Chi Minh City (Vietnam), Dubai (UAE), Yuzhno Sakhalinsk (Russia), Baghdad (Iraq), Tehran (Iran), Tripoli (Libya) and Doha (Qatar). ONGC Nile Ganga BV, has its registered office in Amsterdam (The Netherlands), and its office in Khartoum (Sudan). ONGC Narmada Limited and ONGC Amazon Alaknanda Limited have their registered offices in Lagos (Nigeria) and Bermuda.

9. INFORMATION TECHNOLOGY

Your Company keeps itself abreast of the advancements in the field of information technology so as to adopt them to the extent required in its pursuit of achieving operational excellence. During the year 2006-07, a state-of-the-art Corporate Data Centre was set up which would interpret the seismic data for various projects. The hardware installed includes high-end work stations to specifically cater to G&G (Geological & Geophysical) requirements, application servers, data storage facility with scalability for future requirements. The latest industry software for G&G/ reservoir applications has been installed on above hardware.

10. HUMAN RESOURCE DEVELOPMENT

Your Company has been operating with optimally required manpower seconded from the parent company. The total manpower of your Company was 110 as on 31st March, 2007 as compared to 90 as on 31st March, 2006. Besides, 36 ONGC executives were posted /seconded to various overseas projects

Team OVL in field as part of 43rd Raising Day celebration

11. BOARD OF DIRECTORS

- Shri A. K. Jain, Joint Secretary, Ministry of Petroleum and Natural Gas, joined as a nominee Director of your Company on 4th December, 2006.
- Shri Anupam Mathur and Shri Joeman Thomas took over as Director (Commercial) and Director (Exploration) of your Company on 20th February, 2007 respectively.
- Your Directors extend a warm welcome to Shri A. K. Jain, Shri Anupam Mathur and Shri Joeman Thomas.
- As required under Section 255 and 256 of the Companies Act, 1956, Shri A. K. Hazarika, Director, Shri D. K. Pande, Director, and Shri U. N. Bose, Director retire by rotation at the ensuing Annual General Meeting, and being eligible, offer themselves for re-appointment at the said meeting.

12. AUDITORS

M/s Batra Sapra & Co., Chartered Accountants, New Delhi were appointed as the Statutory Auditors of your Company by the Comptroller & Auditor General (C&AG) of India for the financial year 2006-07.

The comment of the C&AG, along with reply of the Management, is annexed and forms part of this report.

13. STATUTORY DISCLOSURES

(i) None of the employees of your Company is drawing remuneration exceeding limits laid down under the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

(ii) None of the Directors of your Company is disqualified under the provisions of Section 274 (1) (g) of the Companies Act, 1956.

(iii) Information required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 regarding Energy Conservation, Technology Absorption and Foreign Exchange earnings and outgo during the financial year 2006-07 is given below:

a) that the sources of energy used by the Company are Electricity and Motor Spirit (Petrol);

b) that the Board, as part of its existing internal control measures, is striving for the conservation of electricity and petrol under the supervision of Managing Director on a continuous basis and is satisfied that the utilisation of energy is optimum for the operations of the Company in India; and

c) the provisions of the Companies Act, 1956, in regard to technology absorption are not applicable to the Company.

d)

	(Rupees in million)
• Foreign Exchange earned	92328.27
• Foreign Exchange outgo	95605.22

14. SECRETARIAL COMPLIANCE REPORT

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

15. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Management Discussion and Analysis Report, is annexed and forms part of the Directors' Report.

16. CORPORATE GOVERNANCE REPORT

The Company strive to attain high standards of corporate governance. Hence, though not mandatory, a separate section on Corporate Governance is annexed and forms part of the Directors' Report.

Community Development Programme in Sudan

17. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to provisions of Section 217(2AA) of the Companies Act, 1956, the following statement relating to Annual Accounts for the financial year ended 31st March, 2007 is made:

(i) The applicable Accounting Standards had been followed in the preparation of the Annual Accounts for the financial year 2006-07. The Company has not taken any material departure from the applicable Accounting Standards;

(ii) The Directors had selected such accounting policies as described in Schedule-25 to the Annual Accounts and applied them consistently as stated in the Annual Accounts and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2007 and of the profit of the Company for the year ended on that date;

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

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

18. AUDIT COMMITTEE

The details of Audit Committee are given separately in the Corporate Governance Report.

19. ACKNOWLEDGEMENT

Directors of your company acknowledge with deep appreciation the valuable guidance and support extended by the Government of India, especially the Ministry of Petroleum & Natural Gas, Ministry of Finance, Ministry of External Affairs, Indian Embassies / High Commissions abroad and the Reserve Bank of India etc. Your Directors would also like to take this opportunity to express their appreciation to the dedicated and committed team of employees for their valuable contribution. Your Directors recognise that the achievements of your Company would not have been possible without the unstinted and total support from the Parent Company, Oil and Natural Gas Corporation Limited.

On behalf of the Board of Directors

(R. S. Sharma)
Chairman

New Delhi
23rd August, 2007

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

1. INTRODUCTION

ONGC Videsh Limited (OVL) is a wholly owned subsidiary of Oil and Natural Gas Corporation Limited (ONGC), a Public Sector Enterprise/Undertaking (PSE/PSU) of the Government of India, under the administrative control of the Ministry of Petroleum & Natural Gas (MOP&NG). OVL is engaged in exploration and production of oil and gas outside India. OVL was incorporated as Hydrocarbons India Private Limited, on 5th March, 1965 with registered office in New Delhi to perform international exploration and production business. The Company was rechristened as ONGC Videsh Limited w.e.f. 15th June, 1989. With the widening of the energy supply gap from domestic production, participation in overseas oil and gas assets for equity oil was revived in the mid ninety's. OVL participated in few exploration projects, which could not bear good results. In January, 2000, OVL was granted special empowerment by the Government. The special empowerment facilitated better and smooth functioning of the Company in the international environment as evidenced by a string of successful acquisitions post January, 2000. OVL now participates in 26 E&P projects in 15 countries namely Vietnam (3 projects), Russia (1 project), Sudan (3 projects), Iran (1 project), Iraq (1 project), Libya (4 projects), Myanmar (2 projects), Syria (2 projects), Qatar (1 project), Egypt (1 project), Cuba (2 projects), Nigeria Sao Tome Principe JDZ (1 project), Brazil (1 project), Nigeria (2 projects) and Colombia (1 project). Out of the existing 26 projects, OVL is operator in 10 projects and joint operator in 2 projects in 9 countries.

2. INDUSTRY STRUCTURE AND DEVELOPMENTS

Energy security is fast rising to be part of the sovereign agenda of nations. Developing economies who are witnessing impressive growth in their GDP are progressively driving their policies to augment energy security. The sheer nature of global oil economy manifest with geo political bearings, encourage the oil companies and their governments to coordinate their efforts in ensuring energy security for their nations and their own benefits. The last financial year witnessed rise of NOCs giving serious competition to International oil companies. The year also witnessed sustained high oil prices and consequently high priced oil acquisitions. OVL is mandated by Government of India and is identified as the nodal agency to acquire equity oil & gas overseas. The Company met with a fair set of success in as much as it concluded 9 acquisitions during the year which included one oil producing project in Colombia and one discovered oil block in Brazil. The remaining 7 acquisitions were of exploration blocks and OVL is the operator in 5 of them.

2.1 Global Oil & Gas Demand/ M&A activities in 2006

The global oil demand which is close to 86 million barrels per day is projected to reach 120 million barrels per day by 2030, and it is said that Asia shall be the largest contributor to the incremental demand. Countries in Africa and Middle East, would be central to the shift towards commercial energy with rapid urbanisation drive, resulting in market forces to draw new dimension of returns and deal making. Emergence of National Oil Companies, higher interest in private equity holdings, large drives of buybacks and consolidation have cast significant impact on the acquisition activities; in case of both the reserves and equity. The M&A market analysis of 2006 illustrates that gas deals have occupied dominating share over the oil deals .The average deal value during last year rose by 18% and large number of deals ranged in USD 250 million to 1 billion, and among the top 10 deals the last involved a transaction of USD 3.5 billion.**

**Sources: PWC and Herold

2.2 International Industry Environment

The effect of high oil prices was prominent on cost of inputs. Factor inputs in the E&P industry became costly in case of services and equipment. These had a bearing on the operations of the Company as well. A higher interest in the E&P sector attracted by high oil prices, saw transaction in areas such as tar sands in Canada, heavy oil extraction and seam gas exploitation. The Company focused on the conventional oil and gas deals and bidding rounds, and had only wider look at some of the opportunities in heavy oil and tar sands, as technology in these areas is under limited domain and in future if these opportunities become largely available it may be a good move to enter these areas also.

During the last year when many major companies opted to share higher returns with the stake holders and buyback, many also invested in oil and gas reserves, largely through acquisitions and mergers, therefore, narrowing the opportunity spread and raising the expectations of the sellers. The increasingly larger bids on premiums and bonuses pulled the unit cost of acquisition by nearly 25% more than the previous year. Though the Company did not remain insulated from the phenomenon by and large its costs were economical.

3. STRENGTH AND WEAKNESS

Your Company now has a good global presence; 15 countries, in oil exploration, development and production. It has oil and gas production from 6 projects and 5 projects have signatures of oil or gas discoveries. The Company is now carefully building a portfolio that is well balanced.

With the moving tides of the industry and carefully crafted strategy, the Company has been able to keep track on the pulse of the market and has built its credentials and reputation in the market. As a part of mitigating the risks of the industry environment, your Company has forged alliances with some of the leading oil and gas companies like Petrobras, ENI, Rosneft, thus adding to existing alliances and partnerships with BP, Shell, Exxon, Norsk Hydro, Repsol, TPOC, PDVSA, PetroVietnam, CNPC, Sinopec and Petronas.

Further, being a Public Sector Undertaking, there are some limitations for the Company, in terms of decision making process, attracting the best talent in the industry. The Company has submitted its proposal to MOP&NG for enhancement of empowerment of its Board.

4. **OPPORTUNITIES AND THREATS**

In the last two years, many countries like Libya, Nigeria, Vietnam, Syria, Yemen, Angola, Brazil, have offered acreages through bidding rounds. Your Company has been participating in nearly all of them, and has won some acreages. The Company expects good results out of the exploration prospect over the next couple of years. If proved successful in these ventures, the Company shall be adding reserves through drill-bit thereby reducing its overall cost considerably.

The Company has also been able to seize opportunities by leveraging the farm in opportunities provided by the parent company ONGC, to certain International Oil Companies and has been able to get participating interest in acreages of these IOCs in third countries thus increasing its presence abroad and paving way to induct technology and expertise through such alliances.

The performance of the Company hinges on oil prices on the revenue side and factor cost of raw material, equipment, services etc. on the input side. Volatility in oil price and high input costs could materially affect the performance of the Company. Though most of the projects of the Company have production sharing contracts, the entitlement and cost oil recoveries get influenced by changes in oil price or input costs. The worst case scenario is when the oil prices move down at a fast pace but the input costs take a longer lag in plummeting down.

5. **OUTLOOK**

5.1 **New Ventures**

The company, in last few years has adopted a balanced portfolio approach, by maintaining a combination of producing, discovered and exploration assets. The exploration assets are expected to add to Company's reserves and production in future beside acquisition of attractive assets. Your Company intends to maintain this trend and shall focus on all the three types of assets.

5.2 **Exploration**

Your Company has set up a state of art data center and has constituted a knowledge team to scan and identify value in the existing exploration assets, assets with discovery and in new opportunities so as to enhance the reserve base of the Company.

5.3 **International Alliances**

The Company has also forged alliances to attain a collaborative approach on value creation and knowledge sharing. The Company shall continue to engage more and more in such alliances through agreements and Joint Ventures.

5.4 **Geographic spread**

The Company has presence in 15 countries and in some it has been able to enhance participation in more than one project. The Company shall endeavor to strengthen its presence in some of the attractive oil and gas rich countries and would also attempt to mark entry in other hydrocarbon rich countries.

5.5 **Economic Packaging**

Your Company through its JV with Mittal Investment Sarl viz. OMEL, has attempted to acquire two attractive exploration blocks in Nigeria bundled with an economic package, where in return for oil and gas acreage the JV shall also invest a calibrated sum on the basis of resultant oil production, in projects in the downstream and power sectors or in infrastructure sector such as railways.

6. **RISKS AND CONCERNS**

The Company participates and operates in varied environments, both politically and geographically, where exploration, production and development is more challenging technologically, operationally and financially. The strengthening of rupee when it gives us comfort on purchase of assets, adversely affect our earnings in rupee terms. In the projects and countries where we have large investments, the risks and losses due to expropriation, change in fiscal regime, additional taxes and increase in government share or restrictions on exports of oil could materially affect our performance. However, due to prime importance of oil and gas industry in these countries, their Governments would not in their own interest like to destabilize the oil companies. Most of our international investments in the past had been in the form of joint ventures where we were not the operator. In the course of such investments, we were dependent to an extent on the operating partner, including for the success of the joint venture. We may sometime disagree with actions proposed to be taken by the operating partner. However, this is the format in which international E&P industry works to take care of sharing of exploration risks. Further, of late, the Company is acting as operator in several projects.

Some of our projects are in countries where there are unresolved unrests and larger issues of governance and territorial/ethnic divisions; some also have terrorism and reactionary protests on continued basis. Though your Company has not been the target, yet in future it may face the threat from these as closely as any one operating in such hostile environments. Further, the business involves high exploration and technology risks and there are inherent HSE risks in the oil & gas business.

7. **INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

The Company has adequate internal audit and internal control systems to ensure that all transactions are authorised, recorded and reported correctly. The internal control system consists of regular operative performance evaluation and devising corrective measures thereof and comprehensive internal and external audit including audit by C&AG. The internal auditors for the year 2006-07, independently evaluated adequacy of internal control system. The audit observations are periodically reviewed by the Audit Committee of the Board of Directors.

8. PHYSICAL PERFORMANCE

8.1 Reserve Accretion

During the year, the reserve accretion of 31.419 MTOE was reported from GNOP & Block 5A in Sudan and new properties acquired during the year i.e. Mansarovar Energy Project in Colombia and BC-10 project in Brazil. However, the reserves in respect of Sakhalin-1, Russia Project based on the declaration of commerciality accepted by consortium members and approved by Russian authorities have been revised downwards during the year by 19.309 MTOE. Further, there was slight reduction in the reserves of AFPC Block of Syria by 0.53 MTOE due to correction in the reserves reported earlier. Hence, there was a net accretion of reserve of 11.58 MTOE during the year.

8.2 Production

Crude oil production during the year was 5.804 MMT as against 4.584 MMT in the previous year. Gas production during the year was 2.148 BCM as against 1.755 BCM in the previous year. During the year, export of crude oil from Sakhalin-1 project in Russia commenced from September 2006 and peak production of over 2,50,000 bbl/day with Company's share of 50,000 bbl/day was achieved in March, 2007. Crude oil production from Block 5A in Sudan also started in May, 2006. Further, the Company acquired a producing asset in Colombia.

8.3 X Five Year Plan

During 10th Plan period (2002-03 to 2006-07) the actual production of Oil and Gas (O+OEG) was 23.475 MMTOE as compared to the target of 10.14 MMTOE.

8.4 Plan Outlay

Your Company made planned expenditure of Rs. 251,031 million during the X Plan period against the Plan outlay of Rs. 135,500 million (185%). Most of the plan expenditure was towards Company's core activity i.e. exploration, production of oil and gas and acquisition and development of new fields. The XI plan outlay for the Company has been worked out to Rs. 453,340 million.

9. FINANCIAL PERFORMANCE

The consolidated gross revenues of the Company increased from Rs. 81,707.28 million to Rs. 119,009.55 million, up 46% during the year. The consolidated net profit of the Company also increased to Rs. 16,632.87 million, up 85% from Rs. 9,011.96 million.

The Consolidated financial results of OVL, including wholly owned subsidiary companies viz. ONGBV, ONL, OAAL and Jointly Controlled Entity viz. OMEL, for the year 2006-07 as compared to 2005-06 and the position of major items in the Consolidated Balance Sheet as at 31st March, 20 07 and 31st March, 2006 is given below:

(Rupees in million)

Particulars	YE Mar'07	YE Mar'06	Change%
INCOME			
Sales Income	**115,539.95**	77,921.87	48%
Others	**3,469.60**	3,785.41	-8%
Total	**119,009.55**	**81,707.28**	**46%**
EXPENDITURE			
Royalty	**51,130.17**	39,060.77	31%
Operating Expenses	**13,909.33**	10,891.11	28%
Recouped Cost	**21,335.02**	11,204.13	90%
Interest & Exchange Loss & Provisions	**-800.22**	-571.08	40%
Total	**85,574.30**	**60,584.93**	**41%**
Profit Before Tax	**33,435.25**	21,122.35	58%
Prior Period Adjustment	**4,167.28**	4,185.34	0.4%
Provision for Tax - Current Tax	**9,858.89**	5,886.38	67%
- Deferred Tax	**2,776.21**	2,347.79	18%
Minority Interest	**0**	-309.12	100%
Profit After Tax	**16,632.87**	9,011.96	85%

(Rupees in million)

Particulars	YE Mar'07	YE Mar'06	Change%
Sources of Funds			
Share Capital	**10,000.00**	3,000.00	233%
Reserves and Surplus	**33,735.65**	18,977.47	78%
Loans: From ONGC	**130,941.59**	157,617.69	-17%
From Others	**1,405.98**	1,624.15	13%
Minority Interest	**0.00**	6,708.24	-100%
Deferred Tax Liability	**9,781.21**	6,634.78	47%
Liability For Abandonment	**4,503.49**	2,518.82	79%
Total	**190,367.92**	**197,081.15**	**-3%**
Application of Funds			
Fixed Assets (Net)	**50,774.72**	17,247.08	194%
Producing Property	**56,056.26**	36,805.76	52%
Expenditure on Wells in progress & Capital WIP	**26,390.56**	54,457.22	-52%
Goodwill	**27,685.89**	14,172.16	95%
Current Assets (Net)	**29,438.27**	74,398.93	-60%
Deferred Colombian Taxes	**22.22**	-	-
Total	**190,367.92**	**197,081.15**	**-3%**

Important Ratios

	2006-07	2005-06
Net Profit to Revenue (%)	**13.98**	11.03
Net Profit to Capital Employed(%)	**10.43**	6.43
Net Profit to Net Worth(%)	**38.03**	41.01
Debt Equity	**3.03:1**	7.25:1
EPS (Rs.)	**224.44**	300.40

10. HUMAN RESOURCES / INDUSTRIAL RELATIONS

The Company follows the HR policies of its parent company ONGC. However, being international operator, the Company provides necessary training / conducts development programmes to imbibe the necessary skills required to operate in the international environment. Further, the Company deputes its personnel along with other international experts, in joint venture projects with major oil and gas companies which enable them to upgrade their skills in terms of new technologies, working in international environment etc. The Company has been operating with optimally required manpower seconded from the parent company. The total manpower of the Company was 110 as on 31st March, 2007 as compared to 90 as on 31st March, 2006. Besides these, 36 ONGC executives were posted /seconded to various overseas projects.

11. ENVIRONMENT

The Company conducts its business in a manner that is compatible with the environmental and economic needs of the societies in which it operates. In the projects operated by the Company, it complies with all applicable environmental laws and regulations. The major non-operated projects, in which OVL is a partner, are operated by global companies like Exxon Mobil, BP, Shell etc. who maintain very high HSE standards.

12. CORPORATE SOCIAL RESPONSIBILITY

The Company, being operating overseas, understands its responsibility to contribute to the communities and economies of the countries in which it operates. The Company is committed to create a positive and lasting social impact by developing successful partnerships built on mutual trust and respect, ultimately, raising the standard of living and the stability of the communities in which the Company operates. The Company makes valuable contribution in many ways: through payment of tax revenues to governments; by investing in education and training and improving employment opportunities for nationals; providing medical/sports/agricultural facilities to the local community etc.

Further, with the objective to ensure access by every citizen to information under the control of the Company and in order to bring in transparency and accountability, an appropriate mechanism has been set up at registered office of the Company in New Delhi in line with the requirements of Right to Information Act, 2005.

13. CAUTIONARY STATEMENT

Statements in this management discussion and analysis may be 'forward looking' within the meaning of the applicable Laws and Regulations. Actual performance may deviate from the explicit or implicit expectations.

CORPORATE GOVERNANCE REPORT

Recently, the Department of Public Enterprises has recommended that there should be a separate section on Corporate Governance in the Annual Report. As OVL continues to make efforts towards achieving good governance and responsible management practices, the details of compliance on Corporate Governance by the company are provided in the following sections:

1. COMPANY'S PHILOSOPHY ON GUIDELINES ON CORPORATE GOVERNANCE

The Company's vision is to be a world class E&P Company having an Organization & Culture committed towards Sustainable Growth & Superior Profitability through pursuit of International Opportunities & Excellence in Execution. Its corporate philosophy on Corporate Governance is to conduct its business in an efficient, transparent, ethical and responsible manner. The Company believes that good corporate governance goes beyond compliance of the provisions of various laws and therefore incorporates it in its conduct all across.

2. BOARD OF DIRECTORS

2.1 Composition of the Board

The Company is managed by the Board of Directors, which formulates strategies, policies and reviews its performance periodically. As per Article of Association (AOA) of the Company, the number of Directors shall not be less than three and more than fifteen. As per AOA, ONGC, the parent company appoints the Chairman and all part time Directors and the President of India appoints all full time Directors including Managing Director on the Board of the Company.

The Chairman & Managing Director of ONGC, the parent company, is also the Chairman of the Company. The Managing Director who is the Chief Executive Officer of the Company, and three whole-time Directors i.e. Director (Finance), Director (Commercial) and Director (Exploration), manage the business of the Company under the overall superintendence, control and guidance of the Board. In addition, Joint Secretary, Department of Economic Affairs, Ministry of Finance and Joint Secretary (Exploration), Ministry of Petroleum and Natural Gas, Government of India, are part-time Directors on the Board. The two posts of whole time Directors i.e. Director (Commercial) and Directors (Exploration) on the Board of OVL were created by the Government during the year, pursuant to which Shri Anupam Mathur and Shri Joeman Thomas took over as Director (Commercial) and Director (Exploration), respectively on 20th February, 2007.

During the year (4th December, 2006), Shri A. K. Jain, Joint Secretary (Exploration), Ministry of Petroleum and Natural Gas, also joined as a part-time Director on the Board of the Company.

2.2 Scheduling and selection of Agenda items for Board /Committee Meetings

The meetings are convened by giving appropriate advance notice after obtaining approval of the Chairman of the Board / Committee. Detailed agenda, management reports and other explanatory statements are circulated in advance in the defined agenda format amongst the members for facilitating meaningful, informed and focused decisions at the meetings. To address specific urgent need, meetings are also being called at a shorter notice. In case of exigencies resolutions are also sometimes passed by circulation.

Where it is not practicable to attach any document or the agenda is of confidential nature, the same is tabled with the approval of Managing Director. In special and exceptional circumstances, additional or supplemental item(s) on the agenda are permitted. Sensitive subject matters are discussed at the meeting without written material being circulated.

The agenda papers are prepared by the concerned officials, sponsored by the concerned functional Directors and submitted for obtaining approval of the Managing Director, well in advance. Duly approved agenda papers are circulated amongst the Board members by the Company Secretary. The meetings of the Board /Committee are generally held in New Delhi.

The Board/Committee is given presentations covering Exploration, Production, Operations, Financial, Human Resources, Marketing and operations of Joint Ventures / Subsidiaries of the Company etc. at the pre-scheduled Board/Committee meetings.

The members of the Board/Committee have complete access to all information of the Company. The Board is also free to recommend inclusion of any matter in agenda for discussion. Senior management officials are called to provide additional inputs to the items being discussed by the Board/Committee, as and when necessary.

2.3 Recording minutes of proceedings at the Board / Committee Meeting

Minutes of the proceedings of each Board / Committee meeting are recorded. Draft minutes are approved by the Chairman of the Board/Committee. These minutes are confirmed in the next meeting of the Board/Committee. The finalized minutes of the proceedings of the meetings are entered in the Minutes Book.

2.4 Follow-up mechanism

The guidelines for the Board/Committee Meetings facilitate an effective post meeting follow-up, review and reporting process for the action taken on decisions of the Board and Committee. The follow-up Action Taken Report (ATR) on the decisions/ instructions/directions of the Board / Committee is submitted to the Board/Committee regularly.

2.5 Board Meetings

Nine Board Meetings were held during the financial year on the following dates:

17th April, 2006	15th June, 2006	17th July, 2006
14th August, 2006	11th October, 2006	8th December, 2006
5th January, 2007	26th February, 2007	26th March, 2007

The minimum and maximum interval between any two Board meetings was 28 days and 59 days, respectively.

2.6 Composition and Attendance

The composition of the Board, details of attendance etc. are as under:

Name of the Directors	Designation	Academic Qualifications	No. of Board Meeting held during the tenure	No. of Board Meeting attended	Attendence at the last AGM (18th Sept., 2006)	Details of Directorship held in in other Companies	Membership held in committees including OVL**
Whole-Time Directors							
Shri R. S. Butola	Managing Director	-MBA -CAIIB	9	9	No	-	-
Shri D. K. Sarraf	Director (Finance)	-B. Com (Hons.) -M. Com -AICWA -ACS	9	8	Yes	-	-
Shri Anupam Mathur	Director (Commercial) (w.e.f. 20th Feb., 2007)	-B.E. (Mech.)	2	1	N.A.	-	-
Shri Joeman Thomas	Director (Exploration) (w.e.f. 20th Feb., 2007)	-M.Sc. in Applied Geology	2	2	N.A.	-	-
Non-Executive Part-Time Directors							
Shri R. S. Sharma, Chairman & Managing Director, ONGC	Chairman (w.e.f. 30th May, 2006, earlier Director since 3rd April, 2002)	-FICWA -CAIIB -Advance Financial Management Programme in Oil and Gas from University of Texas, Dallas (USA)	9	9	Yes	7	5

Shri Subir Raha, Ex-Chairman & Managing Director, ONGC	Chairman (upto 24th May, 2006)	-Bachelor in Electronics & Telecom -MBA From Leeds -Strategic Management Programme from Henley University	1	1	N.A.	N.A.	N.A.
Shri Sunjoy Joshi, Ex-Joint Secretary, Ministry of Petroleum & Natural Gas	Director (Upto 30th July, 2006)	-Indian Administrative Services (IAS) -Master's Degree in English Literature	1	1	N.A.	N.A.	N.A.
Shri Talmiz Ahmad, Ex- Additional Secretary, Ministry of Petroleum & Natural Gas	Director (Upto 14th June, 2006)	-IAS	1	0	N.A.	N.A.	N.A.
Shri Arvind Mayaram, Joint Secretary, DEA, Ministry of Finance	Director	-IAS -Master's Degree in Political Science	9	9	Yes	2	1
Shri A. K. Jain, Joint Secretary, Ministry of Petroleum & Natural Gas	Director (w.e.f. 4th Dec., 2006)	-IAS -P.G. in Business Administration -Diploma in International Trade	4	4	N.A.	2	1
Dr. A. K. Balyan, Director (Human Resource), ONGC	Director	-M.Sc. in Chemistry -M.Tech from IIT Delhi -PHD in Chemistry from Germany	9	6	Yes	6	-
Shri N. K. Mitra, Director (Offshore), ONGC	Director	-B.Sc. (Hons.) -Petroleum Engineering	9	6	Yes	5	1
Shri A. K. Hazarika, Director (Onshore), ONGC	Director	-B.E. (Mech.)	9	9	Yes	2	-

Shri D. K. Pande, Director (Exploration), ONGC	Director	-B.Sc. (Hons.), Gold Medalist -M.SC. (Hons.) in Geology	9	5	Yes	1	-
Shri U. N. Bose, Director (T&FS), ONGC	Director	-B.E. (Mech.)	9	6	Yes	2	-

* The other directorships do not include directorships of Companies registered under Section 25 of the Companies Act, 1956, Foreign Companies and Private Limited Companies.

** Membership of only the Audit Committees and Shareholders'/ Investors' Grievance Committees of all Public Limited Companies have been considered.

Notes:

(i) Directors are not related to each other;

(ii) Directors do not have any pecuniary relationships or transactions with the Company;

(iii) The directorships/Committee memberships are based on the latest disclosure received from Directors;

(iv) None of the Director is a Member of more than 10 Committees or Chairman of more than 5 Committees, across all the companies in which he is a Director.

2.7 Resume of Directors proposed to be Re-appointed

The brief resume of Directors including nature of their experience in specific functional areas and names of companies in which they hold directorship and membership/chairmanship of Board/Committee, who have been appointed during the year or are retiring by rotation and seeking re-appointment are as below:

Name	**Shri A. K. Jain**	**Shri Anupam Mathur**	**Shri Joeman Thomas**
Date of Birth	16th October, 1962	20th August, 1949	14th December, 1951
Date of Appointment	4th December, 2006	20th February, 2007	20th February, 2007
Qualification	- Indian Administrative Services - P.G. in Business Administration - Diploma in International Trade	- B.E. (Mech.)	- M.Sc. in Applied Geology
No. of Shares held	Nil	Nil	Nil
Experience in specific Functional Areas	Currently holding the position of Joint Secretary (Exploration) in the Ministry of Petroleum and Natural Gas. Previously served on various positions in the Government.	Experience in designing, engineering, construction and installation of offshore Platforms and handled Risk Management related work as well as headed various projects in OVL.	Having the experience of more than 30 years in the up stream E&P sector. As well as contributed for the growth of OVL through the acquisition of several oil fields and producing properties.
Directorship held in other Companies	- Oil India Limited - Balmer Lawrie Investments	- Himalaya Energy (Syria) BV (Foreign Company) - Al Furat Petroleum Company (Foreign Company) - Mansarovar Energy Colombia Ltd. (Foreign Company) - Greater Nile Petroleum Operating Co. (Foreign Company) - ONGC Nile Ganga BV (Foreign Company)	- ONGC Narmada Ltd. (Foreign Company) - ONGC Amazone Alaknanda Ltd. (Foreign Company)
Membership / Chairmanship of Committees including OVL*	Member Audit Committee - Oil India Limited	Nil	Nil

Name	Shri A. K. Hazarika	Shri D. K. Pande	Shri U. N. Bose
Date of Birth	30th September, 1952	13th January, 1951	7th November, 1952
Date of Appointment	18th October, 2004	1st October, 2005	1st October, 2005
Qualification	- B.E. (Mechanical)	- B.Sc. (Hons.), Gold Medalist - M.Sc. (Hons.)	- B.E. (Mechanical)
No. of Shares held	One (As Nominee of ONGC)	One (As Nominee of ONGC)	One (As Nominee of ONGC)
Experience in specific Functional Areas	Enriched and wide experience of about 30 years of several field and staff assignments in various disciplines including Regional Cementing, In-charge, Head/Chief Well Services, handled various important & complex responsibilities. Been with ONGC since 1977 and prior to that he served Oil India Limited. He currently holds the full time post of Director (Onshore) in ONGC.	Having diverse and rich experience of about 30 years in various fields including hydrocarbon exploration and development, Basin Analyst and Field Operations; In-charge of exploratory and development activities in acreages held by ONGC, R&D Institutes; guided and facilitated evaluation of overseas acreages of ONGC Videsh, pioneer in implementation of deepwater project 'Sagar Samridhi'; his initiative led to discoveries in KG, Assam Arakan and Western Offshore basins; a sports lover and participated in 4th Antarctica Indian Expedition. He currently holds the full time post of Director (Exploration) in ONGC.	Having experience of more than 30 years in various fields including deviation/ horizontal drilling, implemented drilling programmes in high pressure/high dip and technology solutions to resolve difficult area drilling campaign in deep and ultra-deep areas; contributed technical papers and developed high-end training facilities for rig supervisors. He currently holds the full time post of Director (T&FS) in ONGC.
Directorship held in other Companies	- Oil and Natural Gas Corporation Limited - ONGC Tripura Power Company Private Limited - ONGC Teri-Biotech Limited	- Oil and Natral Gas Corporation Limited - Petrochemical Open Standard Consortium (POSC) (Foreign Company)	- Oil and Natural Gas Corporation Limited - Energistics (Foreign Company)
Membership / Chairmanship of Committees including OVL*	Nil	Nil	Nil

*Membership / Chairmanship of only the Audit Committees and Shareholders'/ Investors' Grievance Committees of all Public limited companies have been considered.

3. AUDIT COMMITTEE

3.1 Composition of the Audit Committee

The present composition of the Audit Committee is as follows:

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

The terms of reference of the Audit Committee are in accordance with Section 292A of the Companies Act, 1956. Chairman of the Committee, Shri Arvind Mayaram, a Government nominee on the Board, w.e.f. 15th June, 2006, is an IAS officer, Joint Secretary in the Department of Economic Affairs, Ministry of Finance, Government of India. All members of the Committee have requisite financial and management experience. Director (Finance) and Internal Auditor are the permanent invitees to Committee's meetings. Representatives of Statutory Auditors were invited to attend and participate in the meetings. Functional Directors, Executives of Finance and other departments are invited on need basis. The Chairman of the Audit Committee was present at the last AGM of the Company. Company Secretary acts as the Secretary to the Committee.

3.2 Role of the Audit Committee

The role of the Audit Committee includes the following:

a. Overseeing financial reporting processes and the disclosure of financial information to ensure that the financial statements are correct, sufficient and credible;

b. Recommending to the Board, audit fees payable to Statutory Auditors appointed by C&AG and approving payments for any other services;

c. Reviewing with the management, the reports of Statutory Auditors, Government Audit and Internal Audit, adequacy of internal control systems and recommending improvements to the management;

d. Reviewing the adequacy of internal audit function, approving internal audit plans and efficiency of the functions, including the structure of the internal audit department, staffing, reporting structure, coverage and frequency of internal audits;

e. Discussion with internal auditors any significant findings and follow-up thereon;

f. Discussion with the Statutory Auditors before the audit commences, the nature and scope of audit, as well as post-audit discussion including their observations to ascertain any area of concern.

3.3 Minutes of the Audit Committee

Minutes of the meetings of the Audit Committee are approved by the Chairman of the Committee and are noted by the Board of Directors in the subsequent meeting.

3.4 Meetings and Attendance

Two meetings of the Audit Committee were held during the financial year on the following dates:

15th June, 2006	26th February, 2007

Both the meetings were attended by all the members of the Committee.

4. EQUITY SHARES HELD BY DIRECTORS (AS ON 31ST MARCH, 2007)

Shri R. S. Sharma, Shri R. S. Butola, Dr. A. K. Balyan, Shri N. K. Mitra, Shri A. K. Hazarika, Shri D. K. Pande and Shri U. N. Bose hold one share each of the company as nominee of Oil and Natural Gas Corporation Limited.

5. CODE OF CONDUCT FOR MEMBERS OF THE BOARD AND SENIOR MANAGEMENT

The Company is committed to conduct its business in accordance with the highest standards of business ethics and comply with applicable laws, rules and regulations. A code of conduct, evolved in line with the parent Company ONGC was adopted by the Board applicable to all Members of the Board and Senior Management who have confirmed compliance with the Code of Conduct for the year under review. A copy of the Code has been placed on the Company's website www.ongcvidesh.com.

A declaration signed by Chairman is given below:

"I hereby confirm that:

The Company has obtained from the Members of the Board and Senior Management, affirmation that they have complied with the Code of Conduct for Directors and Senior Management in respect of the financial year 2006-07."

R. S. Sharma
Chairman

6. SUBSIDIARY MONITORING FRAMEWORK

All subsidiaries of the Company, except two subsidiaries in Brazil, are Board managed with their Boards having the rights and obligations to manage such companies in the best interest of their stakeholders. Brazilian companies being having limited activities are managed through administrators as permitted under the local laws. Being 100% shareholder, the Company nominates its representatives on the Boards of subsidiary companies and monitors the performance of its subsidiaries periodically.

List of the Company's direct and indirect subsidiary companies as on 31st March, 2007 is given below:

Sl. No.	Name of the Subsidiary	Date of incorporation/ Acquisition	Country in which Incorporated
1.	ONGC Nile Ganga BV	12th March, 2003	Netherlands
2.	ONGC Narmada Limited	7th December, 2005	Nigeria
3.	ONGC Do Brasil Exploracao Petrolifera Ltda.	7th July, 2006	Brazil
4.	ONGC Amazon Alaknanda Limited	8th August, 2006	Bermuda
5.	ONGC Compos Ltda.	16th March, 2007	Brazil

7. ANNUAL GENERAL MEETINGS

Location, date and time, where the AGMs were held during the preceding 3 years:

Year	Location	Date	Time (IST)
2003-04	6th Floor, Jeevan Bharati, Tower-II, 124, Indira Chowk, New Delhi - 110001	28th September, 2004	04:00 p.m.
2004-05	6th Floor, Jeevan Bharati, Tower-II, 124, Indira Chowk, New Delhi - 110001	19th September, 2005	05:00 p.m.
2005-06	6th Floor, Jeevan Bharati, Tower-II, 124, Indira Chowk, New Delhi - 110001	18th September, 2006	04.00 p.m

During the year two extraordinary general meetings of the Company were also held on 15th June, 2006 and 17th July, 2006 to increase the Authorised Share Capital of the Company from Rs. 5,000 million to Rs. 10,000 million and divestment of wholly owned subsidiary company 'ONGC Bonny Brahmaputra Limited incorporated in Nigeria in favour of Company's, joint venture company 'ONGC Mittal Energy Limited' respectively.

8. DISCLOSURES

8.1 Material Contracts / Related Party Transactions

The Company has not entered into any material financial or commercial transactions with the Directors or the Management or their relatives or the companies and firms, etc., in which they are either directly or through their relatives interested as Directors and/or Partners except with certain PSUs, where the Directors are Directors without the required shareholdings. The Company has obtained declarations from all concerned in this regard, which were noted by the Board.

Transactions with related parties are disclosed in Note No. 24 of Schedule 26 to the Accounts in the Annual Report. Being a State enterprise, no disclosure has been made in respect of the transactions with state enterprises including subsidiary companies in line with Accounting Standard (AS) 18 on Related Party Disclosures.

8.2 The Company has not incurred any expenditure during the year 2006-07, which was not for the purpose of the business of the Company or which was of personnel in nature and incurred by the Board of Directors and Senior Management.

8.3 Details of administrative and office expenses as a percentage of total expenses and reasons for increase:

(Rupees in million)

Particulars	2006-07	2005-06	Reasons for increase
Total expenses *	10,389.07	7,537.25	
Administrative and Office Expenses	787.14	503.80	
Administrative and Office Expenses as a percentage of Total Expenses	7.58%	6.68%	Administrative and office expenses have increased marginally due to increase in the business activities of the Company.

*Includes Production, Transportation, Selling & Distribution Expenditure and Provisions & Write Off (Net).

9. COMPLIANCES

The Company has complied with applicable rules and the requirement of regulatory authorities and no penalties or strictures were imposed on the Company during last three years. All statutory fillings were within stipulated time with various authorities.

10. MEANS OF COMMUNICATION

- **Annual Report:** Annual Report containing inter-alia, Audited Accounts, Consolidated Financial Statements, Directors' Report, Auditors' Report, and other important information is circulated to the members and others entitled thereto. The Management Discussion and Analysis (MD&A) Report forms parts of the Directors' Report in Annual Report.
- **News Release, Presentation etc.:** The official news releases are displayed on the Company's website www.ongcvidesh.com.
- **Website:** The Company's website is www.ongcvidesh.com. Full Annual Report is also available on the web-site in a user-friendly manner.

11. ANNUAL GENERAL MEETING

- Date	:	18th September, 2007
- Time	:	12:00 Noon
- Venue	:	6th Floor, Jeevan Bharati, Tower-II, 124, Indira Chowk, New Delhi - 110001

12. SHARE OWNERSHIP PATTERN AS ON 31ST MARCH, 2007

Category	No. of shares held	Percentage of shareholding
Oil and Natural Gas Corporation Limited and its nominees	100,000,000	100%

13. LEGAL PROCEEDINGS

No case and/or suit of any material or substantial nature has been pending against the Company.

14. MAJOR PROJECTS

The list of projects of OVL, including held through subsidiaries / joint venture company, as on 31st March, 2007 is as below:

1. Block 06.1, Vietnam
2. Block 127, Vietnam
3. Block 128, Vietnam
4. Block 8, Iraq
5. Sakhalin-1, Russia
6. Block A-1, Myanmar
7. Block A-3, Myanmar
8. Farsi Offshore Block, Iran
9. Block NC-188 & NC-189, Libya
10. Block 81-1, Libya
11. Block 43, Libya
12. GNOP Block 1, 2 & 4, Sudan
13. Block 5A, Sudan
14. Block 5B, Sudan
15. Pipeline Project, Sudan
16. Block XXIV, Syria
17. Al Furat (4 PSAs), Syria
18. Block-2, Nigeria Sao Tome & Principe, JDZ
19. Block 6, Egypt
20. Najwat Najem Structure, Qatar
21. Block BC-10, Brazil
22. Block 25, 26, 27, 28, 29, 35A & 36, Cuba
23. Block 34 & 35, Cuba
24. Mansarover Energy Project, Colombia
25. OPL - 279, Nigeria
26. OPL - 285, Nigeria

15. RISK MANAGEMENT

The framework for risk assessment and minimisation thereto has been evaluated and further improvements, if any, suggested by experts shall be incorporated.

16. AUDIT QUALIFICATION

The auditors observations have been suitable replied / explained in the Annual Report. The Company is pursuing towards the regime of unqualified financial statements.

17. TRAINING OF BOARD MEMBERS

No specific training programmes were arranged for Board members. However, at the Board / Committee meetings, detailed presentations are made by senior executives / professionals/ consultants on business related issues, risk assessment, strategy effect of regulatory changes etc.

18. WHISTLE BLOWER POLICY

The Company has not yet established a Whistle Blower Policy for the employees. Nonetheless, no employee has been denied access to the Audit Committee.

19. FEE TO STATUTORY AUDITORS

The fee paid / payable to the Statutory Auditors for the year was Rs. 0.6 million (previous year Rs. 0.3 million), plus Rs. 0.15 million (previous year Rs. Nil) as fee for review of half yearly accounts.

COMMENTS OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF ONGC VIDESH LIMITED FOR THE YEAR ENDED 31ST MARCH 2007 AND MANAGEMENT REPLY

The preparation of financial statements of ONGC Videsh Limited for the year ended 31st March 2007 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the Management of the Company. The statutory auditor appointed by the Comptroller and Auditor General of India under section 619(2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on the independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Reports dated: 21st June, 2007.

I, on behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under section 619(3)(b) of the Companies Act, 1956 of the financial statements of the ONGC Videsh Limited for the year ended 31.03.2007. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to the inquiries of the statutory auditor and company personnel and a selective examination of some of the accounting records. Based on my supplementary audit, I would like to highlight the following significant matters under section 619(4) of the Companies Act, 1956 which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related Audit Report.

Comment on Profitability

Exploratory Wells in progress (Schedule 6) Rs. 3,610.71 Million

This includes Rs. 87.38 Million in respect of well 'Shwe Phyu-4/4A' of Block A-1, Myanmar which after drilling was treated as 'abandoned' due to Casing failure and was, therefore, required to be written off as per the Accounting Policy No. 2.3.1 of the Company.

Non-writing off of the well has resulted in the overstatement of "Exploratory wells in progress" and profit of the Company by Rs. 87.38 Million.

For and on the behalf of the
Comptroller and Auditor General of India

Sd/-
(Saroj Punhani)
Principal Director of Commercial Audit &
Ex-officio Member, Audit Board-II, New Delhi

Date : 6th August, 2007
Place: New Delhi

Management Reply

Accounting adjustments in respect of the comment will be carried out in 2007-08.

(R. S. Sharma)
Chairman

New Delhi,
23rd August, 2007

CERTIFICATE ON COMPLIANCE OF GUIDELINES ON CORPORATE GOVERNANCE

To,

The Members,
ONGC Videsh Limited,
601 "Kailash",
26, Kasturba Gandhi Marg,
New Delhi-11000

CERTIFICATE ON COMPLIANCE OF GUIDELINES ON CORPORATE GOVERNANCE

1. We have examined the compliance of Guidelines on Corporate Governance by ONGC Videsh Ltd. (non-listed public sector enterprise) for the year ended 31st March, 2007 as stipulated in O.M. No. 18(8)/2005-GM dated 22nd June, 2007 of the Ministry of Heavy Industries and Public Enterprises, Department of Public enterprises.

2. The compliance of Guidelines on Corporate Governance is the responsibility of the management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the Guidelines on Corporate Governance. It is neither an audit nor an expression of opinion on financial statements of the company.

3. In our opinion and to the best of our information and according to the explanations given to us by the management, we certify that, except the composition of the Board of Directors and Audit Committee with regard to independent Directors, the Company has complied with the guidelines on Corporate Governance as stipulated in the OM mentioned above. Further, as informed to us, the company has initiated steps in regard to modifying the terms of reference of Audit Committee as per Guidelines; implementation of measures for risk management and review of compliance reports of all laws applicable to the Company.

4. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For A.N. Kukreja and Co.
Company Secretaries

(A.N. Kukreja)
Proprietor
CP 2318

New Delhi
10th September, 2007

SECRETARIAL COMPLIANCE REPORT

To,

The Board of Directors,
ONGC Videsh Limited,
601 "Kailash",
26, Kasturba Gandhi Marg,
New Delhi-110001

SECRETARIAL COMPLIANCE REPORT FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2007.

We have examined the registers, records and documents of ONGC Videsh Ltd. (the Company) as required to be maintained under the Companies Act, 1956 (the Act) and the rules made there under, and the Memorandum and Articles of Association of the Company for the financial year ended on 31st March, 2007 (financial year). In our opinion and according to the information and explanations given to us by the Company, we report that in respect of the aforesaid financial year:

1. The Company is a "Government Company" as defined in Section 617 of the Act. It is an unlisted public company.

2. The Company has kept and maintained all registers as required to be maintained under the provisions of the Act and the rules made there under and all entries have been duly recorded.

3. The Company has duly filed the requisite forms and returns with the Registrar of Companies, NCT of Delhi and Haryana, under the Act and the rules made there under.

4. The Board of Directors duly met 9 times in respect of which meetings, proper notices were given and the proceedings were properly recorded and signed in the minutes book maintained for the purpose.

5. The Board has constituted an Audit Committee as required under Section 292A of the Act. The Audit Committee met 2 times in respect of which meetings notices were given and the proceedings were properly recorded and signed in the minutes book maintained for the purpose.

6. The Directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the rules made thereunder.

7. The Annual General Meeting of the Company for the financial year ended on 31st March, 2006 was held on 18th September, 2006. The resolutions passed thereat were duly recorded in minutes book maintained for the purpose.

8. Two extraordinary general meetings were held during the financial year after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in the minutes book maintained for the purpose.

9. The Board of Directors of the Company is duly constituted and the appointments of Directors including Managing Director and whole time Directors have been duly made in accordance with the provisions of Articles of Association of the Company read with relevant provisions of the Act.

10. The Company has altered the provisions of Memorandum of Association and Articles of Association with respect to increase of authorised share capital from Rs. 500 crores to Rs. 1,000 crores by creation of 5,00,00,000 shares of Rs. 100 each during the year under report and amendments thereof have been duly filed with the Registrar of Companies, NCT of Delhi and Haryana.

11. The Company made right issue of 7,00,00,000 shares of Rs. 100 each fully paid raising the paid up capital from Rs. 300 crores to Rs.1,000 crores during the financial year and complied with the provisions of the Act.

12. The Company has :

    a) duly complied with requirements of Section 217 of the Act.

    b) made application under Section 212(8) of the Act to the Central Government seeking exemption from provisions of Section 212 of the Act in relation to its subsidiary companies. The approval/directions of the Central Government under Section 212(8) of the Act are awaited.

13. The Company has not received any money as security from any of its employees during the financial year as envisaged under Section 417 of the Act.

14. The Company has not invited/accepted any deposits falling within the purview of Section 58A of the Act during the financial year.

15. The Company has complied with the provisions of the Act and rules made thereunder in regard to investment of funds including inter-corporate loans, guarantees and investments.

16. The Company has not made any secured borrowings during the financial year ended on 31st March, 2007.

17. The Company was not required to appoint Cost Auditor under Section 233B of the Act.

18. The Company has deposited both employees' and employer's contribution with the ONGC Employees Contributory Provident Fund Trust within the prescribed time pursuant to section 418 of the Act.

19. The Company being a "Government Company" is exempt from the provisions of Section 295 of the Act. An amount of Rs. 0.98 million on accounts of loans/advances was, however, outstanding from the whole time Directors at the end of financial year.

20. There was no prosecution initiated against or show cause notice received by the Company and no fines or penalties or any other punishment was imposed on the Company, its Directors and Officers during the financial year for offences under the Act.

For A. N. Kukreja & Co.
Company Secretaries

(A.N. Kukreja)
Proprietor
CP 2318

New Delhi
10th July, 2007

AUDITORS' REPORT

The Members
ONGC Videsh Limited,
601 "Kailash",
26, Kasturba Gandhi Marg,
New Delhi-110001

We have audited the attached Balance Sheet of ONGC VIDESH LIMITED, New Delhi as at 31st March, 2007, the Profit & Loss Account and the Cash Flow Statement for the year ended as on 31st March, 2007, annexed thereto. These financial Statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

3. **Further to our comments in the Annexure referred to in paragraph 1 above, we report as follows:**

3.1 **That the incorporation of Company's share of Assets, Liabilities and Expenses in the Joint Ventures is based on unaudited financial statements as provided by the respective operators of Joint Ventures, except in case of Farsi Block (Iran), Sudan Pipeline, Block A-1 (Myanmar), Block A-3 (Myanmar), Block 5A (Sudan) and Block 5B (Sudan) which are audited as per the respective joint operating agreements (Refer Note No. 3 of the Schedule-26).**

3.2 **Attention is invited to Note No. 17(ii) of Schedule-26 regarding expense head-wise details as required by Schedule VI to the Companies Act, 1956.**

4.1 We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary, for the purposes of our audit.

4.2 In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books.

4.3 The Balance Sheet and Profit and Loss Account and Cash Flow Statement dealt with this by report are in agreement with the books of accounts.

4.4 In our opinion and based on the information given to us, the Profit and Loss Account and Balance Sheet and Cash Flow Statement referred to in this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.

4.5 Based on the written representation made by all the Directors of the Company which was taken on record by the Board of Directors of the Company and the information and explanations as made available, none of the Directors of the Company is disqualified as on 31st March, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

4.6 **Subject to above and other comments in Para 1 and Para 3 above,** in our opinion and to the best of our information and according to the explanations given to us, said Balance Sheet and Profit and Loss Account and Cash Flow Statement read together with significant accounting policies and notes to accounts as required by the Companies Act, 1956 give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) In the case of Balance Sheet, of the state of affairs of the Company as at 31st March 2007; and

(b) In the case of Profit and Loss Account, of the Profit for the year ended on that date; and

(c) In the case of Cash Flow Statement for the cash flow of the Company for the year ended on that date.

For BATRA SAPRA & CO.
CHARTERED ACCOUNTANTS

(K. S. KAMATH)
Partner
M. No. 44492

New Delhi
21st June, 2007

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in Paragraph 1 of our report of even date of ONGC Videsh Limited, New Delhi as at 31st March, 2007)

1) **In respect of fixed assets:**

a) The company has generally maintained proper records showing full particulars, including quantitative details and situation of fixed assets in India and in respect of ventures outside India, except fixed assets of non-operated Joint Ventures situated outside India in respect of which the details are maintained as per the information made available by the respective operators.

b) The management has carried out the physical verification of fixed assets situated in India and operated ventures outside India during the year. Periodic physical verification of fixed assets is being carried out by the operators of the respective non-operated Joint Ventures which appears to be reasonable. According to the information and explanation given to us, the reconciliation of the physically verified assets with the book records is in progress. Discrepancies noticed on physical verification and consequential adjustment with regard to discrepancies will be carried out on completion of reconciliation. As per the information and explanations given to us, the same is not material.

c) In our opinion, and according to information and explanations given to us, a substantial part of fixed assets has not been disposed of by the company during the year and thus going concern status of company is not affected.

2) **In respect of its inventories:**

a) The company does not have any inventory in India. Physical verification of inventory has been performed by the management in respect of the operated Joint Venture (Farsi Project, Iran). According to the information and explanation given to us, no discrepancy was observed on such physical verification. In our opinion, the physical verification has been carried out by the management at reasonable intervals in respect of operated Joint Venture (Farsi Project, Iran). The inventory held by the company representing company's share of participating interest in joint ventures outside India is incorporated in the books of accounts on the basis of information provided by respective operator. However, Physical verification of such inventory has been performed by the operators of the respective non-operated projects.

b) In our opinion, the procedures of physical verification of inventory followed by the management in respect of operated Joint Venture (Farsi Project, Iran) are reasonable and adequate in relation to the size of the company and the nature of its business. However, Physical verification of the inventory in respect of non-operated projects has been performed by the operators of the respective non-operated projects.

c) The Company is generally maintaining proper records of inventory. According to the information and explanation given to us, no discrepancy was observed on physical verification of inventory performed by the management in respect of operated Joint Venture (Farsi Project, Iran). However, the inventory held by the company representing company's share of participating interest in joint ventures outside India is incorporated in the books of accounts on the basis of information provided by respective operator.

3) **According to the information and explanations given to us in respect of loans:**

a) The company has not granted any loan secured or unsecured, to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Hence the provisions of clause (iii) (b), (c) and (d) of the paragraph 4 of the order as amended are not applicable to the company.

b) The company has not taken any loan secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Hence the provisions of clause (iii) (f) and (g) of the paragraph 4 of the Order, as amended, are not applicable to the company. The loans taken from Oil and Natural Gas Corporation Limited, the 100% holding company, is not covered under the provisions of this clause.

4) According to information and explanation given to us, the internal control system in respect of inventory and fixed assets purchased by the company for the operated ventures outside India is commensurate with nature and size of its business. Certain sales are made by the parent company through proper procedure laid down by the company. Based on information and explanation given to us, the company's internal control system with respect to purchase of inventory and fixed assets and sales is commensurate with nature and size of its business. However, all purchases of fixed assets and inventory in respect of the non-operated Joint Ventures are made outside India by the respective operators. Since it is not practically viable or appropriate to check the internal control system being prevalent in respective project sites, we are unable to comment on the adequacy of such internal control system with respect to nature and size of business.

5) a) According to information and explanations given to us, there are no transactions during the year, which are required to be entered in the register maintained in pursuance of Section 301 of the Companies Act, 1956.

b) Accordingly the provisions of the clause v (b) of paragraph 4 of the order (as amended) are not applicable to the company.

6) The company has not accepted any deposits from the public. Consequently, the provisions of Section 58A, 58AA or any other relevant provision of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 are not applicable to the company.

7) As per the information and explanation provided to us, though the company has a system of internal audit, carried out through an outside agency for its corporate office which is commensurate with the size of and nature of its business, the system needs to be further strengthened.

8) The company has not maintained cost records as prescribed by the Central Government under clause (d) of sub section (1) of Section 209 of the Companies Act, 1956. We are informed that the company has applied for exemption from applicability of the relevant provisions to the Department of Company Affairs, since the operations of the company are in joint ventures overseas, the operators of which are not required to maintain and provide to the company the records that are required to be maintained under the aforesaid provisions of the Companies Act, 1956 as per respective agreements governing such joint ventures.

9) a) Provident fund contributions are transferred by the company to its parent company, ONGC. ONGC is responsible for depositing the same with appropriate authority. According to information given to us, there are no undisputed statutory dues pending as on last day of current financial year.

b) As per information and explanation provided to us, no dues of income tax/ sales tax/ wealth tax/ custom duty/ excise duty/ cess are pending on account of any dispute.

10) The company has no accumulated losses at the end of the current financial year and has not incurred cash losses during the current and in the immediately preceding financial year.

11) As per the information and explanation given by the management, we are of the opinion that company has not defaulted in the repayment of dues to any financial institution, banks and debenture holders.

12) According to information and explanation given to us, the company has not given any loans and advances on the basis of security by way of pledge of shares, debentures and other securities and accordingly paragraph 4 (xii) of the Order is not applicable.

13) In our opinion, the company is not a chit fund or a nidhi/ mutual benefit fund/ society. Therefore, clause 4 (xii) of the Order is not applicable.

14) The company is not dealing in or trading in shares, securities, debentures and other instruments. Therefore, the provisions of the clause (xiv) of paragraph 4 of the Order are not applicable.

15) According to information and explanation given to us, the company has not given any guarantee for loan taken by others from bank and financial institutions.

16) According to information and explanation given to us, term loans were broadly applied by the company for the purpose for which loans were obtained.

17) According to information and explanation given to us and on the basis of examination of books of accounts and other records, funds raised on short term basis have, prima facie, not been used during the year for long term investment.

18) We are informed that the company has not made any preferential allotment of shares to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.

19) Company has not issued any debentures during the year; hence the question of securities to be created for debentures issued does not arise.

20) The company has not raised any money by way of public issue during the year.

21) According to information and explanation given to us and to the best of our knowledge and belief, no fraud on or by the company was noticed or reported during the year.

For BATRA SAPRA & CO.
CHARTERED ACCOUNTANTS

(K.S. KAMATH)
Partner
M. No. 44492

New Delhi
21st June, 2007

BALANCE SHEET AS AT 31ST MARCH, 2007

(Rupees in million)

	Schedule		As at 31st March, 2007		As at 31st March, 2006
SOURCES OF FUNDS					
SHAREHOLDERS' FUNDS					
Share Capital	1	10,000.00		3,000.00	
Reserves and Surplus	2	21,993.47		11,098.23	
			31,993.47		14,098.23
LOAN FUNDS	3				
Secured Loans		-		44.18	
Unsecured Loans		132,347.57		156,349.50	
			132,347.57		156,393.68
DEFERRED TAX LIABILITY (Refer Note 12 of Schedule 26)			6,702.86		4,391.42
LIABILITY FOR ABANDONMENT COST			4,503.49		2,518.82
TOTAL			175,547.39		177,402.15
APPLICATION OF FUNDS					
FIXED ASSETS	4				
Gross Block		60,006.70		15,026.16	
Less: Depreciation		10,968.47		5,466.75	
Net Block			49,038.23		9,559.41
PRODUCING PROPERTIES (NET)	5		31,818.00		21,672.50
DEVELOPMENT AND EXPLORATORY WELLS IN PROGRESS	6		5,386.60		8,181.58
CAPITAL WORK IN PROGRESS	7		11,218.66		43,544.91
INVESTMENT	8		51,149.40		29,891.07
CURRENT ASSETS, LOANS AND ADVANCES					
Interest Accrued	9	11.66		660.33	
Inventories	10	1,937.67		651.26	
Sundry Debtors	11	5,408.40		1,827.06	
Cash and Bank Balances	12	4,066.91		1,642.47	
Loans and Advances	13	21,739.82		66,995.68	
		33,164.46		71,776.80	
LESS: CURRENT LIABILITIES AND PROVISIONS					
Current Liabilities	14	6,156.54		7,186.80	
Provisions	15	71.42		37.32	
		6,227.96		7,224.12	
NET CURRENT ASSETS			26,936.50		64,552.68
TOTAL			175,547.39		177,402.15
STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES	25				
NOTES TO THE ACCOUNTS	26				

Schedules referred to above form an integral part of the Accounts

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

As per our report of even date attached
For BATRA SAPRA & COMPANY
Chartered Accountants

New Delhi
21st June, 2007

(K. S. KAMATH)
Partner (M. No.44492)

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

(Rupees in million)

	Schedule	2006-07	2005-06
INCOME			
Sales	16	28,634.94	11,945.94
Other Income	17	2,760.30	8,897.35
Increase/(Decrease) in Stocks	18	396.57	14.42
		31,791.81	20,857.71
EXPENDITURE			
Production, Transportation, Selling and Distribution Expenditure	19	9,038.85	7,157.85
Depreciation, Depletion and Amortisation	20	10,530.38	4,905.63
Financing Costs	21	(1,864.40)	(1,253.65)
Provisions and Write-Offs (Net)	22	1,350.22	379.40
		19,055.05	11,189.23
PROFIT BEFORE TAX AND PRIOR PERIOD ADJUSTMENTS		12,736.76	9,668.48
Adjustments relating to Prior Period (Net)	23	(1,668.29)	1,123.16
Provision for Taxation			
Current Year Tax		1,539.42	556.53
Deferred Tax		2,311.43	1,583.07
Fringe Benefit Tax		15.09	8.40
Wealth Tax		13.55	13.55
Earlier Years Tax		0.00	(110.73)
PROFIT AFTER TAXATION		10,525.56	6,494.50
Add: Profit brought forward from last year		9,675.34	3,830.29
Balance Available for Appropriation		20,200.90	10,324.79
Transfer to General Reserve		1,052.55	649.45
Balance Carried to Balance Sheet		19,148.35	9,675.34
		20,200.90	10,324.79
STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES	25		
NOTES TO THE ACCOUNTS	26		

Schedules referred to above form an integral part of the Accounts

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

As per our report of even date attached
For BATRA SAPRA & COMPANY
Chartered Accountants

New Delhi
21st June, 2007

(K. S. KAMATH)
Partner (M. No.44492)

SCHEDULE-1

(Rupees in million)

	As at 31st March, 2007	As at 31st March, 2006
SHARE CAPITAL		
Authorised		
100,000,000 (Previous year 50,000,000) Equity Shares of Rs.100 each	10,000.00	5,000.00
Issued, Subscribed, Called and Paid Up	10,000.00	3,000.00
100,000,000 (Previous year 30,000,000) Equity Shares of Rs.100 each fully paid up in cash (The entire share capital is held by Oil and Natural Gas Corporation Limited and its nominees)		
TOTAL	10,000.00	3,000.00

SCHEDULE-2

(Rupees in million)

		As at 31st March, 2007		As at 31st March, 2006
RESERVES AND SURPLUS				
Capital Reserve		174.08		174.08
General Reserve				
Opening balance	1,248.81		599.36	
Less: Adjustment for Employess Benefits	13.42		0.00	
Add:Transfer from Profit and Loss Account	1,052.55	2,287.94	649.45	1,248.81
Foreign Exchange Translation Reserve		383.10		0.00
Profit and Loss Account				
Opening Balance	9,675.34		3,830.29	
Add: Addition during the year	9,473.01	19,148.35	5,845.05	9,675.34
TOTAL		21,993.47		11,098.23

SCHEDULE-3

(Rupees in million)

	As at 31st March, 2007	As at 31st March, 2006
LOANS		
SECURED LOANS		
Overdraft from Bank (Secured by Fixed Deposits with Bank)	0.00	44.18
UNSECURED LOANS		
Long Term		
Indian Rupee Loans		
From Oil Industry Development Board (Guaranteed by Oil and Natural Gas Corporation Limited)	0.00	61.25
From Oil and Natural Gas Corporation Limited	130,941.59	154,769.53
Foreign Currency Loans		
Non- Recourse Deferred Credit (In respect of Joint Venture)	1,405.98	1,518.72
TOTAL	132,347.57	156,393.68
Repayable within one year	240.90	296.68

SCHEDULE-4

FIXED ASSETS

(Rupees in million)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 1st April, 2006	Additions during the year	Deletions/ adjustments during the year	As at 31st March, 2007	Up to 31st March, 2006	For the year	Deletions/ Adjustments during the year	Upto 31st March, 2007	As at 31st March, 2007	As at 31st March, 2006
Land (Leasehold)	1,354.16	0.00	0.00	1,354.16	0.00	0.00	0.00	0.00	1,354.16	1,354.16
Building	569.41	1,387.68	0.00	1,957.09	18.37	62.62	0.00	80.99	1,876.10	551.04
Plant & Machinery	12,862.16	40,117.12	49.35	52,929.93	5,346.37	5,249.18	0.33	10,595.22	42,334.71	7,515.79
Computers	62.50	18.90	3.56	77.84	40.20	11.88	2.07	50.01	27.83	22.30
Vehicles	126.58	25.87	3.00	149.45	42.36	18.56	2.25	58.67	90.78	84.22
Furniture & Fittings and Equipments	50.90	3,481.13	1.82	3,530.21	19.23	157.74	1.27	175.70	3,354.51	31.67
	15,025.71	45,030.70	57.73	59,998.68	5,466.53	5,499.98	5.92	10,960.59	49,038.09	9,559.18
Intangibles - Software	0.45	7.57	0.00	8.02	0.22	7.66	0.00	7.88	0.14	0.23
TOTAL	15,026.16	45,038.27	57.73	60,006.70	5,466.75	5,507.64	5.92	10,968.47	49,038.23	9,559.41
Previous year	7,775.68	7,262.76	12.28	15,026.16	4,070.05	1,402.74	6.04	5,466.75	9,559.41	3,705.63
The above includes the Company's Share in Joint Venture Assets	13,637.42	45,034.19	57.09	58,614.52	5,448.95	5,502.95	5.41	10,946.49	47,668.03	8,188.47
Previous year	6,390.08	7,258.92	11.58	13,637.42	4,056.87	1,397.52	5.44	5,448.95	8,188.47	2,333.21

SCHEDULE-5

(Rupees in million)

	As at 31st March, 2007	As at 31st March, 2006
PRODUCING PROPERTIES		
Gross Cost		
Opening Balance	24,176.68	6,109.89
Acquisition Cost	2,333.77	11,495.52
Expenditure during the year	1,984.32	442.14
Transfer from Development & Exploratory Wells-in-Progress	8,787.41	3,610.31
Estimated Abandonment Costs	1,984.67	2,518.82
Total Gross (A)	39,266.85	24,176.68
Less: Depletion		
Opening Balance	2,504.18	901.00
Depletion for the year	4,944.67	1,603.18
Total Depletion (B)	7,448.85	2,504.18
NET PRODUCING PROPERTIES (A - B)	31,818.00	21,672.50

SCHEDULE-6

(Rupees in million)

	As at 31st March, 2007	As at 31st March, 2006
DEVELOPMENT AND EXPLORATORY WELLS IN PROGRESS		
A. Development Wells in Progress		
Opening Balance	5,719.68	3,019.93
Addition during the year	5,758.65	3,296.67
Adjustments during the year	(2,220.27)	3,013.39
Less: Transfer to Producing Properties	7,482.17	3,610.31
Development Wells In Progress (A)	1,775.89	5,719.68
B. Exploratory Wells in Progress		
Opening Balance	2,461.90	1,284.75
Addition during the year	3,330.63	1,576.84
Adjustments during the year	(0.63)	815.67
Wells written back during the year	1,353.69	0.00
Less: Transfer to Producing Properties	1,305.23	0.00
Less: Wells written off during the year	942.35	1,215.36
Less: Provision for Wells drilled under Service Contract	1,287.30	0.00
Exploratory Wells In Progress (B)	3,610.71	2,461.90
DEVELOPMENT AND EXPLORATORY WELLS IN PROGRESS (A+B)	5,386.60	8,181.58

SCHEDULE-7

(Rupees in million)

	As at 31st March, 2007	As at 31st March, 2006
CAPITAL WORK IN PROGRESS		
Block 06.1, Vietnam	1,412.50	223.63
Block 127, Vietnam	92.54	0.00
Block 128, Vietnam	92.54	0.00
Sakhalin-1 Project, Russia	7,403.75	36,307.15
Block-XXIV, Syria	19.81	19.81
Block 5A, Sudan	0.00	5,294.38
Block 5B, Sudan	1,046.95	1,046.95
Block 6, North Ramadan, Egypt	31.76	31.76
Block A1, Myanmar	32.46	0.00
Block A3, Myanmar	38.88	24.56
Block 81/1, Libya	268.92	268.92
Najwat Najem Oil Structure, Qatar	327.75	327.75
Block 25, 26, 27, 28, 29, 36 and 35 (Part), Cuba	346.91	0.00
Others	103.89	0.00
TOTAL	11,218.66	43,544.91

SCHEDULE-8

(Rupees in million)

		As at 31st March, 2007	As at 31st March, 2006
INVESTMENTS			
Long Term Investments (Fully Paid Up)			
Trade Investments in Shares Unquoted			
In Wholly Owned Subsidiaries:			
ONGC Nile Ganga BV			
40 Class 'A' & 100 Class 'B' (Previous year 40 Class 'A' & 100 Class 'B') Shares of Euro 453.78 Each		**29,877.14**	29,877.14
ONGC Narmada Limited			
20,000,000 (Previous year 20,000,000) Shares of Nigerian Naira 1 Each		**6.94**	6.94
ONGC Bonny Brahmaputra Limited			
Nil (Previous year 20,000,000) Shares of Nigerian Naira 1 Each		**0.00**	6.94
ONGC Amazon Alaknanda Limited			
12,000 (Previous year Nil) Equity Shares of USD 1 Each		**0.56**	0.00
437,488,000 (Previous year Nil) Preference Shares of USD 1 Each		**20,190.07**	0.00
In Jointly Controlled Entity:			
ONGC Mittal Energy Limited			
24,010,000 Shares of USD 1 each (Previous year 500 Shares of Cyprus Pound 1 each)		**1,074.69**	0.05
TOTAL		**51,149.40**	**29,891.07**

SCHEDULE-9

(Rupees in million)

	As at 31st March, 2007	As at 31st March, 2006
INTEREST ACCRUED		
(Unsecured, Considered Good unless otherwise stated)		
Interest Accrued On		
Deposits with Banks	**0.78**	0.88
Carry Finance	**0.00**	651.17
Others	**10.88**	8.28
TOTAL	**11.66**	**660.33**

SCHEDULE-10

(Rupees in million)

		As at 31st March, 2007		As at 31st March, 2006
INVENTORIES				
(As taken, valued and certified by the Management)				
Finished Goods		**410.19**		33.63
Stores and Spares	**1,523.84**		569.95	
Less: Provision for Non-moving Stores	**0.88**	**1,522.96**	1.51	568.44
(In respect of Joint Venture)				
Stores & Spares - Farsi Block, Iran	**9.85**		49.19	
Less: Written-off to Net Realisable Value	**5.33**	**4.52**	0.00	49.19
TOTAL		**1,937.67**		**651.26**

SCHEDULE-11

(Rupees in million)

	As at 31st March, 2007	As at 31st March, 2006
SUNDRY DEBTORS		
(Unsecured)		
Debts outstanding for a period exceeding six months:		
Considered Good	0.00	0.00
Considered Doubtful	0.00	0.00
Other Debts:		
Considered Good	5,408.40	1,827.06
Considered Doubtful	0.00	0.00
TOTAL	5,408.40	1,827.06

SCHEDULE-12

(Rupees in million)

	As at 31st March, 2007	As at 31st March, 2006
CASH AND BANK BALANCES		
A. Cash Balances		
a) At New Delhi	0.12	0.08
B. Balances with Scheduled Banks		
a) On Current Account	467.64	142.89
b) On Deposit Accounts	1,948.75	61.00
C. Balances with Non-Scheduled Banks		
a) On SB Account (USD) with Bank for Foreign Trade of Vietnam, HCMC,Vietnam (Maximum balance during the year RS.756.34 Million Previous year Rs. 590.75 Million)	0.04	0.03
b) On SB Account (VND) with Bank for Foreign Trade of Vietnam, HCMC,Vietnam (Maximum balance during the year RS.752.01 Million Previous year Rs. 593.03 Million)	0.02	0.14
c) On Current Accounts (USD) with Citi Bank, HCMC, Vietnam (Maximum balance during the year RS.0.78 Million Previous year Rs.3.69 Million)	0.06	0.44
d) On Current Account (VND) with Citi Bank, HCMC, Vietnam (Maximum balance during the year Rs.95.66 Million Previous year Rs. 81.67 Million)	0.29	0.30
e) On Current Account with Bank of Moscow, Sakhalin (Maximum balance during the year Rs.0.22 Million Previous year Rs. 0.71 Million)	0.00	0.22
f) On Deposit Account (VND) with Citi Bank, HCMC, Vietnam (Maximum balance during the year Rs.90.11 Million Previous year Rs.44.86 Million)	0.00	42.06
g) On Current Account (USD) with ABN Amro Bank, Sakhalin (Maximum balance during the year Rs 931.22 Million Previous year Rs 1215.18 Million)	81.18	80.89
h) On Current Account (RBL) with ABN Amro Bank, Sakhalin (Maximum balance during the year Rs 11.13 Million Previous year Rs 0.27 Million)	0.10	0.15
i) On Current Account (USD) with Bank of Commerce and Development, Libya (Maximum balance during the year Rs 2.82 Million Previous year Rs 5.08 Million)	1.35	1.94
j) On Current Account (LD) with Bank of Commerce and Development, Libya (Maximum balance during the year Rs.2.22 Million Previous year Rs.2.23 Million)	0.24	2.22
k) On Current Account (QAR) with HSBC Bank, Qatar (Maximum balance during the year Rs.5.56 Million Previous year Nil)	0.50	0.00
l) On Current Account (USD) with Banco Fincerio Internacionle SA, Cuba (Maximum balance during the year Rs.1.59 Million Previous year Nil)	1.30	0.00
D. Cash and Bank Balances (In respect of Joint Venture)	1,565.32	1,310.11
TOTAL	4,066.91	1,642.47

SCHEDULE-13

(Rupees in million)

		As at 31st March, 2007		As at 31st March, 2006
LOANS AND ADVANCES				
A. Secured - Considered Good				
Loans and Advances to Employees		**28.86**		**26.05**
B. Unsecured - Considered Good				
Carry Finance to SMNG-S, Russia		**0.00**		30,917.66
Carry Finance to RN ASTRA, Russia		**0.00**		22,834.75
Carry Finance to Sudapet, Sudan		**1,083.65**		912.96
Loans and Advances to Employees		**14.25**		7.43
Advances recoverable in cash or in kind or for value to be received		**138.22**		69.29
Receivable from ONGC Nile Ganga BV (Subsidiary Company)		**731.79**		214.01
Advance against share capital to ONGC Mittal Energy Limited		**1,908.65**		446.55
Advance against share capital to ONGC Nile Ganga BV (Subsidiary Company)		**5,106.64**		0.00
Loan to ONGC Narmada Limited (Subsidiary Company)		**749.06**		0.00
Other Deposits		**2.05**		1.44
VAT Receivable		**257.33**		83.13
Investment in Lease		**6,573.59**		7,446.57
Advances recoverable in cash or in kind or for value to be received (In respect of Joint Venture)		**1,877.40**		2,911.90
Taxes (Income Tax, Wealth Tax and Fringe Benefit Tax) :				
Advance Payment of Income Tax	**4,994.13**		1,271.98	
Less: Provision	**1,725.80**	**3,268.33**	148.04	1,123.94
Unsecured - Considered Good (B)		**21,710.96**		**66,969.63**
C. Unsecured - Considered Doubtful				
Carry Finance to Sudapet, Sudan		**78.27**		21.35
Loan to Oil India Limited		**0.00**		372.16
		78.27		**393.51**
Less: Provisions for Doubtful Loans and Advances		**78.27**		393.51
Unsecured - Considered Doubtful (C)		**0.00**		**0.00**
LOANS AND ADVANCES (A+B+C)		**21,739.82**		**66,995.68**

SCHEDULE-14

(Rupees in million)

	As at 31st March, 2007	As at 31st March, 2006
CURRENT LIABILITIES		
Sundry Creditors for Supplies/ Works		
Small Scale Undertakings	**0.00**	0.00
Other than Small Scale Undertakings	**975.98**	459.42
Deposits	**0.37**	0.85
Advance from Customers	**66.14**	54.96
Payable to Oil and Natural Gas Corporation Limited	**55.72**	131.31
Other Liabilities	**859.92**	776.96
Amount Payable to Operators	**81.72**	368.24
Deferred Credit on Gas Sales	**0.00**	0.92
Sundry Creditors for Supplies/ Works (In respect of Joint Venture)	**4,116.69**	5,394.14
TOTAL	**6,156.54**	**7,186.80**

SCHEDULE-15

(Rupees in million)

	Balance as at 1st April, 2006	Provision made for previous years out of General Reserve	Utilisation during the year	Provision made for the year	Balance as at 31st March, 2007
PROVISIONS					
Gratuity	19.18	0.00	1.77	7.19	24.60
Leave Encashment	18.14	0.00	4.30	15.57	29.41
Post Retirement Medical Benefits/Other Terminal Benefits	0.00	13.42	0.00	3.99	17.41
TOTAL	37.32	13.42	6.07	26.75	71.42

SCHEDULE-16

(Rupees in million)

	2006-07	2005-06
SALES		
Crude Oil	18,789.87	1,799.25
Gas	8,004.31	6,507.38
Condensate	1,840.76	1,465.78
Construction Contract Revenue	0.00	2,173.53
TOTAL	28,634.94	11,945.94

SCHEDULE-17

(Rupees in million)

	2006-07	2005-06
OTHER INCOME		
Income from Dividend from Subsidiary	0.00	5,112.09
Interest Income on:		
On Deposits with Banks	295.14	51.81
(Tax deducted at source Rs. 0.16 Million previous year Rs. 0.78 Million)		
Carry Finance	1,493.42	2,872.11
Loans and Advances to Employees	1.80	1.32
Others	48.41	19.11
Lease Income	435.14	271.26
Profit on sale of Investment in Subsidiary	0.46	0.00
Miscellaneous Receipts	485.93	569.65
TOTAL	2,760.30	8,897.35

SCHEDULE-18

(Rupees in million)

		2006-07		2005-06
INCREASE/(DECREASE) IN STOCK (FINISHED GOODS)				
Closing Stock		**410.19**		33.63
Opening Stock	**33.63**		19.21	
Less: Adjustment	**20.01**	**13.62**	0.00	19.21
NET INCREASE/(DECREASE) IN STOCK		**396.57**		**14.42**

SCHEDULE-19

(Rupees in million)

	2006-07	2005-06
PRODUCTION, TRANSPORTATION, SELLING AND DISTRIBUTION EXPENDITURE		
Transportation Expenditure	**2,662.86**	1,825.35
Production Expenditure	**3,122.28**	1,025.89
Royalty	**1,356.87**	141.29
Value Added Tax	**1,063.02**	927.24
Service Tax and Other Levies	**315.72**	9.24
Pipeline Construction Expenses	**0.00**	2,699.29
Staff Expenditure	**206.86**	224.05
Rent	**8.83**	17.30
Repair & Maintenance	**11.35**	9.20
Insurance	**42.86**	49.79
Others	**248.20**	229.21
TOTAL	**9,038.85**	**7,157.85**

Note: The above expenses have been reclassified in accordance with Part II of Schedule VI to the Companies Act, 1956 and exhibited in Note -17 of Schedule '26'.

SCHEDULE-20

(Rupees in million)

		2006-07		2005-06
DEPRECIATION, DEPLETION AND AMORTISATION				
Depreciation Others	5,499.98		1,402.55	
Amortisation - Intangibles	7.66		0.19	
Less: Capitalised	3,440.69	2,066.95	1,192.30	210.44
Depletion		4,944.67		1,603.18
Survey Expenditure		1,784.52		730.09
Dry Wells Written Off		942.35		1,215.36
Acquisition Cost Written Off		0.00		21.44
Pre-Acquisition Expenses		791.89		1,125.12
TOTAL		10,530.38		4,905.63

SCHEDULE-21

(Rupees in million)

		2006-07		2005-06
FINANCING COSTS				
A. Interest On				
Loan from Oil Industry Development Board		0.21		4.71
Loan from Oil and Natural Gas Corporation Limited	147.39			
Less: Capitalised	2.67	144.72		0.00
Finance Lease		0.00		3.80
Others		0.57		0.38
Sub-Total		145.50		8.89
B. Exchange Fluctuation				
Net Exchange Variation for the Year	(2,021.19)		(1,267.87)	
Less: Capitalised	(11.29)	(2,009.90)	(5.33)	(1,262.54)
TOTAL		(1,864.40)		(1,253.65)

SCHEDULE-22

(Rupees in million)

	2006-07	2005-06
PROVISIONS AND WRITE-OFFS (NET)		
Provisions for Doubtful Debts	56.92	380.57
Other Write Off	378.79	0.07
Provision for Wells drilled under Service Contract	1,287.30	0.00
Excess Provisions Written Back	(372.79)	(1.24)
TOTAL	1,350.22	379.40

Note: The above expenses have been reclassified in accordance with Part II of Schedule VI to the Companies Act, 1956 and exhibited in Note -17 of Schedule '26'.

SCHEDULE-23

		(Rupees in million)
	2006-07	**2005-06**
ADJUSTMENTS RELATING TO PRIOR PERIOD (NET)		
A. Expense		
Survey Expenses	**(334.76)**	669.53
Dry Wells Expenses	**(1353.69)**	414.08
Other Expenses	**20.16**	46.72
Sub-Total	**(1668.29)**	**1130.33**
B. Income		
Miscellaneous Items	**0.00**	7.17
Sub-Total	**0.00**	**7.17**
TOTAL (A - B)	**(1668.29)**	**1123.16**

SCHEDULE-24

		(Amount In Rupees)
	As at 31st March, 2007	**As at 31st March, 2006**
EARNING PER EQUITY SHARE		
Basic and Diluted Earnings Per Equity Share (Per Share of Rs. 100 each)	**142.03**	216.48

Note: Earnings Per Equity Share has been computed by dividing the net profit after taxation of Rs.10,525.56 Million (Previous Year Rs.6,494.50 Million) by weighted average number of equity shares of 74,109,581 (Previous year 30,000,000).

SCHEDULE -25

SIGNIFICANT ACCOUNTING POLICIES

1. Accounting Conventions:

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

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

2.1 **Acquisition Cost:**

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

2.2 **Survey Costs:**

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

2.3 **Exploratory/Development Wells in Progress Costs:**

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

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

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

2.4 **Abandonment Costs:**

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

2.5 **Production Costs:**

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

3. Producing Properties:

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

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

4. Depletion of Producing Properties:

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

5. Impairment:

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

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

6. Joint Ventures:

6.1 The Company has entered into overseas joint ventures with others. In such joint ventures as per the contractual arrangements, the Company shares control with other venturers. The financial statements reflect the share of the Company's assets and liabilities as well as income and expenditure of Joint Venture Operations which are accounted for as per various joint venture agreements on a line by line basis along with similar items in the Company's financial statements, except in cases of leases, abandonment, impairment, depletion and depreciation which are accounted based on accounting policies of the Company.

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

7. Fixed Assets:

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

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

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

8.2 Leasehold land is amortized over the lease period.

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

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

9. Inventories:

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

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

9.3 Inventory of stores and spares is valued at Weighted Average Cost or net realizable value, if available, whichever is lower.

10. Investments:

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

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

11. Foreign Currency Transactions and Foreign Operations:

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

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

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

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

(a) The foreign currency transactions on initial recognition in the reporting currency are recorded following the policy stated in 11.1. For practical reasons, the average exchange rate of the relevant month is taken for the transactions of the month in respect of joint venture operations, where actual date of transaction is not available.

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

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

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

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

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

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

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

12. Assets given on Lease:

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

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

13. Revenue Recognition:

13.1 Revenue from sale of products is recognized on transfer of custody to customers. Any difference as of the reporting date between the entitlement quantity minus the quantities sold in respect of crude oil (including condensate), if positive is treated as inventory and, if negative, is adjusted to revenue by recording the same as liability.

13.2 Sales are inclusive of all statutory levies and any tax liability of the Company that may be paid by the government based on the provisions under agreements governing Company's activities in the respective field/ project.

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

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

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

13.6 Revenue in respect of interest on delayed realizations is recognized when there is reasonable certainty regarding ultimate collection.

14. Transportation Costs:

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

15. Employee Benefits:

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

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

16. Borrowing Costs:

Borrowing Costs specifically identified to the acquisition or construction of qualifying assets are capitalized as part of such asset till such time when all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to Profit and Loss Account.

SCHEDULE-26

NOTES TO THE ACCOUNTS

1. **Accounting Policies:**

   a) During the year, the Company has reflected its accounting policy in respect of costs incurred on intangible assets and the amortization thereof (Significant Accounting Policy 7.3 of Schedule -25). This has no impact on the results.

   b) During the year, the Company has reflected its accounting policy in respect of valuation of stores and spares (Significant Accounting Policy 9.3 of Schedule -25). This has no impact on the results.

   c) During the year, the Company has reflected treatment in its accounting policies on revenue recognition for:

      i) Underlift / overlift quantity of crude oil (including condensate) as of the reporting date (Significant Accounting Policy 13.1 of Schedule -25). This has no impact on the results.

      ii) Tax Liability of the Company paid by the host government based on the provisions under agreements governing Company's activities in the respective field/ project (Significant Accounting Policy 13.2 of Schedule -25). This has no impact on the results.

   d) During the year, the Company has reflected basis of provision for valuation of other employee benefits in its accounting policy for other employee benefits (Significant Accounting Policy 15.2 of Schedule -25). An amount of Rs 13.42 Million has been adjusted against the reserves of the previous year for the provision made during the year in respect of previous years. The net impact on the results for the year amounted to Rs 3.99 Million, being provision for the year.

2. **Details of Joint Ventures:**

   The details of Company's significant joint ventures as on 31st March, 2007 are as under:

Sr. No.	Name of the Project and Country of Operation	Company's participating share (%)	Other Consortium Members	Project Status
1.	Block 06.1 Project, Vietnam, Offshore	45%	British Petroleum - 35% Petrovietnam - 20%	The project is under production.
2.	Sakhalin -1 Project, Russia, Offshore	20%	Exxon Mobil - 30% SODECO - 30% SMNG - 11.5% R N Astra - 8.5%	The project is under production and development.
3.	Block 5A Project, Sudan, Onshore	24.125%	Petronas - 68.875% Sudapet - 7%	The project is under exploration, production and development.
4.	Block A-1 Project, Myanmar, Offshore	20%	Daewoo - 60% KOGAS - 10% GAIL - 10%	The project is under exploration and appraisal.
5.	Block A-3 Project Myanmar, Offshore	20%	Daewoo - 60% KOGAS - 10% GAIL - 10%	The project is under exploration and appraisal.
6.	Farsi Block Project, Iran, Offshore	40%	IOC - 40% OIL - 20%	The project is under exploration.
7.	Block NC-188 & NC-189 Project, Libya, Onshore	49%	TPOC - 51%	The project is under exploration.

8.	Block XXIV Project, Syria, Onshore	60%	IPR - 40%	The Project is under exploration.
9.	Block 5B Project, Sudan, Onshore	23.5%	Petronas - 41% Lundin - 24.5% Sudapet - 11%	The project is under exploration.
10.	Block 6 North Ramadan Project, Egypt, Offshore	70%	IPR Red Sea - 30%	The project is under exploration.
11.	Block 25-29, 35 (Part) & 36 Project, Cuba, Offshore	30%	Repsol YPF - 40% Hydro - 30%	The project is under exploration.
12.	Khartoum - Port Sudan Pipeline Project, Sudan	90%	OIL - 10%	The pipeline has been completed and is under Lease.

***Abbreviations used:** British Petroleum - BP Exploration Operating Company Limited; Daewoo - Daewoo International Corporation; Exxon Mobil - Exxon Neftegas Limited; GAIL - GAIL (India) Limited; IOC - Indian Oil Corporation Limited; IPR - IPR Mediterranean Exploration Limited; IPR Red Sea - IPR Energy Red Sea Inc.; KOGAS - Korea Gas Corporation; Lundin - Lundin Muglad Limited; OIL - Oil India Limited; Petronas - Petronas Carigali Overseas Sdn Bhd; Petrovietnam - Vietnam Oil and Gas Corporation; Repsol - Repsol YPF Cuba SA; SMNG - Sakhalinmorneftegas Shelf; SODECO - Sakhalin Oil Development Company Limited; Sudapet - Sudapet Limited; TPOC - Turkish Petroleum Overseas Company Limited.

3. Company's Share in Joint Ventures:

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

(Rupees in million)

Project	Net Fixed Assets	Net Producing Property	Capital Work in Progress	Exploratory and Development Wells in progress	Current Assets	Cash & Bank	Liabilities	Income	Expenditure
A. Audited as of the Reporting Date									
Block 5A , Sudan	3,554.50	4,734.32	-	854.90	1,918.98	107.55	728.51	-	2,242.99
Block A-1 Myanmar	5.84	-	32.46	1,184.07	47.41	8.06	0.77	-	(705.45)
Block A-3 Myanmar	0.26	-	38.88	443.41	5.13	209.05	33.58	-	69.34
Farsi Block , Iran	1.34	-	-	-	9.17	129.62	158.33	-	1,287.63*
Block 5B, Sudan	1.02	-	1,046.95	-	-	46.14	33.95	-	551.53
Sudan Pipeline	-	-	-	-	7,156.45	0.04	2,179.84	0.55	204.51*
Total (A)	**3,562.96**	**4,734.32**	**1,118.29**	**2,482.38**	**9,137.14**	**500.46**	**3,134.98**	**0.55**	**3,650.55**
B. Audited as of 31st December 2006									
Block 06.1 Vietnam	**785.42**	**4,495.49**	**1,412.50**	-	**79.62**	**64.83**	**514.63**	-	**1,295.38**
C. Unaudited									
Sakhalin-1, Russia	43,305.09	22,588.19	7,403.74	2,206.46	2,683.47	993.45	9,343.97	-	7,255.06
Block NC-188 & NC-189, Libya	1.46	-	-	13.34	20.15	6.58	6.67	-	0.00
Block XXIV, Syria	3.32	-	19.81	1.96	54.26	-	19.56	-	79.19
Block CI-112, Cote D'Ivoire	-	-	-	-	-	-	0.21	-	1.13
Block 6 North Ramadan, Egypt	7.21	-	31.76	476.19	67.73	-	25.41	-	7.38
Blocks 25-29, 35 (Part) & 36, Cuba	-	-	346.91	54.35	-	-	4.15	-	320.80
Total (C)	**43,317.08**	**22,588.19**	**7,802.22**	**2,752.30**	**2,825.61**	**1,000.03**	**9,399.97**	-	**7,663.56**
Grand Total (A+B+C)	**47,665.46**	**31,818.00**	**10,333.01**	**5,234.68**	**12,042.37**	**1,565.32**	**13,049.58**	**0.55**	**12,609.49**

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

The Company's share of assets, liabilities, incomes and expenses have been converted into the reporting currency at the average exchange rates over the period for which the details are provided by the Operators. Generally the details are provided by the operators on monthly basis except in respect of Sakhalin-1, Russia Project, where the details are provided by the Operator on quarterly basis.

4. **Title to Fixed Assets under Production Sharing Agreements**

The Company in consortium with other partners (Consortium) carries on its business in respect of exploration, development and production of hydrocarbons under agreements with the host governments. In several of these agreements governing Company's activities in the fields / projects, the agreements provide that the title to the fixed assets and other ancillary installations shall pass to host government or its nominated entities either upon acquisition / first use of such assets or upon 100% recovery of such costs through allocation of “Cost Oil” and “Cost Gas” or upon relinquishment of the relevant contract areas or termination of the relevant agreement. However, as per the terms of the agreements, the Consortium and/ or Operator has the custody of all such assets and is entitled to use, free of charge all such assets for Petroleum Operations till the full term of the respective agreements. The Consortium also bears the custody and maintenance of such assets and all risks of accidental loss and damage and all costs necessary to maintain such assets and to replace or repair such damage or loss. Under the circumstances, such assets are kept in the records of the Company till the full term of the respective agreements.

5. **Khartoum - Port Sudan Pipeline Project:**

The Company had completed the execution of the 12” X 741 Kms multi-product pipeline from Khartoum Refinery to Port Sudan for the Ministry of Energy and Mining of the Government of Sudan (MEM) on Build, Own, Lease and Transfer (BOLT) basis and handed over the same to MEM during the previous financial year. The project was implemented in consortium with Oil India Limited, Company's share being 90%.

The EPC Contractor executing the project claimed additional costs aggregating to Rs 1,614.79 Million (Previous Year 1,659.00 Million) (Company's share being Rs 1,453.31 Million, Previous Year Rs 1,493.10 Million), which have not been accepted by the Company. However, the claims have been forwarded to MEM for their approval for an aggregate amount of receivables from MEM of Rs 2,007.30 Million (Previous Year Rs 1,524.20 Million), Company's share being Rs 1,806.57 Million (Previous Year Rs 1,371.78 Million). Pending settlement with the EPC Contractor, an amount of Rs 998.74 Million (revalued from Previous Year Rs 1,026.08 Million, being the Company's share out of Rs 1,109.71 Million (revalued from Previous Year Rs 1,140.08 Million) has been shown as liability based upon the advices received by the Company from its consultant. The Company's share of the balance amount has been shown as claims not acknowledged as debt. No revenue in this respect has been recognised pending final approvals by MEM.

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

The first two installments under the contract due on 30th December, 2005 and 30th June, 2006 had been received as of the reporting date. However, since the third installment due on 30th December, 2006 was received after the reporting date, the same has been shown as advance recoverable.

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

(Rupees in million)

Particulars	2006-07		2005-06	
	Gross	**Net**	**Gross**	**Net**
a) Reconciliation between the total gross investment in the lease and the present value of minimum lease payments as at year end				
- Not later than one year	**1,097.60**	**713.48**	1,127.64	693.03
- Later than one year and not later than five years	**4,390.37**	**3,323.42**	4,510.56	3,214.70
- Later than five years	**2,743.98**	**2,536.69**	3,946.74	3,538.84
Total	**8,231.95**	**6,573.59**	9,584.94	7,446.57
b) Unearned Finance Income			2,138.37	
c) Unguaranteed residual value accruing to Company's benefit	**Nil**		Nil	
d) Accumulated provision for uncollectible minimum lease payments receivable	**Nil**		Nil	
e) Contingent rents recognised in the statement of profit and loss for the period	**Nil**		Nil	
f) General description of the significant leasing arrangement	**As described in para above**		As described in para above	
g) Accounting Policy followed in respect of initial direct costs	**As per Accounting Policy 12.2**		As per Accounting Policy 12.2	

6. **Sakhalin-1, Russia:**

(i) The sales of Crude Oil and Gas to the domestic (Russian) buyers had commenced during the financial year 2005-06 while the sales of Crude Oil to international buyers commenced during the year in respect of Sakhalin-1, Russia Project. During the current year, receipts on account of Crude Oil and Gas Sales (including receivables) were Rs 16,558.88 Million and Rs 511.23 Million (Previous year Rs 1,799.25 Million and Rs 217.10 Million) respectively after adjustment of Rs 0.91 Million received during the previous year against take or pay provisions of the contract owing to lesser nomination of Gas by the buyer. The Closing Stock of Crude Oil till the Delivery Point has not been considered in view of the contractual arrangement that it remains the property of the State until the Delivery Point.

(ii) The Consortium had acquired the Early Production Facility (EPF) under a contract for lease for the basic term upto 15 September, 2006 in financial year 2005-06 with an option for renewal. The Contract also provided an option to the Consortium to purchase the EPF by provision of 45 days written notice at the price and in accordance with the provisions of the contract. Further the title and risk of damage to the EPF shall pass to the Consortium upon payment of the purchase price. Under the circumstances, the Company had recognised the lease as an asset for an amount of Rs 428.13 Million and a liability at an amount equal to the present value of minimum lease payment and purchase price during the previous financial year. The EPF has been purchased by the Consortium during the year.

(iii) During the financial year 2005-06, the Company had made provision for the Company's share amounting to USD 7.10 million (Rs 317.09 Million) in respect of past costs reimbursable to a consortium partner recoverable from the hydrocarbons after the development investments have been fully recovered. Since the obligation to pay arises in future out of the future production, the same has been written back during the year.

(iv) The amount of Rs 7,403.75 Million representing Capital Work-in Progress (Schedule-7) in respect of Sakhalin-1, Russia Project would be capitalised to fixed assets and producing properties after completion of Chayvo Phase-1 of the project. Pending capitalization due to non-availability of break up of the amount from the operator, the same has been shown under Capital Work-in Progress.

7. **Block 5A and Block 5B, Sudan:**

Sales of Crude Oil commenced during the year in respect of Block 5A, Sudan Project. During the current year, receipts on account of Crude Oil Sales (including receivables) were Rs 2,230.99 Million (Previous year Rs nil). Sales include the amount adjusted in kind by the transporter on account of transportation charges, which has been accounted as transportation charges. However, the Sales exclude the quality adjustment carried out by the transporter amongst the joint shippers by way of quantity adjustments. Pending finalization of the transportation agreement with the transporters, the adjustments in respect of transport charges and quality have been carried out based upon the invoices of the transporter.

The Company carries the share of investment of Sudapet, a company owned by the Government of Sudan, for its 3.375% share in Block 5A and 3.72% in Block 5B till the commencement of first commercial production. The carried amounts are repayable without interest out of the production share of Sudapet as per the terms of the Exploration and Production Sharing Agreement (EPSA). Currently, Block 5A is under production and development and due to certainty of the recovery, the net carried amount of USD 24.93 Million equivalent to Rs. 1,083.89 Million (Previous year Rs. 912.96 Million) has been shown as a loan. However, since Block 5B is under exploration, additional provision for the amount carried during the year of USD 1.27 Million equivalent to Rs. 56.92 Million (Previous year Rs. 8.41 Million) including revaluation has been made during the year making the aggregate provision of Rs. 78.27 Million (Previous Year Rs. 21.35 Million), equal to the carried amount as on date.

8. Farsi Block, Iran:

In respect of Farsi Block, Iran, the Company in consortium with other partners has entered into an Exploration Service Contract (ESC) with National Iranian Oil Company (NIOC). In pursuance to the committed work program, the Company drilled exploratory wells in the Block during the year. Although the Company has encountered hydrocarbons, a provision has been made in respect of the expenditure incurred on exploratory wells (Rs. 1,287.30 Million) pending declaration of commerciality and award of development service contract by NIOC.

9. AFPC, Syria:

During the year, the Company accepted the transfer of AFPC, Syria Project from Oil and Natural Gas Corporation Limited (ONGC) with effect the economic date of its acquisition by ONGC i.e. 1st July, 2005. The structuring of the advance for shares / loans with ONGBV and OMEL has since been agreed. However, the formal agreements amongst the shareholders are yet to be finalised and executed. Pending execution of requisite agreements, obtaining required approvals and issuance of shares by ONGBV and OMEL, the investments made by ONGC for the acquisition of the project by way of advance for shares / loans to ONGC Nile Ganga BV (ONGBV) and ONGC Mittal Energy Limited (OMEL) amounting to Rs. 9,799.69 Million were accepted by the Company as loans from ONGC and the advances to ONGBV and OMEL (net of repayments by ONGBV and OMEL) have been shown as advance for shares in accordance with the understanding reached between the relevant parties.

10. Details of Reserves:

(a) Company's share of Proved Reserves in respect of different projects as on 31st March, 2007 is as under:

Project	Details	Crude Oil* (Million Tonne)	Gas (Billion Cubic Meter)	Total Oil Equivalent** (Million Tonne)
Block 06.1, Vietnam	Opening	0.683	16.450	17.133
	Addition	-	-	-
	Deductions	-	-	-
	Production	0.030	1.842	1.872
	Closing	0.653	14.608	15.261
Sakhalin-1, Russia	Opening	61.222	96.917	158.139
	Addition	-	-	-
	Deductions	6.751	12.558	19.309
	Production	0.955	0.306	1.261
	Closing	53.516	84.053	137.569
Block 5A, Sudan	Opening	5.180	-	5.180
	Addition	-	-	-
	Deductions	-	-	-
	Production	0.270	-	0.270
	Closing	4.910	-	4.910

* Crude Oil includes Condensate.

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

(b) Company's share of Proved and Developed Reserves in respect of different projects as on 31st March, 2007 is as under:

Project	Details	Crude Oil* (Million Tonne)	Gas (Billion Cubic Meter)	Total Oil Equivalent** (Million Tonne)
Block 06.1, Vietnam	Opening	0.676	12.895	13.571
	Addition	-	-	-
	Deductions	-	-	-
	Production	0.030	1.842	1.872
	Closing	0.646	11.053	11.699
Sakhalin-1, Russia	Opening	1.422	0.557	1.979
	Addition	7.534	2.286	9.820
	Deductions	-	-	-
	Production	0.955	0.306	1.261
	Closing	8.001	2.537	10.538
Block 5A, Sudan	Opening	-	-	-
	Addition	4.580	-	4.580
	Deductions	-	-	-
	Production	0.270	-	0.270
	Closing	4.310	-	4.310

* Crude Oil includes Condensate.

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

The consultant engaged by the Company in financial year 2004-05 had suggested net downward revision of Oil Equivalent Reserves to the extent of 1.99 Million Tonne (comprising reduction of 0.42 Million Tonnes condensate and 3.71 Billion Cubic Meters gas in Proved Reserves, increase of 0.06 Million Tonnes condensate and 1.10 BCM gas in Probable Reserves and 0.17 Million Tonnes condensate and 0.81 Billion Cubic Meters gas in Possible Reserves) in respect of Block 06.1, Vietnam Project. The reduction in Proved and Developed Oil Equivalent Reserves suggested by the Consultant was 2.99 Million Tonnes comprising 0.42 Million Tonnes of Condensate and 2.57 Billion Cubic Meters of gas. The revision was not accepted by the Operator. The Operator is carrying out separate Reserve assessment based on pressure/ production studies. Appropriate adjustments, if any, will be made on receipt of Operator's assessment.

The Reserves in respect of Sakhalin-1, Russia Project based on the Declaration of Commerciality accepted by Consortium members and approved by Russian authorities have been revised downwards during the year in respect of Chayvo field by 19.309 Million Tonne (i.e. 6.751 Million Tonne of Crude Oil and 12.558 Billion Cubic Meter of gas) deleting the reserves beyond the license area as the proposal submitted by the Operator for extension of the area to cover the entire field has not been agreed by the regulatory authority and for accounting the suggestions of the regulatory body regarding changes in parameters for making the firm development plan.

The consultant engaged by the Company during financial year 2004-05 had suggested downward revision of total hydrocarbon volume (Proved plus Probable plus Possible Reserves plus Contingent Resources) by 3.13 Million Tonne of Oil Equivalent comprising increase in ultimate recoverable volume of oil by 5.17 Million Tonne and decrease in ultimate recoverable volume of gas by 8.30 Billion Cubic Meter.

The consultant had placed Chayvo Phase-1 reserves only in Proved category i.e. 11.0 Million Tonne of oil and 11.4 Billion Cubic Meter of gas because in his view, for other phases/fields, firm export contract and approval for export pipeline does not exist at present. The Consortium is, however, confident of making tie-ups for gas, get approval for pipeline and has initiated efforts towards that. Further, the development plan in respect of the entire Proved Reserves shown above has already been approved by the Russian authorities. For these reasons, the Company has not accepted the consultant's categorization.

11. Segment information:

(Rupees in million)

Particulars	Asia		FSU Countries		Latin America		Africa		Unallocated		Grand Total	
	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
REVENUE												
External sales	**9,332.93**	7,756.97	**17,071.02**	2,015.44	**0.00**	NA	**2,230.99**	2,173.53	**0.00**	0.00	**28,634.94**	11,945.94
Inter Segment sales	**0.00**	0.00	**0.00**	0.00	**0.00**	NA	**0.00**	0.00	**0.00**	0.00	**0.00**	0.00
Total Revenue	**9,332.93**	7,756.97	**17,071.02**	2,015.44	**0.00**	NA	**2,230.99**	2,173.53	**0.00**	0.00	**28,634.94**	11,945.94
Results						NA						
Segment results	**5,203.56**	4,039.71	**7,933.59**	(1,123.90)	**0.00**	NA	**(441.18)**	(425.90)	**0.00**	0.00	**12,695.97**	2,489.91
Unallocated corporate Expenses (Net)	**0.00**	0.00	**0.00**	0.00	**0.00**	NA	**0.00**	0.00	**905.71**	2,833.05	**905.71**	2,833.05
Operating profit or (Loss)	**5,203.56**	4,039.71	**7,933.59**	(1,123.90)	**0.00**	NA	**(441.18)**	(425.90)	**(905.71)**	(2,833.05)	**11,790.26**	(343.14)
Interest expenses	**0.00**	0.00	**0.00**	3.80	**0.00**	NA	**0.00**	0.00	**145.50**	5.09	**145.50**	8.89
Interest and other income	**8.01**	6.97	**118.35**	34.34	**0.00**	NA	**441.88**	273.84	**2,192.06**	8,582.20	**2,760.30**	8,897.35
Income & other Tax	**0.00**	0.00	**0.00**	0.00	**0.00**	NA	**0.00**	0.00	**3,879.54**	2,050.82	**3,879.54**	2,050.82
Profit / (loss) from ordinary activities	**5,211.57**	4,046.68	**8,051.94**	(1,093.36)	**0.00**	NA	**0.70**	(152.06)	**(2,738.69)**	3,693.24	**10,525.52**	6,494.50
Extraordinary losses	**0.00**	0.00	**0.00**	0.00	**0.00**	NA	**0.00**	0.00	**0.00**	0.00	**0.00**	0.00
Net profit / (Loss)	**5,211.57**	4,046.68	**8,051.94**	(1,093.36)	**0.00**	NA	**0.70**	(152.06)	**(2,738.69)**	3,693.24	**10,525.52**	6,494.50
Other Information						NA						
Segment Assets	**11,123.35**	8,890.08	**83,357.72**	71,901.29	**401.42**	NA	**20,318.80**	17,403.42	**0.00**	0.00	**115,201.29**	98,194.79
Unallocated Corporate Assets	**0.00**	0.00	**0.00**	0.00	**0.00**	NA	**0.00**	0.00	**66,574.07**	86,446.43	**66,574.07**	86,446.43
Total Assets	**11,123.35**	8,890.08	**83,357.72**	71,901.29	**401.42**	NA	**20,318.80**	17,403.42	**66,574.07**	86,446.43	**181,775.36**	184,641.22
Segment Liabilities	**1,328.92**	798.91	**9,343.97**	6,994.74	**4.16**	NA	**2,974.45**	2,340.17	**0.00**	0.00	**13,651.50**	10,133.82
Unallocated Corporate Liabilities	**0.00**	0.00	**0.00**	0.00	**0.00**	NA	**0.00**	0.00	**136,130.43**	160,409.17	**136,130.43**	160,409.17
Total	**1,328.92**	798.91	**9,343.97**	6,994.74	**4.15**	NA	**2,974.45**	2,340.17	**136,130.43**	160,409.17	**149,781.93**	170,542.99
Capital Expenditure	**4,060.78**	417.34	**14,596.87**	22,513.84	**401.26**	NA	**2,784.14**	2,780.62	**19,420.09**	1.42	**41,263.14**	25,713.22
Recouped cost	**1,600.63**	770.80	**5,157.41**	1,037.20	**320.80**	NA	**2,254.10**	0.00	**1,197.44**	3,097.63	**10,530.38**	4,905.63
Non cash Exp.	**0.00**	0.00	**0.00**	0.00	**0.00**	NA	**0.00**	0.00	**0.00**	0.00	**0.00**	0.00

Information about Secondary Business Segments (Product-wise):

(Rupees in million)

Revenue from	2006-07	2005-06
Crude Oil* and Natural Gas	28,634.94	9,772.41
Construction Contracts	-	2,173.53
Lease Financing Income	435.14	271.25

*Crude Oil includes Condensate.

Notes:

(i) Segments have been identified and reported taking into account, the organization and management structure for internal reporting and significantly different risk and return perception in different geographical regions. These have been re-organized into five segments viz. Asia, FSU Countries, Latin America, Africa and Unallocated. Australia, which had been recognised as a separate segment until last year is included in the Unallocated segment in view of the nil activity during the year.

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

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

12. **Taxation:**

(a) Deferred Tax Provision:

(i) The Net Deferred Tax Liability of the Company as at 31st March, 2007 is Rs. 6,702.86 Million (Previous year Rs. 4,391.42 Million). The difference of Rs. 2,311.43 Million has been charged to the current year's Profit and Loss Account.

(ii) The item wise details of Net Deferred Tax Liability as on 31st March, 2007 accounted for in accordance with Accounting Standard (AS) 22 viz. Accounting for Taxes on Income are as under:

(Rupees in million)

	As at 31st March, 2007	As at 31st March, 2006
Deferred Tax Assets :		
Carried Forward Expenditure U/S 42 of Income Tax Act, 1961	**5,671.76**	4,551.36
Carried Forward Fee U/S 35 D of Income Tax Act, 1961	**0.00**	0.24
Amount disallowable U/S 43B of Income Tax Act, 1961	**19.39**	13.87
Total Deferred Tax Assets	**5,691.15**	4,565.47
Deferred Tax Liability :		
Difference in Net Block of Fixed Assets for Tax	**12,394.01**	8,956.89
Total Deferred Tax Liability	**12,394.01**	8,956.89
Net Deferred Tax Liability	**6,702.86**	4,391.42

In the financial statements provided by the operator of Sakhalin-1, Russia Project, an amount of USD 63.45 Million (equivalent to Rs. 2,758.17 Million) has been indicated as Deferred Tax Liability based upon the losses carried forward and differences in book value and tax value of assets and liabilities under Russian tax laws. The tax rates in Russia are lower than the tax rates in India, the Deferred Tax Liability as indicated in the Operator's financial statements has not been recognised.

(b) Current Tax provision:

The provision for tax has been made for Rs. 1,568.06 Million (Previous year Rs. 556.53 Million) after considering the deemed tax paid of Rs 988.57 Million (Previous year Rs. 873.63 Million) in respect of Block 06.1, Vietnam Project under the double taxation avoidance agreement between India and Vietnam. The provision includes Rs. 13.55 Million on account of wealth tax for the year in respect of leasehold land for which the assessing officer had sought details regarding applicability of the wealth tax thereon. The Company has denied the applicability of the wealth tax on the leasehold land based upon the advices received.

(c) Tax Assessment:

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

(ii) The Company has filed three appeals with CIT (Appeals) against the disallowance of depreciation on acquisition costs of the projects and other expenses amounting to Rs. 3,958.54 Million, Rs. 3,006.17 Million and Rs. 3,470.29 Million in respect of assessment years 2002-03, 2003-04 and 2004-05 respectively. Since the payment of tax by the Company was under the provisions of Income tax Act, 1961 relating to Minimum Alternative Tax during the relevant years and there were adjustable carried forward losses, there is no tax demand on account of the disallowance on this account.

13. **Loans and Advances to Employees:**

Loans and advances to employees include an amount of Rs. 0.98 Million (Previous Year Rs. 0.58 Million) outstanding from whole time Directors, Maximum outstanding during the year is Rs .1.02 Million (Previous Year Rs. 0.65 Million).

14. Write-off of Loans:

During the financial year 2005-06, the Company had created provision for loans considered doubtful for an amount of Rs. 372.16 Million, being the amount of loan due from a Public Sector Company, which had disputed the liability. The Company has written off the loan during the year utilizing the provision made last year.

15. Capital Commitments:

(i) The Company either on its own or in consortium with other partners carries on its business in respect of exploration, development and production of hydrocarbons under agreements with the host governments. Several of these agreements provide for certain minimum work obligations/ certain minimum financial commitments over a period of time. The Company's share of such obligations/ commitments in respect of agreements where such obligations / commitments have not been completed as of the reporting date amounted to USD 238.07 Million equivalent to Rs. 10,348.92 Million (Previous year USD 89.75 Million equivalent to Rs. 4,008.42 Million). The actual expenditure incurred by the Company against these obligations/ commitments, which have some outstanding till 31st March, 2007 is Rs. 1,004.83 Million (Previous year Rs. 1,499.29 Million). The Company is confident of meeting the obligations/ commitments.

(ii) Other Capital Commitments based upon the details provided by the operators: Rs. 265.43 Million (Previous year nil). All known capital commitments have been indicated except Capital commitments in respect of Sakhalin -1, Russia Project and Block 5A, Sudan projects where such commitments are not ascertainable due to non-availability of details from the operators.

16. Contingent Liabilities:

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

(ii) Claims not acknowledged as debt: Rs. 454.57 Million (Previous Year Rs. 467.03 Million) (Refer note 5 above)

(iii) The Company has executed a guarantee for an amount of USD 4.20 Million equivalent to Rs. 182.57 Million (Previous year nil) in favour of Joint Development Authority in respect of Block 2, Joint Development Zone, Nigeria / Sao Tome & Principe on behalf of its wholly owned subsidiary ONGC Narmada Limited in respect of Minimum Financial Commitments during the Phase I Exploration Period under the Production Sharing Contract for its Participating Interest. The balance outstanding as on 31st March, 2007 is Rs. 182.57 Million. The Company is confident that ONGC Narmada Limited will be able to honour its obligations and the guarantee may not be resorted to by the beneficiary. In view of this, the question of reimbursement does not arise.

(iv) All known contingent liabilities have been indicated. The contingent liabilities, if any, in respect of joint ventures, where the Company is the non-operator, are not ascertainable.

17. (i) Details of Production, Transportation, Selling and Distribution Expenditure (Schedule 19), and Provisions & Write Off (Net) (Schedule 22):

(Rupees in million)

Particulars		2006-07	2005-06
(i)	(a) Salaries, Wages, Ex-gratia, etc.	**471.19**	333.60
	(b) Contribution to Provident and other Funds	**7.64**	4.61
	(c) Provision for Gratuity	**7.19**	4.73
	(d) Provision for Leave Encashment	**15.57**	8.69
	(e) Provision for Medical/Terminal Benefits	**3.99**	0.00
	(f) Staff Welfare Expenses	**46.25**	21.08
	Sub-Total	**551.83**	**372.71**
(ii)	Rent	**22.96**	17.30
(iii)	Electricity, Water and Power	**5.72**	2.80
(iv)	Repairs to Building	**2.78**	1.26
(v)	Repairs to Plant and Machinery	**(14.34)**	73.44

(Rupees in million)

(vi)	Other Repairs	1.64	3.76
(vii)	Hire Charges of Vehicles	4.26	4.30
(viii)	Professional Charges	604.58	62.75
(ix)	Telephone and Telex	11.42	7.99
(x)	Printing and Stationary	1.60	3.94
(xi)	Training and Seminar	2.95	3.06
(xii)	Business Meeting Expenses	8.61	5.22
(xiii)	Traveling Expenses	156.98	66.35
(xiv)	Pipeline Construction Cost	0.00	2,699.29
(xv)	Insurance	155.25	49.79
(xvi)	Advertisement and Exhibition Expenditure	16.39	15.11
(xvii)	Statutory Levies	1,378.74	936.48
(xviii)	Contractual Transportation	2,662.86	1,825.35
(xix)	Miscellaneous Expenditure	101.20	57.69
(xx)	Other Operating Expenditure	2,006.55	807.97
(xxi)	Provisions for doubtful debts	56.92	380.57
(xxii)	Other Write offs	1,293.30	(1.17)
(xxiii)	Royalty	1,356.87	141.29
	Total	**10,389.07**	**7,537.25**

(ii) The operating expenditure (no. (xx) above) includes the expenses in respect of Sakhalin-1, Russia project, where the above details are not made available by the Operator.

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

(i) Turnover:

Revenue from	Unit	2006-07		2005-06	
		Quantity	Value (Rupees in million)	Quantity	Value (Rupees in million)
Crude Oil * @	Tonne	986,708	20,630.63	220,352	3,265.03
Gas*	000 M^3	1,418,769	8,004.31	1,238,638	6,507.38
Construction Contracts	N.A.	N.A.	NIL	N.A.	2,173.53
Lease Finance	N.A.	N.A.	435.14	N.A.	271.25

*Company's entitlement based on actual delivery. In respect of Block 06.1, Vietnam Project, entitlements are reconciled on calendar year basis. Therefore, the entitlements from January to March 2007 are included based upon the estimate provided by the Operator.

@Crude Oil includes Condensate.

(ii) Opening and Closing Stock of Goods Produced:

	As at 31st March, 2007		As at 31st March, 2006	
	Quantity (Tonne)	Value (Rupees in million)	Quantity (Tonne)	Value (Rupees in million)
Crude Oil @				
Opening Stock	8,640	33.63	5,221	19.20
Closing Stock*	70,222	410.19	8,640	33.63

@Crude Oil includes Condensate

*includes the Underlift quantity of Crude Oil

(III) Licensed Capacity, Installed Capacity and Actual Production

Revenue from	Unit	2006-07		2005-06	
		Installed Capacity	Actual Production	Quantity Capacity	Actual Production
Gas*	000 M^3	**Not applicable**	**2,147,253**	Not applicable	1,755,037
Crude Oil * @	Tonne	**Not applicable**	**1,255,508**	Not applicable	214,075

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

19. Expenditure in Foreign Exchange:

(Rupees in million)

	2006-07	2005-06
Import	**Nil**	Nil
Professional and Consultation Fee	**494.28**	344.17
Interest	**Nil**	Nil
Others	**95,110.94**	33,704.14

20. Earnings in Foreign Exchange:

(Rupees in million)

	2006-07	2005-06
Export/ Sales (incl. advance received/ adjusted)	**23,356.70**	11,859.95
Royalty/Technical know-how	**Nil**	Nil
Interest	**72.28**	2,917.99
Dividend	**Nil**	5,112.09
Others	**68,899.29**	480.67

21. Managerial Remuneration:

(Rupees in million)

	2006-07	2005-06
Salary and Allowances	**1.89**	1.24
Contribution to Provident Fund	**0.19**	0.12
Other Benefits and Perquisites*	**0.30**	0.13
Total	**2.38**	**1.49**

* excludes provision by the holding company

Notes:

a) In addition, Whole-time Directors are also allowed the use of Company car for private purposes up to 1000 Km/per month on payment of Rs. 520 per month for air-conditioned cars below 16 H.P.

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

22. Auditors' Remuneration:

(Rupees in million)

	2006-07	2005-06
Audit Fee	0.67***	0.50*@
Tax Audit Fee	-	0.03**
Certification Fee	0.02	-
Total	**0.69**	**0.53**

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

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

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

***includes Rs. 0.17 Million for half yearly audit for 2006-07.

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

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

(Rupees in million)

	Subsidiaries	Joint ventures	Key Managerial personnel	Total 2006-07	Total 2005-06
Income from rendering services	269.52	117.54	-	387.06	661.23
Expenses on receiving services	-	-	-	-	23.71
Interest Income	36.26	20.00	-	56.26	20.20
Loans Given	749.07	-	-	749.07	-
Remuneration	-	-	2.38	2.38	1.49
Capital Contribution*@	25,297.27	2,536.74	-	27,834.01	460.47

* includes advance given for shares to be allotted.

@ includes advance for shares given by ONGC last year and transferred to the Company during the current year consequent to the transfer of project to the Company (Refer Note 9 above)

Note:

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

Subsidiaries	ONGC Nile Ganga BV, Netherlands
	ONGC Narmada Limited, Nigeria
	ONGC Amazon Alkananda Limited, Bermuda
	ONGC Campos Holdings Ltda.
	ONGC Do Brasil Explorancao Petrolifera Ltda.
Joint Ventures	Block 06.1 Project, Vietnam
	Sakhalin-1 Project, Russia
	Block 5A Project, Sudan
	Block A-1 Project, Myanmar
	Block A-3 Project, Myanmar
	Farsi Block Project, Iran
	Block 6 North Ramadan Project, Egypt
	Block NC-188 & NC-189 Project, Libya
	Block XXIV Project, Syria
	Block 5B Project, Sudan
	Block CI-112 Project, Cote D' Ivoire
	Block 25-29, 35 (Part) & 36 (Part), Cuba

	Khartoum - Port Sudan Pipeline Project, Sudan
	ONGC Mittal Energy Limited, Cyprus
Key Management personnel	Shri R. S. Butola, Managing Director
	Shri D. K. Sarraf, Director (Finance)
	Shri A. Mathur, Director (Commercial)
	Shri J. Thomas, Director (Exploration)

25. Previous year figures have been re-grouped/re-arranged and nomenclature re-named wherever necessary to make them comparable with current year classification.

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

As per our report of even date attached
For BATRA SAPRA & COMPANY
Chartered Accountants

New Delhi
21st June, 2007

(K. S. KAMATH)
Partner (M. No.44492)

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

(Rupees in million)

		Year Ended 31st March, 2007		Year Ended 31st March, 2006
A. CASH FLOW FROM OPERATING ACTIVITIES:				
Net profit before tax and prior period items		12,736.77		9,668.48
Adjustments For:				
- Recouped Costs (Represented by Depreciation, Depletion and Amortisation)	10,530.38		4,905.63	
Less : Cash Outflows	3,506.29		3,065.64	
	7,024.09		1,839.99	
- Interest on Borrowings	145.50		8.89	
- Provision for Gratuity	5.42		3.66	
- Provision for Leave Encashment	11.27		5.22	
- Provision for Terminal Benefits	3.99		0.00	
- Provision for Doubtful Debt	56.92		380.57	
- Exchange (Gain)/Loss on Carry Finance	0.00		(843.17)	
- Dividend from Subsidiary	0.00		(5,112.09)	
- Foreign Exchange Translation Reserve	383.09		0.00	
- Interest Income	(1,838.78)	5,791.50	(2,944.35)	(6,661.28)
Operating Profit before Working Capital Changes		18,528.27		3,007.20
Adjustments for:-				
- Debtors	(3,581.35)		(1,007.62)	
- Loans and Advances	1,541.36		(841.45)	
- Inventories	(1,286.40)		(301.78)	
- Trade Payable and Other Liabilities	(1,030.26)	(4,356.65)	1,105.89	(1,044.96)
Cash generated from Operations		14,171.62		1,962.24
Direct Taxes Paid		(3,712.45)		(1,008.27)
Cash Flow before Prior period items		10,459.17		953.97
Prior period Items		314.60		(709.08)
Net Cash Flow from Operating Activities 'A'		10,773.77		244.89
B. CASH FLOW FROM INVESTING ACTIVITIES:				
Purchase of Fixed Assets (Net)		(45,038.28)		(7,262.75)
Expenditure on Projects		26,849.46		(16,768.76)
Investment in Subsidiaries/JV		(21,258.33)		(0.05)
Loan/Advance to Subsidiaries		(7,835.58)		(537.61)
Advance to SMNG-S, RN ASTRA & Sudapet		55,669.41		(20,531.41)
Dividend Received		0.00		4,600.88
Interest Received		342.86		123.01
Net Cash Flow from Investing Activities 'B'		8,729.54		(40,376.69)
C. CASH FLOW FROM FINANCING ACTIVITIES:				
Proceeds from Issue of Share Capital		7,000.00		0.00
Net Long Term Borrowings from ONGC		(23,827.93)		39,300.57
Repayment of Long Term Borrowings from OIDB		(61.25)		(95.87)
Cash Credit		(44.18)		44.18
Dividend paid		0.00		(1,050.00)
Tax on Dividend		0.00		(147.26)
Interest Paid		(145.50)		(8.89)
Net Cash Flow from Financing Activities 'C'		(17,078.86)		38,042.73
Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)		2,424.45		(2,089.07)
Cash and Cash Equivalents as at 1st April, 2006 (Opening Balance)		1,642.47		3,731.54
Cash and Cash Equivalents as at 31st March, 2007 (Closing Balance)		4,066.92		1,642.47

Notes:

1. The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard-3 on Cash Flow Statements issued by The Institute of Chartered Accountants of India.
2. Bracket indicates cash outflow.
3. Previous year figures have been regrouped wherever necessary to confirm the current year's classification.
4. Adjustment have not been made to purchase of fixed assets etc. (investing activities), on account of increase / decrease in Capital Creditors. The impact of the above is not readily ascertainable.

(Jagdish Prasad)
Company Secretary

(D. K. Sarraf)
Director (Finance)

(R. S. Butola)
Managing Director

(R. S. Sharma)
Chairman

As per our report of even date attached
For BATRA SAPRA & COMPANY
Chartered Accountants

New Delhi
21st June, 2007

(K. S. KAMATH)
Partner (M. No.44492)

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS

Registration No.	55-04343	State Code	55
Balance Sheet Date	31.03.2007		

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

Public Issue	Right Issue
NIL	7000000
Bonus Issue	**Private Placement**
NIL	NIL

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

	Total Liabilities	Total Assets
	175547395	175547395
Source of Funds	Paid -up Capital	Reserves & Surplus
	10000000	21993471
	Secured Loans	Unsecured Loans
	NIL	132347576
	Deferred Tax Liability	Provision for Abandonment Cost
	6702856	4503492
Application of Funds	Net Fixed Assets (including Producing Properties, Development & Exploratory Wells in progress and Capital Work in Progress)	Investments
	97461493	51149399
	Net Current Assets	Misc. Expenditure
	26936503	NIL
	Accumulated Losses	
	NIL	

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

Turnover (Gross Revenue)	Total Expenditure
31791812	17386757
Profit/(Loss) Before Tax	Profit/(Loss) After Tax
14405055	10525555
Earning per Share (of Rs.100 each) in Rs.	Dividend Rate %
142.03	NIL

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

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

(Jagdish Prasad)
Company Secretary

(D. K. Sarraf)
Director (Finance)

(R. S. Butola)
Managing Director

(R. S. Sharma)
Chairman

New Delhi
21st June, 2007

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

Name of the Subsidiary Company	ONGC Nile Ganga BV	ONGC Campos Ltda.	ONGC Do Brasil Exploracao Petrolifera Ltda.	ONGC Narmada Limited	ONGC Amazon Alaknanda Limited
1. The Financial Year of the Subsidiary Company ends on	31st December, 2006	31st December, 2007	31st December, 2006	31st March, 2007	31st March, 2007
2. Date from which it became Subsidiary Company	12th March, 2003	16th March, 2007	7th July, 2006	7th December, 2005	8th August, 2006
3. a) Number of shares held by ONGC Videsh Ltd. in the Subsidiary at the end of the financial year of the Subsidiary Company	40 Class "A" & 100 Class "B" shares of Euro 453.78 each	179,038,360 quotas of BRL 1 each	1000 quotas of BRL 1 each	20 million shares of one Naira each	12,000 Equity & 437,488,000 Preference shares of one USD each
b) Extent of interest of Holding Company at the end of the financial year of the Subsidiary Company	100%	100%	100%	100%	100%
4. The net aggregate amount of the Subsidiary Company's Profit/(Loss) so far it concerns the members of the Holding Company:					
a) Not dealt within the Holding Company's accounts:					
i) For the period 1st April, 2006 to 31st March, 2007 (Rs. in million)*	6,561.92	(745.13)	-	(193.58)	649.02
ii) For the previous period (s) of the Subsidiary Company since it became the Holding Company's Subsidiary (Rs. in million):	14,064.90	-	-	-	-
b) Dealt within the Holding Company's accounts:					
i) For the period 1st April, 2006 to 31st March, 2007 (Rs. in million)*	-	-	-	-	-
ii) For the previous period (s) of the Subsidiary Company since it became the Holding Company's Subsidiary (Rs. in million):	14,098.77	-	-	-	-

*At the closing rate of exchange, there is a Foreign Exchange Translation Reserve of (Rs. 3,320.32 million), which has not been adjusted.

(Jagdish Prasad)
Company Secretary

(D. K. Sarraf)
Director (Finance)

(R. S. Butola)
Managing Director

(R. S. Sharma)
Chairman

New Delhi
21st June, 2007

• ONGC Videsh Limited • ONGC Nile Ganga BV • ONGC Narmada Limited • ONGC Amazon Alaknanda Limited
• ONGC Campos Ltda. • ONGC DO Exploracao Petrolifera Ltda. • ONGC Mittal Energy Limited

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

1. We have audited the attached Consolidated Balance sheet of **ONGC Videsh Limited** and its subsidiaries and joint venture as at 31st March,2007 ,the consolidated Profit and Loss Account and consolidated Cash Flow Statement for the year ended on that date. These Financial Statements are the responsibility of the ONGC Videsh Limited's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

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

3. We did not audit the financial statements of ONGC Nile Ganga BV, the subsidiary company, whose financial statements reflect total assets of Rs. 67,277.95 Million and total liability of Rs. 23,754.75 Million as at 31st March, 2007 and total revenues of Rs. 85,444.31 Million and total expenditure of Rs. 65,019.25 Million and Cash flow arising therefrom for the year ended on that date. The financial statements of the subsidiary have been audited under Dutch GAAP by other auditors, viz. Ernst & Young, Accountants, whose report has been furnished to us and our opinion, in so far it relates to the amounts included in respect of the subsidiary is based solely on the report of the other auditors.

4. We did not audit the financial statements of ONGC Mittal Energy Limited, the joint venture company, whose financial statements reflect total assets of Rs. 5,024.94 Million and total liability of Rs. 139.71 Million as at 31st March, 2007 and total revenues of Rs. 30.40 Million and total expenditure of Rs. 32.55 Million and Cash flow arising therefrom for the year ended on that date. The financial statements of the joint venture Company has been prepared as per International Financial Reporting Standard (IFRS) and Cyprus Companies Law and have been certified by the management whose certificate has been furnished to us and our opinion, in so far it relates to the amounts included in respect of the subsidiary is based solely on the certificate of the management.

5. We did not audit the financial statements of ONGC Narmada Limited, the subsidiary company, whose financial statements reflect total assets of Rs. 583.23 Million as 31st March, 2007 and total liability of Rs. 13.27 Million and total revenues of Rs. 4.06 Million and total expenditure of Rs. 197.65 Million and Cash flow arising therefrom for the year ended on that date. The financial statements of the subsidiary have been audited under Nigerian GAAP by the other auditors, viz, Ernst & Young Accountants, whose report has been furnished to us and our opinion, in so far it relates to the amounts included in respect of the subsidiary is based solely on the report of the other auditors.

6. We did not audit the financial statements of ONGC Amazon Alaknanda Limited, the subsidiary company, whose financial statements reflect total assets of Rs. 21,014 Million and total liability of Rs. 1,850.86 Million as at 31st March, 2007 and total revenues of Rs. 1,738.96 Million and total expenditure of Rs.1, 269.81 Million and Cash flow arising therefrom for the year ended on that date. The financial statements of the subsidiary have been audited under US GAAP by other auditors, viz. M/s BDO Audit AGE, S.A., Accountants, whose report has been furnished to us and our opinion, in so far it relates to the amounts included in respect of the subsidiary is based solely on the report of the other auditors.

7. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of the Accounting Standard (AS) 21, "Consolidated Financial Statements" and Accounting Standard (AS) 27, "Financial Reporting of Interest in Joint Ventures", issued by the Institute of Chartered Accountants of India., read with note 14(ii) of schedule 25.

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

9. **(a) The incorporation of Company's share of Assets, Liabilities and Expenses in the Joint Ventures is based on unaudited financial statements as provided by the respective operators of Joint Ventures, except in case of Farsi Block (Iran), Sudan Pipeline, Block A-1 (Myanmar), Block A-3 (Myanmar), Block 5A (Sudan) and Block 5B (Sudan) which are audited as per the respective joint operating agreements (Refer Note No. 9 of the Schedule-25).**

   (b) As reported by Auditors of ONGC Nile Ganga BV, Unaudited financial statements of ONGC Campos Ltd and its group companies included in the consolidated financial statements of ONGC Nile Ganga BV reflect total assets of Rs. 2,609.94 Million and total liability of Rs 1,237.98 Million and total expenditure of Rs 745.14 Million.

(c) The financial statements of ONGC Mittal Energy Limited (joint venture Company) which has been consolidated here are unaudited. (Please refer Para 4 above).

Subject to our comments in paragraph 9 (a), 9(b) and 9(c) above, we report that on the basis of information and explanation given to us and on the consideration of the separate audit reports on financial statements of the company and its subsidiaries, we are of the opinion that the attached consolidated Financial Statements read together with the notes in Schedule - 25 give a true and fair view:

a) In case of consolidated Balance sheet of the consolidated state of affairs of ONGC Videsh Limited and its subsidiaries and Joint Venture as at 31st March, 2007 and

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

c) In case of consolidated Cash Flow Statement of the consolidated Cash Flow of ONGC Videsh Limited and its subsidiaries and Joint Venture for the year ended on that date.

For BATRA SAPRA & COMPANY
Chartered Accountants

New Delhi
21st June, 2007

(K.S. Kamath)
Partner
M.No. 44492

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2007

(Rupees in million)

	Schedule		As at 31st March, 2007		As at 31st March, 2006
SOURCES OF FUNDS					
SHAREHOLDERS' FUNDS					
Share Capital	1	10,000.00		3,000.00	
Reserves and Surplus	2	33,735.65	43,735.65	18,977.47	21,977.47
MINORITY INTEREST			0.00		6,708.24
LOAN FUNDS	3				
Secured Loans		0.00		44.18	
Unsecured Loans		132,347.57	132,347.57	159,197.66	159,241.84
DEFERRED TAX LIABILITY (Refer Note 18 of Schedule 25)			9,781.21		6,634.78
LIABILITY FOR ABANDONMENT COST			4,503.49		2,518.82
TOTAL			190,367.92		197,081.15
APPLICATION OF FUNDS					
FIXED ASSETS	4				
Gross Block		73,823.43		28,012.96	
Less: Depreciation		23,048.71		10,765.88	
Net Block			50,774.72		17,247.08
PRODUCING PROPERTIES (NET)	5		56,056.26		36,805.76
DEVELOPMENT AND EXPLORATORY WELLS IN PROGRESS	6		12,241.78		10,711.02
CAPITAL WORK IN PROGRESS	7		14,148.78		43,746.20
GOODWILL		33,004.30		18,856.88	
Less: Goodwill Amotisation		5,318.41	27,685.89	4,684.72	14,172.16
CURRENT ASSETS, LOANS AND ADVANCES					
Interest Accrued	8	99.57		694.33	
Inventories	9	3,648.90		2,163.22	
Sundry Debtors	10	11,202.97		3,943.55	
Cash and Bank Balances	11	12,125.22		2,563.37	
Loans and Advances	12	21,206.73		76,889.45	
		48,283.39		86,253.92	
LESS: CURRENT LIABILITIES AND PROVISIONS					
Current Liabilities	13	18,735.12		11,817.67	
Provisions	14	110.00		37.32	
		18,845.12		11,854.99	
NET CURRENT ASSETS			29,438.27		74,398.93
DEFERRED COLOMBIAN TAXES			22.22		0.00
TOTAL			190,367.92		197,081.15
STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES	24				
NOTES TO THE ACCOUNTS	25				
Schedules referred to above form an integral part of the Accounts					

(Jagdish Prasad)
Company Secretary

(D. K. Sarraf)
Director (Finance)

(R. S. Butola)
Managing Director

(R. S. Sharma)
Chairman

As per our report of even date attached
For BATRA SAPRA & COMPANY
Chartered Accountants

New Delhi
21st June, 2007

(K. S. KAMATH)
Partner (M. No.44492)

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

(Rupees in million)

	Schedule	2006-07	2005-06
INCOME			
Sales	15	115,539.95	77,921.87
Other Income	16	3,073.03	3,770.99
Increase/(Decrease) in Stocks	17	396.57	14.42
		119,009.55	81,707.28
EXPENDITURE			
Production, Transportation, Selling and Distribution Expenditure	18	65,039.50	49,951.88
Depreciation, Depletion and Amortisation	19	21,335.02	11,204.13
Financing Costs	20	(2,209.59)	(965.25)
Provisions and Write-Offs (Net)	21	1,409.37	394.17
		85,574.30	60,584.93
PROFIT BEFORE TAX AND PRIOR PERIOD ADJUSTMENTS		33,435.25	21,122.35
Adjustments relating to Prior Period (Net)	22	4,167.28	4,185.34
Provision for Taxation			
Current Year Tax		9,830.25	5,975.16
Deferred Tax		2,776.21	2,347.79
Fringe Benefit Tax		15.09	8.40
Wealth Tax		13.55	13.55
Earlier Years Tax		0.00	(110.73)
PROFIT AFTER TAXATION		16,632.87	8,702.84
LESS : Share of Profit / (Loss) - MINORITY INTEREST		0.00	(309.12)
GROUP PROFIT AFTER TAX		16,632.87	9,011.96
Add: Profit brought forward from last year		19,234.65	10,872.14
Balance Available for Appropriation		35,867.52	19,884.10
Transfer to General Reserve		1,052.55	649.45
Balance Carried to Balance Sheet		34,814.97	19,234.65
		35,867.52	19,884.10
STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES	24		
NOTES TO THE ACCOUNTS	25		

Schedules referred to above form an integral part of the Accounts

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

As per our report of even date attached
For BATRA SAPRA & COMPANY
Chartered Accountants

New Delhi
21st June, 2007

(K. S. KAMATH)
Partner (M. No.44492)

SCHEDULE-1

(Rupees in million)

	As at 31st March, 2007	As at 31st March, 2006
SHARE CAPITAL		
Authorised		
100,000,000 (Previous year 50,000,000) Equity Shares of Rs.100 each	10,000.00	5,000.00
Issued, Subscribed, Called and Paid Up	10,000.00	3,000.00
100,000,000 (Previous year 30,000,000) Equity Shares of Rs.100 each fully paid up in cash (The entire share capital is held by Oil and Natural Gas Corporation Limited and its nominees)		
TOTAL	10,000.00	3,000.00

SCHEDULE-2

(Rupees in million)

		As at 31st March, 2007		As at 31st March, 2006
RESERVES AND SURPLUS				
Capital Reserve		174.08		174.08
General Reserve				
Opening balance	1,781.95		1,132.50	
Less: Adjustment for Employess Benefits	13.42		0.00	
Add:Transfer from Profit and Loss Account	1,052.55	2,821.08	649.45	1,781.95
Foreign Exchange Translation Reserve		(3,320.32)		(2,213.21)
Profit and Loss Account				
Opening Balance	19,234.65		10,872.14	
Adjustment	(754.16)		0.00	
Add: Addition during the year	15,580.32	34,060.81	8,362.51	19,234.65
TOTAL		33,735.65		18,977.47

SCHEDULE-3

(Rupees in million)

	As at 31st March, 2007	As at 31st March, 2006
LOANS		
SECURED LOANS		
Overdraft from Bank	0.00	44.18
(Secured by Fixed Deposits with Bank)		
UNSECURED LOANS		
Long Term Loans		
Indian Rupee Loans	0.00	0.00
From Oil Industry Development Board	0.00	61.25
(Guaranteed by Oil and Natural Gas Corporation Limited)		
From Oil and Natural Gas Corporation Limited	130,941.59	157,617.69
Foreign Currency Loans		
Non- Recourse Deferred Credit	1,405.98	1,518.72
(In respect of Joint Venture)		
TOTAL	132,347.57	159,241.84
Repayable within one year	240.90	296.68

SCHEDULE-4

FIXED ASSETS

(Rupees in million)

PARTICULARS	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	As at 1st April, 2006	Additions during the year	Foreign Currency Translation Adjustment	Deletions/ Adjustments during the year	As at 31st March, 2007	Upt to 31st March, 2006	For the Year	Foreign Currency Translation Adjustment	Deletions / Adjustments during the year	Up to 31st March, 2007	As at 31st March, 2007	As at 31st March, 2006
Land (Leasehold)	1,354.16	0.00	0.00	-	1,354.16	0.00	0.00	0.00	0.00	0.00	1,354.16	1,354.16
Building	618.77	1,387.69	(37.97)	-	1,968.49	67.73	63.11	(42.80)	0.00	88.04	1,880.45	551.04
Plant & Machinery	25,296.18	40,354.80	(305.69)	(729.06)	66,074.35	10,385.00	5,828.49	(89.36)	(6,192.44)	22,316.57	43,757.78	14,911.18
Computers	162.91	36.21	36.49	(3.56)	239.17	97.83	28.49	46.39	(13.32)	186.03	53.14	65.08
Vehicles	282.52	66.03	(35.32)	(3.00)	316.23	119.10	46.58	(26.67)	(19.94)	158.95	157.28	163.42
Furniture & Fittings and Equipments	297.97	3,583.12	71.01	89.09	3,863.01	96.00	144.51	71.13	20.40	291.24	3,571.77	201.97
	28,012.51	45,427.85	(271.48)	(646.53)	73,815.41	10,765.66	6,111.18	(41.31)	(6,205.30)	23,040.83	50,774.58	17,246.84
Intangibles - Software	0.45	7.57	0.00	0.00	8.02	0.22	7.66	0.00	0.00	7.88	0.14	0.23
TOTAL	28,012.96	45,435.42	(271.48)	(646.53)	73,823.43	10,765.88	6,118.84	(41.31)	(6,205.30)	23,048.71	50,774.72	17,247.08
Previous year	20,340.02	7,441.43	243.79	12.28	28,012.96	8,326.76	2,362.57	82.58	6.03	10,765.88	17,247.08	12,013.26
The above includes the Company's Share in Joint Venture Assets	13,637.42	45,034.19	0.00	57.09	58,614.52	5,448.95	5,602.95	0.00	5.41	10,946.49	47,668.03	8,188.47
Previous year	6,390.08	7,258.92	0.00	11.58	13,637.42	4,056.87	1,397.52	0.00	5.44	5,448.95	8,188.47	2,333.21

SCHEDULE-5

(Rupees in million)

	As at 31st March, 2007	As at 31st March, 2006
PRODUCING PROPERTIES		
Gross Cost		
Opening Balance	52,013.58	26,355.30
Acquisition Cost	2,333.77	11,495.52
Expenditure during the year	21,106.94	7,640.83
Transfer from Development & Exploratory Wells-in-Progress	8,787.40	3,610.31
Estimated Abandonment Costs	1,984.67	2,518.82
Adjustment	(588.80)	0.00
Foreign Currency Translation Adjustment	(717.18)	392.80
Total Gross (A)	84,920.38	52,013.58
Less: Depletion		
Opening Balance	15,207.82	10,408.14
Depletion for the year	12,589.83	4,615.23
Adjustment	1,399.80	0.00
Foreign Currency Translation Adjustment	(333.33)	184.45
Total Depletion (B)	28,864.12	15,207.82
NET PRODUCING PROPERTIES (A - B)	56,056.26	36,805.76

SCHEDULE-6

(Rupees in million)

	As at 31st March, 2007	As at 31st March, 2006
DEVELOPMENT AND EXPLORATORY WELLS IN PROGRESS		
A. Development Wells in Progress		
Opening Balance	8,013.50	3,400.81
Addition during the year	5,758.65	3,710.07
Adjustments during the year	(2,989.98)	4,505.54
Less: Transfer to Producing Properties	7,482.17	3,610.31
Foreign Currency Translation Adjustment	(61.12)	7.39
Development Wells in Progress (A)	**3,238.88**	**8,013.50**
B. Exploratory Wells In Progress		
Opening Balance	2,697.52	3,129.37
Addition during the year	8,953.53	1,848.20
Adjustments during the year	(0.63)	(676.48)
Wells written back during the year	1,353.69	0.00
Less: Transfer to Producing Properties	1,305.23	0.00
Less: Wells written off during the year	1,402.40	1,639.37
Less: Provision for Wells drilled under Service Contract	1,287.30	0.00
Foreign Currency Translation Adjustment	(6.28)	35.80
Exploratory Wells In Progress (B)	**9,002.90**	**2,697.52**
DEVELOPMENT AND EXPLORATORY WELLS IN PROGRESS (A+B)	**12,241.78**	**10,711.02**

SCHEDULE-7

(Rupees in million)

	As at 31st March, 2007	As at 31st March, 2006
CAPITAL WORK IN PROGRESS		
Block 06.1, Vietnam	1,412.50	223.63
Block 127, Vietnam	92.54	0.00
Block 128, Vietnam	92.54	0.00
Sakhalin-1 Project, Russia	7,403.75	36,307.15
Block-XXIV, Syria	19.81	19.81
Block 5A, Sudan	0.00	5,294.38
Block 5B, Sudan	1,046.95	1,046.95
Block 6, North Ramadan, Egypt	31.76	31.76
Block A1, Myanmar	32.46	0.00
Block A3, Myanmar	38.88	24.56
Block 81/1, Libya	268.92	268.92
Najwat Najem Oil Structure, Qatar	327.75	327.75
Block 25, 26, 27, 28, 29, 36 and P35 (Part), Cuba	346.91	0.00
Block BC-10, Brazil	1,644.28	0.00
GNPOC, Sudan	338.39	201.29
Others	1,051.34	0.00
TOTAL	**14,148.78**	**43,746.20**

SCHEDULE-8

(Rupees in million)

	As at 31st March, 2007	As at 31st March, 2006
INTEREST ACCRUED		
(Unsecured, Considered Good unless otherwise stated)		
Interest Accrued On		
Deposits with Banks	**88.69**	34.88
Carry Finance	**0.00**	651.17
Others	**10.88**	8.28
TOTAL	**99.57**	**694.33**

SCHEDULE-9

(Rupees in million)

		As at 31st March, 2007		As at 31st March, 2006
INVENTORIES				
(As taken, valued and certified by the Management)				
Finished Goods		**656.07**		33.63
Stores and Spares	**3,097.69**		2,132.39	
Less: Provision for Non-moving / Surplus Stores	**109.38**	**2,988.31**	51.99	2,080.40
(In respect of Joint Venture)				
Stores & Spares - Farsi Block, Iran	**9.85**		49.19	
Less: Written off to Net Realisable Value	**5.33**	**4.52**	0.00	49.19
TOTAL		**3,648.90**		**2,163.22**

SCHEDULE-10

(Rupees in million)

	As at 31st March, 2007	As at 31st March, 2006
SUNDRY DEBTORS		
(Unsecured)		
Debts outstanding for a period exceeding six months:		
Considered Good	**0.00**	15.84
Considered Doubtful	**0.00**	0.00
Other Debts:		
Considered Good	**11,202.97**	3,927.71
Considered Doubtful	**0.00**	0.00
TOTAL	**11,202.97**	**3,943.55**

SCHEDULE-11

(Rupees in million)

	As at 31st March, 2007	As at 31st March, 2006
CASH AND BANK BALANCES		
A. Cash Balances		
a) At New Delhi	825.54	0.08
b) At Khartoum	1.95	2.08
c) At Amsterdam	0.02	0.01
B. Balances with Scheduled Banks		
a) On Current Account	517.45	234.58
b) On Deposit Accounts	7,528.58	61.00
C. Balances with Non-Scheduled Banks		
a) On SB Account (USD) with Bank for Foreign Trade of Vietnam, HCMC,Vietnam (Maximum balance during the year Rs.756.34 Million Previous year Rs. 590.75 Million)	0.04	0.03
b) On SB Account (VND) with Bank for Foreign Trade of Vietnam, HCMC,Vietnam (Maximum balance during the year Rs.752.01 Million Previous year Rs. 593.03 Million)	0.02	0.14
c) On Current Accounts (USD) with Citi Bank, HCMC, Vietnam (Maximum balance during the year Rs.0.78 Million Previous year Rs.3.69 Million)	0.06	0.44
d) On Current Account (VND) with Citi Bank, HCMC, Vietnam (Maximum balance during the year Rs.95.66 Million Previous year Rs. 81.67 Million)	0.29	0.30
e) On Current Account with Bank of Moscow, Sakhalin (Maximum balance during the year Rs.0.22 Million Previous year Rs. 0.71 Million)	0.00	0.22
f) On Deposit Account (VND) with Citi Bank, HCMC, Vietnam (Maximum balance during the year Rs.90.11 Million Previous year Rs.44.86 Million)	0.00	42.06
g) On Current Account (USD) with ABN Amro Bank, Sakhalin (Maximum balance during the year Rs 931.22 Million Previous year Rs 1215.18 Million)	81.18	80.89
h) On Current Account (RBL) with ABN Amro Bank, Sakhalin (Maximum balance during the year Rs 11.13 Million Previous year Rs 0.27 Million)	0.10	0.15
i) On Current Account (USD) with Bank of Commerce and Development, Libya (Maximum balance during the year Rs 2.82 Million Previous year Rs 5.08 Million)	1.35	1.94
j) On Current Account (LD) with Bank of Commerce and Development, Libya (Maximum balance during the year Rs.2.22 Million Previous year Rs.2.23 Million)	0.24	2.22
k) On Current Account (QAR) with HSBC Bank, Qatar (Maximum balance during the year Rs.5.56 Million Previous year Nil)	0.50	0.00
l) On Current Account (USD) with Banco Fincerio Internacionle SA, Cuba (Maximum balance during the year Rs.1.59 Million Previous year Nil)	1.30	0.00
m) On Current Account (EURO) with Deutsche Bank Amsterdam (Maximum balance during the year Rs. 49.52 Million Previous year Rs 157.37 Million)	0.16	0.52
n) On Current Account (GBP) with Deutsche Bank Amsterdam (Maximum balance during the year Rs 1,482.39 Million Previous year Rs 1,422.18 Million)	6.18	0.48
o) On Current Account (GBP) with ICICI London (Maximum balance during the year Rs 6.65 Million Previous year Rs 8.53 Million)	0.04	3.70
p) On Current Account (USD) with Mashreq Bank, Khartoum, Sudan (Maximum balance during the year Rs 21.57 Million Previous year Rs 21.71 Million)	4.70	0.67
q) On Current Account (Sudanees Dinar) with Mashreq Bank, Khartoum, Sudan (Maximum balance during the year Rs 4.81 Million Previous year Rs 0.02 Millon)	23.00	0.65
r) On Current Account (USD) with Citi Bank, Lagos, Nigeria (Maximum balance during the year Rs 26.69 Million Previous year Nil)	26.66	0.00
r) On Current Account (Naira) with Citi Bank, Lagos, Nigeria (Maximum balance during the year Rs 4.63 Million Previous year Nil)	2.29	0.00
D. Cash and Bank Balances (In respect of Joint Venture)	3,103.57	2,131.21
TOTAL	12,125.22	2,563.37

SCHEDULE-12

(Rupees in million)

		As at 31st March, 2007		As at 31st March, 2006
LOANS AND ADVANCES				
A. Secured - Considered Good				
Loans and Advances to Employees		32.66		26.05
B. Unsecured - Considered Good				
Carry Finance to SMNG-S, Russia		0.00		30,917.66
Carry Finance to RN ASTRA, Russia		0.00		22,834.75
Carry Finance to Sudapet, Sudan		1,083.65		912.96
Loans and Advances to Employees		14.25		10.57
Advances recoverable in cash or in kind or for value to be received		201.76		387.28
Receivable from ONGC Mittal Energy Ltd.		0.00		75.31
Other Receivable		1,031.26		0.00
OMEL - Loan for Nigeria Project		82.59		0.00
Other Deposits		474.43		6,362.09
VAT Receivable		257.33		83.82
Investment in Lease		6,573.59		7,446.57
Advances recoverable in cash or in kind or for value to be received (In respect of Joint Venture)		8,186.88		6,708.45
Income Tax :				
Advance Payment of Income Tax	4,994.13		1,271.98	
Less: Provision	1,725.80	3,268.33	148.04	1,123.94
Unsecured - Considered Good (B)		21,174.07		76,863.40
C. Unsecured - Considered Doubtful				
Carry Finance to Sudapet, Sudan		135.06		21.35
Loan to Oil India Limited		0.00		372.16
		135.06		393.51
Less: Provisions for Doubtful Loans and Advances		135.06		393.51
Unsecured - Considered Doubtful (C)		0.00		0.00
LOANS AND ADVANCES (A+B+C)		21,206.73		76,889.45

SCHEDULE-13

(Rupees in million)

	As at 31st March, 2007	As at 31st March, 2006
CURRENT LIABILITIES		
Sundry Creditors for Supplies/ Works		
Small Scale Undertakings	0.00	0.00
Other than Small Scale Undertakings	1,729.31	461.27
Deposits	25.61	0.85
Advance from Customers	83.22	54.96
Payable to Oil and Natural Gas Corporation Limited	55.72	131.31
Other Liabilities	4,224.22	763.09
Amount Payable to Operators	81.72	368.24
Deferred Credit on Gas Sales	0.00	0.92
Tax Payable by Subsidiary and Jont Venture Companies in foreign country	747.48	0.00
Sundry Creditors for Supplies/ Works (In respect of Joint Venture)	11,787.84	9,958.94
Interest Free Advance from ONGC Mittal Energy Limited	0.00	44.91
Short term advance from Mittal Investments Sarl	0.00	3.89
Interest Payable to ONGC	0.00	29.29
TOTAL	18,735.12	11,817.67

SCHEDULE-14

(Rupees in million)

	Balance as at 1st April, 2006	Provision made for previous years out of General Reserve	Utilisation during the year	Provision made for the year	Balance as at 31st March, 2007
PROVISIONS					
Gratuity	19.18	0.00	1.77	7.19	24.60
Leave Encashment	18.14	0.00	4.30	15.57	29.41
Post Retirement Medical Benefits/Other Terminal Benefits	0.00	13.42	0.00	42.57	55.99
TOTAL	37.32	13.42	6.07	65.33	110.00

SCHEDULE-15

(Rupees in million)

	2006-07	2005-06
SALES		
Crude Oil	102,426.16	64,415.49
Gas	8,004.31	6,668.00
Condensate	1,840.76	1,465.78
Construction Contract Revenue	0.00	2,173.53
Transportation and Other Services	3,268.72	3,199.07
TOTAL	115,539.95	77,921.87

SCHEDULE-16

(Rupees in million)

	2006-07	2005-06
OTHER INCOME		
Interest Income on:		
On Deposits with Banks	498.39	233.94
(Tax deducted at source Rs. 0.16 Million previous year Rs. 0.78 Million)		
Carry Finance	1,493.41	2,872.11
Loans and Advances to Employees	1.80	1.32
Others	279.69	19.46
Lease Income	435.14	271.26
Profit on Sale of Investment	0.46	0.00
Miscellaneous Receipts	364.14	372.90
TOTAL	3,073.03	3,770.99

SCHEDULE-17

(Rupees in million)

		2006-07		2005-06
INCREASE/(DECREASE) IN STOCK (FINISHED GOODS)				
Closing Stock		410.19		33.63
Opening Stock	33.63		19.21	
Less: Adjustment	20.01	13.62	0.00	19.21
NET INCREASE/(DECREASE) IN STOCK		396.57		14.42

SCHEDULE-18

(Rupees in million)

	2006-07	2005-06
PRODUCTION, TRANSPORTATION, SELLING AND DISTRIBUTION EXPENDITURE		
Transportation Expenditure	2,662.86	1,825.35
Production Expenditure	8,339.25	4,376.00
Royalty	51,130.17	39,060.77
Value Added Tax	1,063.02	927.24
Service Tax and Other Levies	315.73	9.24
Pipeline Construction Expenses	0.00	2,699.29
Staff Expenditure	320.99	452.90
Rent	58.92	57.63
Repair & Maintenance	32.91	19.36
Insurance	43.34	50.87
Others	1,072.31	473.23
TOTAL	65,039.50	49,951.88

Note: The above expenses have been reclassified in accordance with Part II of Schedule VI to the Companies Act, 1956 and exhibited in note - 22 of Schedule '25'.

SCHEDULE-19

(Rupees in million)

		2006-07		2005-06
DEPRECIATION, DEPLETION AND AMORTISATION				
Depreciation	6,118.84		2,362.57	
Less: Capitalised	3,440.69	2,678.15	1,192.30	1,170.27
Depletion		12,589.83		4,615.23
Survey Expenditure		2,617.85		1,010.17
Dry Wells Written Off		1,402.40		1,639.37
Acquisition Cost Written Off		0.00		21.44
Pre-Acquisition Expenses		791.89		1,125.12
Amortisation of Goodwill		1,254.90		1,622.53
TOTAL		21,335.02		11,204.13

SCHEDULE-20

(Rupees in million)

		2006-07		2005-06
FINANCING COSTS				
A. Interest On				
Loan from Oil Industry Development Board		0.21		4.71
Loan from Oil and Natural Gas Corporation Limited	147.39			
Less: Capitalised	2.67	144.72		0.00
Finance Lease		0.00		3.80
Others		172.71		31.36
Sub-Total		317.65		39.87
B. Exchange Fluctuation				
Net Exchange Variation for the Year	(2,538.53)		(1,010.45)	
Less: Capitalised	(11.29)	(2,527.24)	(5.33)	(1,005.12)
TOTAL		(2,209.59)		(965.25)

SCHEDULE-21

(Rupees in million)

	2006-07	2005-06
PROVISIONS AND WRITE-OFFS (NET)		
Provisions for Doubtful Debts	**116.06**	380.57
Other Write Off	**378.80**	0.07
Provision for Wells drilled under Service Contract	**1,287.30**	0.00
Provision for Non Moving Inventory	**0.00**	14.77
Excess Provisions Written Back	**(372.79)**	(1.24)
TOTAL	**1,409.37**	**394.17**

Note: The above expenses have been reclassified in accordance with Part II of Schedule VI to the Companies Act, 1956 and exhibited in Note - 22 of Schedule '25'.

SCHEDULE-22

(Rupees in million)

	2006-07	2005-06
ADJUSTMENTS RELATING TO PRIOR PERIOD (NET)		
A. Expense		
Survey Expenses	**(334.76)**	669.53
Dry Wells Expenses	**(1353.69)**	414.08
Amortisation of Goodwill	**(621.21)**	3062.18
Other Expenses	**20.16**	46.72
Depreciation	**6456.78**	0.00
Sub-Total	**4167.28**	**4192.51**
B. Income		
Miscellaneous Items	**0.00**	7.17
Sub-Total	**0.00**	**7.17**
TOTAL (A - B)	**4167.28**	**4185.34**

SCHEDULE-23

(Amount in Rupees)

	As at 31st March, 2007	As at 31st March, 2006
EARNING PER EQUITY SHARE		
Basic and Diluted Earnings Per Equity Share (Per Share of Rs. 100 each)	**224.44**	300.40

Note: Earnings Per Equity Share has been computed by dividing the net profit after taxation of Rs. 16,632.87 Million (Previous Year Rs. 9,011.96 Million) by weighted average number of equity shares of 74,109,581 (Previous year 30,000,000)

SCHEDULE-24

SIGNIFICANT ACCOUNTING POLICIES

A. Principles of Consolidation:

The Consolidated Financial Statements relate to ONGC Videsh Limited (Company), ONGC Nile Ganga B.V., Netherlands (Subsidiary), ONGC Narmada Limited, Nigeria (Subsidiary), ONGC Amazon Alaknanda Limited (Subsidiary) and jointly controlled entity ONGC Mittal Energy Limited, Cyprus (Joint Venture Company). The Financial Statements of the Company, its Subsidiaries and Joint Venture Company have been consolidated on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after fully eliminating intra-group balances and intra-group transactions resulting in unrealised profits or losses, unless indicated otherwise.

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

B. Accounting Policies:

1. Accounting Conventions:

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

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

2.1 Acquisition Cost:

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

2.2 Survey Costs:

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

2.3 Exploratory/Development Wells in Progress Costs:

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

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

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

2.4 Abandonment Costs:

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

2.5 **Production Costs:**

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

3. Producing Properties:

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

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

4. Depletion of Producing Properties:

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

5. Impairment:

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

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

6. Joint Ventures:

6.1 The Company has entered into overseas joint ventures with others. In such joint ventures as per the contractual arrangements, the Company shares control with other venturers. The financial statements reflect the share of the Company's assets and liabilities as well as income and expenditure of Joint Venture Operations which are accounted for as per various joint venture agreements on a line by line basis along with similar items in the Company's financial statements, except in cases of leases, abandonment, impairment, depletion and depreciation which are accounted based on accounting policies of the Company.

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

7. Fixed Assets:

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

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

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

8.2 Leasehold land is amortized over the lease period.

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

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

9. Inventories:

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

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

9.3 Inventory of stores and spares is valued at Weighted Average Cost or net realizable value, if available, whichever is lower.

10. Investments:

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

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

11. Foreign Currency Transactions and Foreign Operations:

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

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

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

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

(a) The foreign currency transactions on initial recognition in the reporting currency are recorded following the policy stated in 11.1. For practical reasons, the average exchange rate of the relevant month is taken for the transactions of the month in respect of joint venture operations, where actual date of transaction is not available.

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

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

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

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

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

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

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

12. **Assets given on Lease:**

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

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

13. **Revenue Recognition:**

13.1 Revenue from sale of products is recognized on transfer of custody to customers. Any difference as of the reporting date between the entitlement quantity minus the quantities sold in respect of crude oil (including condensate), if positive is treated as inventory and, if negative, is adjusted to revenue by recording the same as liability.

13.2 Sales are inclusive of all statutory levies and any tax liability of the Company that may be paid by the government based on the provisions under agreements governing Company's activities in the respective field/ project.

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

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

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

13.6 Revenue in respect of interest on delayed realizations is recognized when there is reasonable certainty regarding ultimate collection.

14. **Transportation Costs:**

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

15. **Employee Benefits:**

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

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

16. **Borrowing Costs:**

Borrowing Costs specifically identified to the acquisition or construction of qualifying assets are capitalized as part of such asset till such time when all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to Profit and Loss Account.

C. **Other significant accounting policies:**

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

SCHEDULE - 25

NOTES TO THE ACCOUNTS

1) The Consolidated Financial Statements represent consolidation of Accounts of the Company (ONGC Videsh Limited), its Subsidiaries and Joint Venture Company. The consolidated accounts incorporate financial statements of the Company and its Subsidiaries and the Joint Venture Company for the year ended 31 March, 2007 as detailed below:

Name of the Subsidiaries / Jointly Controlled Entity	Country of Incorporation	Proportion of Ownership Interest		Status of Audit as on 31st March, 2007
		31st March, 2007	31st March, 2006	
ONGC Nile Ganga BV (ONGBV)	Netherlands	**100%**	100%	Audited
ONGC Bonny Brahamputra Limited (OBBL)	Nigeria	**NA**	100%	NA
ONGC Narmada Limited (ONL)	Nigeria	**100%**	100%	Audited
ONGC Amazon Alaknanda Limited (OAAL)	Bermuda	**100%**	NA	Audited
ONGC Mittal Energy Limited (OMEL)	Cyprus	**50%**	50%	Unaudited

2) The Company incorporated one Subsidiary (viz. ONGC Amazon Alaknanda Limited, Bermuda) during the year. The Subsidiary ONGC Bonny Brahamputra Limited, Nigeria was divested during the year.

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

(a) **Depreciation on Fixed Asset:**
The Subsidiary - OAAL provides depreciation on fixed assets as per US GAAP. The amount involved is Rs 25.22 Million (Previous year nil) shown as depreciation under Schedule 19.

(b) **Revenue Recognition:**
The Subsidiary - ONGBV follows the entitlement method for revenue recognition associated with sale of crude oil and liquids for its share of petroleum production as specified in the Exploration Production Sharing Agreement (EPSA) and Crude Oil Pipeline Agreement (COPA). The amount involved is Rs 81,989.34 Million (Previous year Rs 61,005.04 Million) shown as sales under Schedule 15.

(c) **Royalties:**
The Subsidiary - ONGBV conducts its operations in Sudan jointly with the national oil company of Sudan (Sudapet) among others. All government stakes other than income taxes are considered to be royalty interest. Royalties on production represents the entitlement of the government of Sudan to a portion of ONGBV's share of crude oil and liquid production and are recorded using the rates in effect under the terms of the contract at the time of production. Royalties / taxes in Syrian concession are accounted similarly by ONGBV. The amount involved is Rs 49,773.30 Million (Previous year Rs 38,919.47 Million) under the head Royalty in Schedule 18.

(d) The Subsidiaries and the Joint Venture Company provide for the retirement benefits in accordance with the laws of their respective jurisdictions. The net impact on account of the difference in accounting policy is not ascertainable.

4) **Accounting Policies:**

a) During the year, the Company has reflected its accounting policy in respect of costs incurred on intangible assets and the amortization thereof. This has no impact on the results.

b) During the year, the Company has reflected its accounting policy in respect of valuation of stores and spares. This has no impact on the results.

c) During the year, the Company has reflected treatment in its accounting policies on revenue recognition for:

i) Underlift / overlift quantity of crude oil (including condensate) as of the reporting date. This has no impact on the results.

ii) Tax Liability of the Company paid by the host government based on the provisions under agreements governing Company's activities in the respective field/ project. This has no impact on the results.

d) During the year, the Company has reflected basis of provision for valuation of other employee benefits in its accounting policy for other employee benefits. An amount of Rs 13.42 Million has been adjusted against the reserves of the previous year for the provision made during the year in respect of previous years. The net impact on the results for the year amounted to Rs 3.99 Million, being provision for the year.

e) The Subsidiary ONGBV changed the method of providing depreciation on its pipeline and corporate assets from Straight Line Value Method to Written Down Value Method with retrospective effect. Accordingly, depreciation on such assets is USD 155.99 Million equivalent to Rs 7,062.45 Million including USD 142.61 Million equivalent to Rs 6,456.67 Million for earlier years. The net impact on the results for the year is the decrease in profits by Rs 6,068.68 Million and corresponding decrease in net block of fixed assets.

5) **Foreign Currency Translation Reserve:**

The Company has followed the Accounting Standard (AS) 11 viz. Effects of Changes in Foreign Exchange Rates (revised 2003) issued by the Institute of Chartered Accountants of India for incorporating in the consolidated financial statements following the principles for translation of the financial statements of Non-integral Foreign Operation. Accordingly, the resulting exchange loss of Rs. 1,107.12 Million (Previous Year Rs 738.57 Million exchange gain) has been accounted as foreign currency translation reserve and shown in Schedule 2 as per details given below:

(Rupees in million)

Particulars	**2006-07**	**2005-06**
Opening Balance	**2,213.21**	2,951.78
Additions during the current year	**1,107.12**	(738.57)
Closing balance	**3,320.33**	2,213.21

6) **Title to Fixed Assets under Production Sharing Agreements:**

The Company, the Subsidiaries and Joint Venture Company in consortium with other partners (Consortium) carry on their business in respect of exploration, development and production of hydrocarbons under agreements with the host governments. In several of these agreements governing activities in the fields / projects, the agreements provide that the title to the fixed assets and other ancillary installations shall pass to host government or its nominated entities either upon acquisition / first use of such assets or upon 100% recovery of such costs through allocation of "Cost Oil" and "Cost Gas" or upon relinquishment of the relevant contract areas or termination of the relevant agreement. However, as per the terms of the agreements, the Consortium and/ or Operator has the custody of all such assets and is entitled to use, free of charge all such assets for Petroleum Operations till the full term of the respective agreements. The Consortium also bears the custody and maintenance of such assets and all risks of accidental loss and damage and all costs necessary to maintain such assets and to replace or repair such damage or loss. Under the circumstances, such assets are kept in the records of the Company, Subsidiaries or the Joint Venture Company, as the case may be, till the full term of the respective agreements.

7) **Amortization of Goodwill:**

In March 2003, the Company had acquired 100% shares of Talisman Greater Nile B.V. (TGNBV). TNGBV had 25% Participating Interest in Greater Nile Oil Project (GNOP), Sudan and was later rechristened as ONGC Nile Ganga B.V. (ONGBV). The difference between the purchase consideration and net assets of TGNBV on the date of acquisition, amounting to Rs 11,660.63 Million, had been reflected as goodwill in the consolidated accounts of the Company since the year 2002-03. Following prudent accounting, the Company had, during the previous financial year, started amortizing the goodwill with retrospective effect from the year 2002-03 based on Unit of Production Method. Goodwill amortized during the year by the Company amounted to Rs 1,254.90 Million (Previous year Rs 4,063.51 Million, including Rs 3,062.18 Million for the past years) representing Rs 784.15 Million in respect of GNOP, Sudan and Rs 470.75 Million in respect of MECL, Colombia.

The Company had amortized goodwill amounting to Rs 621.20 Million in respect of AFPC, Syria Project of Subsidiary ONGBV during the financial year 2005-06 in the absence of consolidated accounts. The Subsidiary ONGBV in its consolidated accounts has allocated the acquisition costs over the assets and accordingly, the goodwill amortized during the financial year 2005-06 (Rs 621.20 Million) has been written back during the year.

8) Details of Joint Ventures:

The details of Company's and its Subsidiaries significant joint ventures as on 31st March, 2007 are as under:

Sr. No.	Name of the Project and Country of Operation	Company's participating share (%)	Other Consortium Members	Project Status
1.	Block 06.1 Project, Vietnam, Offshore	45%	British Petroleum - 35% Petrovietnam - 20%	The project is under production.
2.	Block 1a, 1b, 2a, 2b & 4 (GNOP) Project, Sudan, Onshore	25%	CNPC - 40% Petronas - 30% Sudapet - 5%	The project is under production.
3.	Sakhalin -1 Project, Russia, Offshore	20%	Exxon Mobil - 30% SODECO - 30% SMNG - 11.5% R N Astra - 8.5%	The project is under production and development.
4.	AFPC Project Syria, Onshore (Through Himalaya Energy Syria B.V)	38.75%	Fulin - 50% Mittals - 11.25%	The project is under production.
5.	MECL, Colombia, Onshore (Through Mansarovar Energy Colombia Limited)	50%	Sinopec - 50%	The project is under production and development.
6.	Block 5A Project, Sudan, Onshore	24.125%	Petronas - 68.875% Sudapet - 7%	The project is under exploration, production and development.
7.	Block BC-10 Project, Brazil, Offshore	15%	Shell - 50% Petrobras - 35%	The project is under development.
8.	Block A-1Project, Myanmar, Offshore	20%	Daewoo - 60% KOGAS - 10% GAIL - 10%	The project is under exploration and appraisal.
9.	Block A-3 Project Myanmar, Offshore	20%	Daewoo - 60% KOGAS - 10% GAIL - 10%	The project is under exploration and appraisal.
10.	Farsi Block Project, Iran, Offshore	40%	IOC - 40% OIL - 20%	The project is under exploration.
11.	Block NC - 188 & NC - 189 Project, Libya, Onshore	49%	TPOC - 51%	The project is under exploration.
12.	Block XXIV Project, Syria, Onshore	60%	IPR - 40%	The Project is under exploration.
13	Block 5B Project, Sudan, Onshore	23.5%	Petronas - 41% Lundin - 24.5% Sudapet - 11%	The project is under exploration.
14.	Block 6 North Ramadan Project, Egypt, Offshore	70%	IPR Red Sea - 30%	The project is under exploration.

15.	Block 2, Joint Development Zone, Nigeria / Sao Tome Principe (STP), Offshore	13.5%	Sinopec JDZ/ Addax/ERHC - 65% Equator - 9% A & Hatman Ltd. - 2.5% Foby - 5% Momo - 5%	The project is under exploration.
16.	Block 25-29, 35 (Part) & 36 Project, Cuba, Offshore	30%	Repsol - 40% Hydro - 30%	The project is under exploration.
17.	Khartoum - Port Sudan Pipeline Project, Sudan	90%	OIL - 10%	The pipeline has been completed and is under Lease.

***Abbreviations used:** Addax - Addax Energy Nigeria Limited; British Petroleum - BP Exploration Operating Company Limited; CNPC - China National Petroleum Corporation; Daewoo - Daewoo International Corporation; EMO - EMO Exploration & Production Limited; Equator - Equator Exploration JDZ Block 2 Limited; ERHC - Energy Nigeria JDZ Block 2 Limited; Exxon - Mobil Exxon Neftegas Limited; Foby - Foby Energy Company Limited; Fulin - Fulin Investments Sarl; GAIL - GAIL (India) Limited; Hydro - Hydro Oil and Gas; IOC - Indian Oil Corporation Limited; IPR - IPR Mediterranean Exploration Limited; IPR Red Sea - IPR Energy Red Sea Inc.; KOGAS - Korea Gas Corporation; Lundin - Lundin Muglad Limited; Mittals - Mittal Investments Sarl; Momo - Momo Deepwater JDZ Limited; OIL - Oil India Limited; Petrobras - Petroleo Brasileiro S.A.; Petronas - Petronas Carigali Overseas Sdn Bhd; Petrovietnam - Vietnam Oil and Gas Corporation; Repsol - Repsol YPF Cuba SA; Shell - Shell Brazil Ltda; Sinopec - Sinopec Overseas Oil and Gas Limited; Sinopec JDZ - Sinopec JDZ Block 2 Limited; SMNG - Sakhalinmorneftegas Shelf; SODECO - Sakhalin Oil Development Company Limited; Sudapet - Sudapet Limited; TPOC - Turkish Petroleum Overseas Company Limited.

9) Company's share in Joint Ventures:

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

(Rupees in million)

Project	Net Fixed Assets	Net Producing Property	Capital Work in Progress	Exploratory and Development Wells in Progress	Current Assets	Cash & Bank	Liabilities	Income	Expenditure
A. Audited as of the Reporting Date									
Block 5A , Sudan	3,554.50	4,734.32	-	854.90	1,918.98	107.55	728.51	-	2,242.99
Block 1a, 1b, 2a, 2b & 4, Sudan	1,647.38	17,092.95	338.41	1,771.98	24,228.63	5,991.40	22,701.65	-	44,080.79
AFPC, Syria	-	5,212.20	55.98	-	6,306.58	3.07	572.76	21,165.98	20,208.94
MECL, Colombia	61.31	1,933.11	396.56	-	1,068.97	1,001.59	1,850.86	-	1,269.81
Block BC-10, Brazil	-	-	1,644.26	1,451.71	84.77	205.46	480.34	-	729.52
Block A-1 Myanmar	5.84	-	32.46	1,184.07	47.41	8.06	0.77	-	(705.45)
Block A-3 Myanmar	0.26	-	38.88	443.41	5.13	209.05	33.58	-	69.34
Farsi Block , Iran	1.34	-	-	-	9.17	129.62	158.33	-	1,287.63*
Block 5B, Sudan	1.02	-	1,046.95	-	-	46.14	33.95	-	551.53
Sudan Pipeline	-	-	-	-	7,156.45	0.04	2,179.84	0.55	204.51*
ONL	13.65	-	494.91	16.53	26.77	31.38	13.27	-	197.65
Total (A)	**5,285.30**	**28,972.58**	**4,048.41**	**5,722.60**	**40,852.86**	**7,733.36**	**28,753.86**	**21,166.53**	**70,137.26**
B. Audited as of 31st December 2006									
Block 06.1 Vietnam	**785.42**	**4,495.49**	**1,412.50**	-	**79.62**	**64.83**	**514.63**	-	**1,295.38**
C. Unaudited									
Sakhalin-1, Russia	43,305.09	22,588.19	7,403.74	2,206.46	2,683.47	993.45	9,343.97	-	7,255.06
Block NC - 188 & NC - 189, Libya	1.46	-	-	13.34	20.15	6.58	6.67	-	-
Block XXIV, Syria	3.32	-	19.81	1.96	54.26	-	19.56	-	79.19
Block CI - 112, Cote D'Ivoire	-	-	-	-	-	-	0.21	-	1.13
Block 6 North Ramadan, Egypt	7.21	-	31.76	476.19	67.73	-	25.41	-	7.38
Blocks 25-29, 35 (Part) & 36, Cuba	-	-	346.91	54.35	-	-	4.15	-	320.80
Total (C)	**43,317.08**	**22,588.19**	**7,802.22**	**2,752.30**	**2,825.61**	**1,000.03**	**9,399.97**	-	**7,663.56**
Grand Total (A+B+C)	**49,387.80**	**56,056.26**	**13,263.13**	**8,474.90**	**43,758.09**	**8,798.22**	**38,668.46**	**21,166.53**	**79,096.20**

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

The Company's share of assets, liabilities, incomes and expenses have been converted into the reporting currency at the average exchange rates over the period for which the details are provided by the Operators. Generally the details are provided by the operators on monthly basis except in respect of Sakhalin-1, Russia Project, where the details are provided by the Operator on quarterly basis.

(ii) The Company's share of assets, liabilities, income and expenses incorporated in the financial statements in respect of Joint Venture Company is given below:

(Rupees in million)

Particulars	**Amount**
a) Net Fixed Assets	14.15
b) Net Producing Property	-
c) Capital Work in Progress	3,614.97
d) Exploratory & Development Wells-in-Progress	-
e) Current Assets	570.41
f) Cash and Bank	825.41
g) Liabilities	139.71
h) Incomes	30.40
i) Expenditure	216.37

10) Khartoum - Port Sudan Pipeline Project:

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

The EPC Contractor executing the project claimed additional costs aggregating to Rs. 1,614.79 Million (Previous Year 1,659.00 Million) (Company's share being Rs. 1,453.31 Million, Previous Year Rs. 1,493.10 Million), which have not been accepted by the Company. However, the claims have been forwarded to MEM for their approval for an aggregate amount of receivables from MEM of Rs 2,007.30 Million (Previous Year Rs. 1,524.20 Million), Company's share being Rs. 1,806.57 Million (Previous Year Rs. 1,371.78 Million). Pending settlement with the EPC Contractor, an amount of Rs. 998.74 Million (revalued from Previous Year Rs. 1,026.08 Million, being the Company's share out of Rs. 1,109.71 Million (revalued from Previous Year Rs. 1,140.08 Million) has been shown as liability based upon the advices received by the Company from its consultant. The Company's share of the balance amount has been shown as claims not acknowledged as debt. No revenue in this respect has been recognised pending final approvals by MEM.

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

The first two installments under the contract due on 30th December, 2005 and 30th June, 2006 had been received as of the reporting date. However, since the third installment due on 30th December, 2006 was received after the reporting date, the same has been shown as advance recoverable.

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

(Rupees in million)

Particulars		**2006-07**		**2005-06**	
		Gross	**Net**	**Gross**	**Net**
a)	Reconciliation between the total gross investment in the lease and the present value of minimum lease payments as at year end				
-	Not later than one year	**1,097.60**	**713.48**	1,127.64	693.03
-	Later than one year and not later than five years	**4,390.37**	**3,323.42**	4,510.56	3,214.70
-	Later than five years	**2,743.98**	**2,536.69**	3,946.74	3,538.84
	Total	**8,231.95**	**6,573.59**	**9,584.94**	**7,446.57**
b)	Unearned Finance Income			2,138.37	
c)	Unguaranteed residual value accruing to Company's benefit	**Nil**		Nil	
d)	Accumulated provision for uncollectible minimum lease payments receivable	**Nil**		Nil	
e)	Contingent rents recognised in the statement of profit and loss for the period	**Nil**		Nil	
f)	General description of the significant leasing arrangement	**As described in para above**		As described in para above	
g)	Accounting Policy followed in respect of initial direct costs	**As per Accounting Policy 12.2**		As per Accounting Policy 12.2	

11) Sakhalin-1, Russia Project:

(i) The sales of Crude Oil and Gas to the domestic (Russian) buyers had commenced during the financial year 2005-06 while the sales of Crude Oil to international buyers commenced during the year in respect of Sakhalin-1, Russia Project. During the current year, receipts on account of Crude Oil and Gas Sales (including receivables) were Rs. 16,558.88 Million and Rs. 511.23 Million (Previous year Rs. 1,799.25 Million and Rs. 217.10 Million) respectively after adjustment of Rs. 0.91 Million received during the previous year against take or pay provisions of the contract owing to lesser nomination of Gas by the buyer. The Closing Stock of Crude Oil till the Delivery Point has not been considered in view of the contractual arrangement that it remains the property of the State until the Delivery Point.

(ii) The Consortium had acquired the Early Production Facility (EPF) under a contract for lease for the basic term upto 15 September, 2006 in financial year 2005-06 with an option for renewal. The Contract also provided an option to the Consortium to purchase the EPF by provision of 45 days written notice at the price and in accordance with the provisions of the contract. Further the title and risk of damage to the EPF shall pass to the Consortium upon payment of the purchase price. Under the circumstances, the Company had recognised the lease as an asset for an amount of Rs 428.13 Million and a liability at an amount equal to the present value of minimum lease payment and purchase price during the previous financial year. The EPF has been purchased by the Consortium during the year.

(iii) During the financial year 2005-06, the Company had made provision for the Company's share amounting to USD 7.10 million (Rs 317.09 Million) in respect of past costs reimbursable to a consortium partner recoverable from the hydrocarbons after the development investments have been fully recovered. Since the obligation to pay arises in future out of the future production, the same has been written back during the year.

(iv) The amount of Rs. 7,403.75 Million representing Capital Work-in Progress (Schedule-7) in respect of Sakhalin-1, Russia Project would be capitalised to fixed assets and producing properties after completion of Chayvo Phase-1 of the project. Pending capitalization due to non-availability of break up of the amount from the operator, the same has been shown under Capital Work-in Progress.

12) Block 5A and Block 5B, Sudan:

Sales of Crude Oil commenced during the year in respect of Block 5A, Sudan Project. During the current year, receipts on account of Crude Oil Sales (including receivables) were Rs. 2,230.99 Million (Previous year Rs nil). Sales include the amount adjusted in kind by the transporter on account of transportation charges, which has been accounted as transportation charges. However, the Sales exclude the quality adjustment carried out by the transporter amongst the joint shippers by way of quantity adjustments. Pending finalization of the transportation agreement with the transporters, the adjustments in respect of transport charges and quality have been carried out based upon the invoices of the transporter.

The Company carries the share of investment of Sudapet, a company owned by the Government of Sudan, for its 3.375% share in Block 5A and 3.72% in Block 5B till the commencement of first commercial production. The carried amounts are repayable without interest out of the production share of Sudapet as per the terms of the Exploration and Production Sharing Agreement (EPSA). Currently, Block 5A is under production and development and due to certainty of the recovery, the net carried amount of USD 24.93 Million equivalent to Rs. 1,083.89 Million (Previous year Rs. 912.96 Million) has been shown as a loan. However, since Block 5B is under exploration, additional provision for the amount carried during the year of USD 1.27 Million equivalent to Rs. 56.92 Million (Previous year Rs. 8.41 Million) including revaluation has been made during the year making the aggregate provision of Rs. 78.27 Million (Previous Year Rs. 21.35 Million), equal to the carried amount as on date.

13) **Farsi Block, Iran:**

In respect of Farsi Block, Iran, the Company in consortium with other partners has entered into an Exploration Service Contract (ESC) with National Iranian Oil Company (NIOC). In pursuance to the committed work program, the Company drilled exploratory wells in the Block during the year. Although the Company has encountered hydrocarbons, a provision has been made in respect of the expenditure incurred on exploratory wells (Rs. 1,287.30 Million) pending declaration of commerciality and award of development service contract by NIOC.

14) **AFPC Project, Syria:**

(i) During the year, the Company accepted the transfer of AFPC, Syria Project from Oil and Natural Gas Corporation Limited (ONGC) with effect the economic date of its acquisition by ONGC i.e. 1st July, 2005. The structuring of the advance for shares / loans with ONGBV and OMEL has since been agreed. However, the formal agreements amongst the shareholders are yet to be finalised and executed. Pending execution of requisite agreements, obtaining required approvals and issuance of shares by ONGBV and OMEL, the investments made by ONGC for the acquisition of the project by way of advance for shares / loans to ONGC Nile Ganga BV (ONGBV) and ONGC Mittal Energy Limited (OMEL) amounting to Rs. 9,799.69 Million were accepted by the Company as loans from ONGC.

(ii) In view of the participating interest in the project being held through ONGBV (55%) and OMEL (22.5%) (and since OMEL has not consolidated the results of the project in its consolidated accounts), the total effective participating interest (77.5%) of the Company has been consolidated (by reducing 22.50% interest of other venturers) on line by line basis from the accounts for the project provided by ONGBV.

15) **Block BC-10, Brazil:**

The Subsidiary ONGBV acquired 50% of the share capital of One Acadia Holdings BV (OABV) at a consideration of USD 170.31 Million during the year. OABV and its wholly owned subsidiary Two Acadia Holdings BV (TABV) at the time of their acquisition by ONGBV, held in aggregate the entire share capital of Esso Exploracao Campos Ltda (Esso Campos), a company incorporated in Brazil, which in turn owned 30% participating interest in Block BC-10, offshore Brazil. Esso Campos has been split into two companies namely ONGC Campos Ltda (OCL) and Shell Campos Ltda (SCL), ONGBV being beneficially entitled to OCL only. OABV/ TABV made distribution of their entire reserves wherein all the shares of OCL were distributed to ONGBV. According to the information available with the ONGBV management, OABV / TABV have no income, expenses, assets or liabilities of material amounts. OABV / TABV will be liquidated in due course.

16) **Details of Reserves:**

(a) Company and its Subsidiaries' share of Proved Reserves in respect of different projects as on 31st March, 2007 is as under:

Project	Details	Crude Oil* (Million Tonne)	Gas (Billion Cubic Meter)	Total Oil Equivalent** (Million Tonne)
Block 06.1, Vietnam	Opening	0.683	16.450	17.133
	Addition	-	-	-
	Deductions	-	-	-
	Production	0.030	1.842	1.872
	Closing	0.653	14.608	15.261
Sakhalin-1, Russia	Opening	61.222	96.917	158.139
	Addition	-	-	-
	Deductions	6.751	12.558	19.309
	Production	0.955	0.306	1.261
	Closing	53.516	84.053	137.569

Block 1a, 1b, 2a, 2b & 4 (GNOP), Sudan	Opening Addition Deductions Production Closing	23.465 2.700 - 3.157 23.008	- - - - -	23.465 2.700 - 3.157 23.008
Block 5A, Sudan	Opening Addition Deductions Production Closing	5.180 - - 0.270 4.910	- - - - -	5.180 - - 0.270 4.910
AFPC, Syria	Opening Addition Deductions Production Closing	2.274 0.238 - 1.095 1.417	- - - - -	2.274 0.238 - 1.095 1.417
MECL, Columbia	Opening Addition Deductions Production Closing	- 11.037 - 0.297 10.740	- - - - -	- 11.037 - 0.297 10.740
BC-10, Brazil	Opening Addition Deductions Production Closing	- 1.500 - - 1.500	- 0.225 - - 0.225	- 1.725 - - 1.725

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

(b) Company's share of Proved and Developed Reserves in respect of different projects as on 31st March, 2007 is as under:

Project	Details	Crude Oil* (Million Tonne)	Gas (Billion Cubic Meter)	Total Oil Equivalent** (Million Tonne)
Block 06.1, Vietnam	Opening Addition Deductions Production Closing	0.676 - - 0.030 0.646	12.895 - - 1.842 11.053	13.571 - - 1.872 11.699
Sakhalin-1, Russia	Opening Addition Deductions Production Closing	1.422 7.534 - 0.955 8.001	0.557 2.286 - 0.306 2.537	1.979 9.820 - 1.261 10.538
Block 1a, 1b, 2a, 2b & 4 (GNOP), Sudan	Opening Addition Adjustment Deductions Production Closing	17.667 3.470 - - 3.157 17.980	- - - - - -	17.667 3.470 - - 3.157 17.980
Block 5A, Sudan	Opening Addition Adjustment Deductions Production Closing	- 4.580 - - 0.270 4.310	- - - - - -	- 4.580 - - 0.270 4.310

AFPC, Syria	Opening Addition Deductions Production Closing	1.697 0.238 - 1.095 0.840	- - - - -	1.697 0.238 - 1.095 0.840
MECL, Columbia	Opening Addition Deductions Production Closing	- 2.102 - 0.297 1.805	- - - - -	- 2.102 - 0.297 1.805

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

The consultant engaged by the Company in financial year 2004-05 had suggested net downward revision of Oil Equivalent Reserves to the extent of 1.99 Million Tonne (comprising reduction of 0.42 Million Tonnes condensate and 3.71 Billion Cubic Meters gas in Proved Reserves, increase of 0.06 Million Tonnes condensate and 1.10 BCM gas in Probable Reserves and 0.17 Million Tonnes condensate and 0.81 Billion Cubic Meters gas in Possible Reserves) in respect of Block 06.1, Vietnam Project. The reduction in Proved and Developed Oil Equivalent Reserves suggested by the Consultant was 2.99 Million Tonnes comprising 0.42 Million Tonnes of Condensate and 2.57 Billion Cubic Metres of gas. The revision was not accepted by the Operator. The Operator is carrying out separate Reserve assessment based on pressure/ production studies. Appropriate adjustments, if any, will be made on receipt of Operator's assessment.

The Reserves in respect of Sakhalin-1, Russia Project based on the Declaration of Commerciality accepted by Consortium members and approved by Russian authorities have been revised downwards during the year in respect of Chayvo field by 19.309 Million Tonne (i.e. 6.751 Million Tonnes of Crude Oil and 12.558 Billion Cubic Metres of gas) deleting the reserves beyond the license area as the proposal submitted by the Operator for extension of the area to cover the entire field has not been agreed by the regulatory authority and for accounting the suggestions of the regulatory body regarding changes in parameters for making the firm development plan.

The consultant engaged by the Company during financial year 2004-05 had suggested downward revision of total hydrocarbon volume (Proved plus Probable plus Possible Reserves plus Contingent Resources) by 3.13 Million Tonnes of Oil Equivalent comprising increase in ultimate recoverable volume of oil by 5.17 Million Tonnes and decrease in ultimate recoverable volume of gas by 8.30 Billion Cubic Metres.

The consultant had placed Chayvo Phase-1 reserves only in Proved category i.e. 11.0 Million Tonne of oil and 11.4 Billion Cubic Meter of gas because in his view, for other phases/fields, firm export contract and approval for export pipeline does not exist at present. The Consortium is, however, confident of making tie-ups for gas, get approval for pipeline and has initiated efforts towards that. Further, the development plan in respect of the entire Proved Reserves shown above has already been approved by the Russian authorities. For these reasons, the Company has not accepted the consultant's categorization.

17) Segment information:

(Rupees in million)

Particulars	Asia		FSU Countries		Latin America		Africa		Unallocated		Grand Total	
	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
REVENUE												
External sales	30,498.91	9,528.80	17,071.02	2,015.44	1,731.54	NA	66,238.48	66,377.63	0.00	0.00	115,539.95	77,921.87
Inter Segment sales	0.00	0.00	0.00	0.00	0.00	NA	0.00	0.00	0.00	0.00	0.00	0.00
Total Revenue	30,498.91	9,528.80	17,071.02	2,015.44	1,731.54	NA	66,238.48	66,377.63	0.00	0.00	115,539.95	77,921.87
Results											0.00	
Segment results	6,781.80	3,879.68	7,933.59	(1,123.90)	475.04	NA	12,345.52	13,283.16	0.00	0.00	27,535.95	16,038.94
Unallocated corporate Expenses (Net)	0.00	0.00	0.00	0.00	0.00	NA	0.00	0.00	905.71	2,833.05	905.71	2,833.05
Operating profit or (Loss)	6,781.80	3,879.68	7,933.59	(1,123.90)	475.04	NA	12,345.52	13,283.16	(905.71)	(2,833.05)	26,630.24	13,205.89
Interest expenses	0.00	29.52	0.00	3.80	13.31	NA	158.84	1.46	145.50	5.09	317.65	39.87
Interest and other income	74.88	86.65	118.35	34.34	(722.10)	NA	1,292.19	680.62	2,192.06	2,969.38	2,955.38	3,770.99
Income Tax	1,957.14	330.67	0.00	0.00	290.89	NA	6,507.53	5,852.68	3,879.54	2,050.82	12,635.10	8,234.17
Profit / (loss) from ordinary activities	4,899.54	3,606.14	8,051.94	(1,093.36)	(551.26)	NA	6,971.34	8,109.64	(2,738.69)	(1,919.58)	16,632.87	8,702.84
Extraordinary losses	0.00	0.00	0.00	0.00	0.00	NA	0.00	0.00	0.00	0.00	0.00	0.00
Net profit / (Loss)	4,899.54	3,606.14	8,051.94	(1,093.36)	(551.26)	NA	6,971.34	8,109.64	(2,738.69)	(1,919.58)	16,632.87	8,702.84
Other Information							0.00				0.00	
Segment Assets	18,637.67	19,326.44	83,357.72	71,901.29	24,801.63	NA	82,304.39	61,384.20	0.00	0.00	209,101.41	152,611.93
Unallocated Corporate Assets	0.00	0.00	0.00	0.00	0.00	NA	0.00	0.00	89.41	56,339.16	89.41	56,339.16
Total Assets	18,637.67	193 26.44	83,357.72	71,901.29	24,801.63	NA	82,304.39	61,384.20	89.41	56,339.16	209,190.82	208,951.09
Segment Liabilities	1,901.68	4,547.48	9,343.97	6,994.74	2,335.36	NA	25,829.08	8,313.98	0.00	0.00	39,410.09	19,856.20
Unallocated Corporate Liabilities	0.00	0.00	0.00	0.00	0.00	NA	0.00	0.00	126,045.08	167,117.42	126,045.08	167,117.41
Total	1,901.68	4,547.48	9,343.97	6,994.74	2,335.35	NA	25,829.08	8,313.98	126,045.08	167,117.42	165,455.16	186,973.62
Capital Expenditure	5,376.93	1,338.84	14,596.87	22,513.84	22,440.68	NA	8,271.78	10,600.94	19,420.09	1.42	70,106.35	34,455.04
Recouped cost	6,038.93	1,585.81	5,157.41	1,037.20	1,422.95	NA	7,518.30	5,483.49	1,197.43	3,097.63	21,335.02	11,204.13
Non cash Exp.	0.00	0.00	0.00	0.00	0.00	NA	0.00	0.00	0.00	0.00	0.00	0.00

Information about Secondary Business Segments (Product-wise):

(Rupees in million)

Revenue from	2006-07	2005-06
Crude Oil* and Natural Gas	112,271.24	72,549.27
Construction Contracts	-	2,173.53
Transportation Income	3,268.71	3,199.07

*Crude Oil Includes Condensate.

Notes:

(i) Segments have been identified and reported taking into account, the organization and management structure for internal reporting and significantly different risk and return perception in different geographical regions. These are organized into five segments viz. Asia, FSU Countries, Latin America, Africa and Unallocated. Australia, which had been recognised as a separate segment until last year is included in the Unallocated segment in view of the nil activity during the year.

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

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

18) Taxation:

(a) **Deferred Tax Provision:**

(i) The Net Deferred Tax Liability of the Company as at 31st March, 2007 is Rs. 9,781.21 Million (Previous year Rs. 6,634.78 Million). Out of the difference, Rs. 2,776.21 Million (Previous year Rs. 2,347.79 Million) has been charged to the current year's Profit and Loss Accounts and Rs. 370.22 Million (Previous year Rs. 34.24 Million) has been adjusted to foreign currency translation reserve.

(ii) The item wise details of Net Deferred Tax Liability as on 31st March, 2007 accounted for in accordance with Accounting Standard (AS) 22 viz. Accounting for Taxes on Income are as under:

(Rupees in million)

	As at 31st March, 2007	**As at 31st March, 2006**
Deferred Tax Assets:		
Carried Forward Expenditure U/S 42 of Income Tax Act, 1961	**5,671.76**	4,551.36
Carried Forward Fee U/S 35 D of Income Tax Act, 1961	**0.00**	0.24
Amount disallowable U/S 43B of Income Tax Act, 1961	**19.39**	13.87
Total Deferred Tax Assets	**5,691.15**	4,565.47
Deferred Tax Liability:		
Difference in Net Block of Fixed Assets for Tax	**12,394.01**	8,956.89
Total Deferred Tax Liability	**12,394.01**	8,956.89
Net Deferred Tax Liability of the Company	**6,702.86**	4,391.42
Deferred Tax Liability of ONGBV	**2,629.82**	2,243.36
Net Deferred Tax Liability of OAAL	**448.53**	-
Total	**9,781.21**	**6,634.78**

In the financial statements provided by the operator of Sakhalin-1, Russia Project, an amount of USD 63.45 Million (equivalent to Rs 2,758.17 Million) has been indicated as Deferred Tax Liability based upon the losses carried forward and differences in book value and tax value of assets and liabilities under Russian tax laws. The tax rates in Russia are lower than the tax rates in India, the Deferred Tax Liability as indicated in the Operator's financial statements has not been recognised.

(b) **Current Tax Provision:**

The provision for tax has been made for Rs. 9,858.90 Million (Previous year Rs. 5,975.16 Million) after considering the deemed tax paid of Rs. 988.57 Million (Previous year Rs. 873.63) in respect of Block 06.1, Vietnam Project under the double taxation avoidance agreement between India and Vietnam. The provision includes Rs. 13.55 Million on account of wealth tax for the year in respect of leasehold land for which the assessing officer had sought details regarding applicability of the wealth tax thereon. The Company has denied the applicability of the wealth tax on the leasehold land based upon the advices received.

(c) **Tax Assessment:**

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

(ii) The Company has filed three appeals with CIT (Appeals) against the disallowance of depreciation on acquisition costs of the projects and other expenses amounting to Rs. 3,958.54 Million, Rs. 3,006.17 Million and Rs. 3,470.29 Million in respect of assessment years 2002-03, 2003-04 and 2004-05 respectively. Since the payment of tax by the Company was under the provisions of Income tax Act, 1961 relating to Minimum Alternative Tax during the relevant years and there were adjustable carried forward losses, there is no tax demand on account of the disallowance on this account.

19) Write-off of Loans:

During the previous year, the Company had created provision for loans considered doubtful for an amount of Rs. 372.16 Million being the amount of loan due from a Public Sector Company, which had disputed the liability. The Company has written off the loan during the year by utilizing the provision made last year.

20) **Capital Commitment:**

(i) The Company, Subsidiaries and Joint Venture Company either on its own or in consortium with other partners carries on its business in respect of exploration, development and production of hydrocarbons under agreements with the host governments. Several of these agreements provide for certain minimum work obligations/ certain minimum financial commitments over a period of time. The Company's share of such obligations/ commitments in respect of agreements where such obligations / commitments have not been completed as of the reporting date amounted to USD 319.34 Million equivalent to Rs. 13,881.73 Million (Previous year USD 106.97 Million equivalent to Rs. 4,777.47 Million). The actual expenditure incurred by the Company against these obligations/ commitments, which have some outstanding till 31 March, 2007 is Rs. 1,116.98 Million (Previous year Rs. 1,499.29 Million). The Company is confident of meeting the obligations/ commitments.

(ii) Other Capital Commitments based upon the details provided by the operators: Rs. 1,172.65 Million (Previous year Rs. 2,104.38 Million). All known capital commitments have been indicated except Capital commitments in respect of Sakhalin -1, Russia Project and Block 5A, Sudan projects where such commitments are not ascertainable due to non-availability of details from the operators.

21) **Contingent Liability:**

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

(ii) Claims not acknowledged as debt: Rs. 454.57 Million (Previous year Rs. 467.03 Million) as per details in note 10 above.

(iii) All known contingent liabilities have been indicated. The contingent liabilities, if any, in respect of joint ventures, where the Company is the non-operator, are not ascertainable.

22) (i) **Details of Production, Transportation, Selling and Distribution Expenditure (Schedule 18) and Provisions & Write Offs (Net) (Schedule 21):**

(Rupees in million)

PARTICULARS		2006-07	2005-06
(i)	(a) Salaries, Wages, Ex-gratia, etc.	585.32	556.18
	(b) Contribution to Provident and other Funds	7.64	7.35
	(c) Provision for Gratuity	7.19	4.73
	(d) Provision for Leave Encashment	15.57	9.48
	(e) Provision for Medical/Terminal Benefits	3.99	0.00
	(f) Staff Welfare Expenses	46.25	23.82
	Sub-Total (A)	**665.96**	**601.56**
(ii)	Rent	58.93	57.63
(iii)	Electricity, Water and Power	5.73	10.31
(iv)	Repairs to Building	2.78	11.42
(v)	Repairs to Plant and Machinery	28.49	73.44
(vi)	Other Repairs	1.64	3.76
(vii)	Hire Charges of Vehicles	4.26	10.29
(viii)	Professional Charges	721.26	222.79
(ix)	Telephone and Telex	8.05	13.55
(x)	Printing and Stationary	1.65	4.53
(xi)	Training and Seminar	2.95	3.35
(xii)	Business Meeting Expenses	8.61	6.72
(xiii)	Traveling Expenses	161.43	76.58
(xiv)	Pipeline Construction Cost	0.00	2,699.29
(xv)	Insurance	155.73	50.87
(xvi)	Advertisement and Exhibition Expenditure	16.39	16.66
(xvii)	Contractual Transportation	2,662.86	1,825.35
(xviii)	Miscellaneous Expenditure	134.97	108.45
(xix)	Other Operating Expenditure	7,143.33	4,158.08
(xx)	Provisions for doubtful debts	116.06	380.57
(xxi)	Other Write Offs	378.79	0.07
(xxii)	Excess Provision Written Back	372.79	(1.24)
(xxiii)	Other Provisions	1,287.30	14.77
(xxiv)	Royalty	51,130.17	39,060.77
(xxv)	Statutory Levies	1,378.74	936.48
	Sub-Total (B)	**65,782.91**	**49,744.49**
Total of Operating Expenditure, Establishment Expenditure and Provision and Write Off (A+B)		**66,448.87**	**50,346.05**

(ii) The operating expenditure (no. (xix) above) includes the expenses in respect of Sakhalin-1, Russia project, where the above details are not made available by the Operator.

23) **Exchange Difference:**

The total net exchange gain during the year was Rs. 1,431.76 Million (Previous year gain of Rs. 1,749.02 Million) of which net exchange difference (gain) of Rs. 2,527.25 Million (Previous year gain of Rs. 1,005.12 Million) is charged off in Profit and Loss Accounts and net exchange gain of Rs. 11.63 Million (Previous year Rs. 5.33 Million) is adjusted to the carrying amount of assets and loss of Rs. 1,107.12 Million (Previous year gain of Rs. 738.57 Million) has been taken to foreign currency translation reserve.

24) **Managerial Remuneration:**

(Rupees in million)

	2006-07	2005-06
Salary and Allowances	**13.21**	3.79
Contribution to Provident Fund	**0.19**	0.12
Other Benefits and Perquisites *	**0.30**	0.13
Total	**13.70**	**4.04**

* excludes provision by the holding company

Notes:

a) In addition, Whole-time Directors are also allowed the use of Company car for private purposes up to 1000 Km/per month on payment of Rs 520 per month for air-conditioned cars below 16 H.P.

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

25) **Auditors' Remuneration (Excluding Subsidiaries and Joint Venture Company):**

(Rupees in million)

Particulars	2006-07	2005-06
Audit Fee	**0.67*****	0.50*@
Tax Audit Fee	-	0.03**
Certification Fee	**0.02**	-
Total	**0.69**	**0.53**

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

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

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

*** includes Rs. 0.17 Million for half yearly audit for 2006-07.

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

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

(Rupees in million)

	Joint ventures	Key Managerial personnel	Total 2006-07	Total 2005-06
Income from rendering services	307.94	-	**307.94**	443.40
Expenses on receiving services	-	-	**-**	-
Interest Income	20.00	-	**20.00**	20.20
Remuneration	-	13.70	**13.70**	4.04

Note:

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

Joint Ventures	Block 06.1 Project, Vietnam
	Sakhalin-1 Project, Russia
	Block 1a, 1b, 2a, 2b & 4 Project, Sudan
	Block 5A Project, Sudan
	MECL, Colombia
	AFPC, Syria
	Block BC-10, Brazil
	Block A-1 Project, Myanmar
	Block A-3 Project, Myanmar
	Farsi Block Project, Iran
	Block 6 North Ramadan Project, Egypt
	Block NC-188 & NC-189 Project, Libya
	Block XXIV Project, Syria
	Block 5B Project, Sudan
	Block 2, JDZ, Nigeria / STP
	Block CI-112 Project, Cote D' Ivoire
	Block 25-29, 35 (Part) & 36 Project, Cuba
	Khartoum - Port Sudan Pipeline Project, Sudan
Key Management personnel (excludes Joint Venture Company)	Shri R. S. Butola, Managing Director, ONGC Videsh Limited
	Shri D. K. Sarraf, Director (Finance), ONGC Videsh Limited
	Shri A. Mathur, Director (Commercial), ONGC Videsh Limited
	Shri J. Thomas, Director (Exploration), ONGC Videsh Limited
	Ir. A. R. Baron Mackay Holding BV, Director, ONGC Nile Ganga BV
	Dr. C. M. Lamba, Director, ONGC Nile Ganga BV

28) The figures in respect of Subsidiaries / Joint Venture Company, have been regrouped / re-arranged based upon the details obtained from the managements of the Subsidiaries / Joint Venture Company, wherever their audited accounts did not provide the break up details required for the Consolidated financial statements.

29) Previous year figures have been re-grouped/re-arranged and nomenclature re-named wherever necessary to make them comparable with current year classification.

Signature to Schedule - '1' to '25'

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

As per our report of even date attached
For BATRA SAPRA & COMPANY
Chartered Accountants

New Delhi
21st June, 2007

(K. S. KAMATH)
Partner (M. No.44492)

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

(Rupees in million)

		Year Ended 31st March, 2007		Year Ended 31st March, 2006
A. CASH FLOW FROM OPERATING ACTIVITIES:				
Net profit before tax and prior period items		33,435.26		21,122.35
Adjustments For:				
- Recouped Costs (Represented by Depreciation, Depletion and Amortisation)	21,335.03		11,204.13	
Less : Cash Outflows	4,799.67		3,769.73	
	16,535.36		7,434.40	
- Interest on Borrowings	317.65		39.87	
- Provision for Gratuity	5.42		3.66	
- Provision for Leave Encashment	11.27		5.22	
- Provision for Terminal Benefits	42.57		0.00	
- Provision for Doubtful Debt	56.92		380.57	
- Exchange (Gain)/Loss on Carry Finance	0.00		(843.17)	
- Interest Income	(2,273.30)	14,695.89	(3,126.85)	3,893.70
Operating Profit before Working Capital Changes		48,131.15		25,016.05
Adjustments for:-				
- Debtors	(7,259.41)		(1,807.29)	
- Loans and Advances	4,075.73		(10,316.63)	
- Inventories	(1,485.67)		(988.17)	
- Trade Payable and Other Liabilities	6,917.45	2,248.10	3,188.77	(9,923.32)
Cash generated from Operations		50,379.25		15,092.73
Direct Taxes Paid		(12,003.28)		(6,938.10)
Cash Flow before Prior period items		38,375.97		8,154.63
Prior period items		(6,142.17)		(709.08)
Net Cash Flow from Operating Activities 'A'		32,233.80		7,445.55
B. CASH FLOW FROM INVESTING ACTIVITIES:				
Purchase of Fixed Assets (Net)		(45,435.41)		(7,441.43)
Expenditure on Projects		8,057.22		(24,432.47)
Acquisition of Subsidiaries		(20,855.67)		(1,086.82)
Foreign Currency Translation Adjustment		(788.68)		395.89
Advance to SMNG-S, RN ASTRA & Sudapet		55,726.32		(20,531.41)
Interest Received		723.47		271.50
Net Cash Flow from Investing Activities 'B'		(2,572.75)		(52,824.74)
C. CASH FLOW FROM FINANCING ACTIVITIES:				
Proceeds from Issue of Share Capital		7,000.00		0.00
Net Long Term Borrowings from ONGC		(26,676.11)		42,148.73
Repayment of Long Term Borrowings from OIDB		(61.25)		(95.87)
Cash Credit		(44.18)		44.18
Dividend paid		0.00		(1,050.00)
Tax on Dividend		0.00		(147.26)
Interest Paid		(317.66)		(39.87)
Net Cash Flow from Financing Activities 'C'		(20,099.20)		40,859.91
Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)		9,561.85		(4,519.28)
Cash and Cash Equivalents as at 1st April, 2006 (Opening Balance)		2,563.37		7,082.65
Cash and Cash Equivalents as at 31st March, 2007 (Closing Balance)		12,125.22		2,563.37

Notes:

1. The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard-3 on Cash Flow Statements issued by The Institute of Chartered Accountants of India.
2. Bracket indicates cash outflow.
3. Previous year figures have been regrouped wherever necessary to confirm the current year's classification.
4. Adjustment have not been made to purchase of fixed assets etc. (Investing activities), on account of increase / decrease in Capital Creditors. The impact of the above is not readily ascertainable.

(Jagdish Prasad)
Company Secretary

(D. K. Sarraf)
Director (Finance)

(R. S. Butola)
Managing Director

(R. S. Sharma)
Chairman

As per our report of even date attached
For BATRA SAPRA & COMPANY
Chartered Accountants

New Delhi
21st June, 2007

(K. S. KAMATH)
Partner (M. No.44492)

DETAILS OF THE SUBSIDIARY COMPANIES

	Name of Subsidairy Company	ONGC Nile Ganga BV		ONGC Narmada Limited		ONGC Amazon Alaknanda Limited		ONGC Campos Ltda.	
		(Rupees in million)	(US$ in million)	(Rupees in million)	(US$ in million)	(Rupees in million)	(US$ in million)	(Rupees in million)	(US$ in million)
(a)	Capital	3.69	0.09	6.78	0.16	19018.13	437.50	3783.72	87.04
(b)	Reserves	35944.91	826.89	(185.88)	(4.28)	615.75	14.16	(2411.80)	(55.48)
(c)	Total Assets	61248.10	1408.98	583.23	13.42	21506.78	494.75	2609.95	60.04
(d)	Total Liabilities	25299.50	582.00	762.33	17.54	1872.90	43.09	1238.03	28.48
(e)	Details of Investment (except in case of investment in the subsidiaries)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(f)	Turnover	91318.32	2016.97	4.03	0.09	1731.50	38.24	0.00	0.00
(g)	Profit before Taxation	14844.31	327.87	(193.60)	(4.28)	932.21	20.59	(745.14)	(16.46)
(h)	Provision for Taxation	9027.84	199.40	0.00	0.00	290.89	6.43	0.00	0.00
(i)	Profit after Taxation	5816.47	128.47	(193.60)	(4.28)	641.32	14.16	(745.14)	(16.46)
(j)	Proposed Dividend	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Exchange Rate

As on 31.03.2007	1US$ = Rs. 43.470
Average Rate for 2006-07	1US$ = Rs. 45.275

Note:

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