

26th Annual Report
2009-2010



Hindustan Oil Exploration Company Limited

26th Annual General Meeting

Date : September 30, 2010

Day : Thursday

Time : 10:30 A.M.

Place : “Tropicana Hall”

The Gateway Hotel Vadodara

Akota Gardens, Akota

Vadodara-390 020

Contents

Highlights of FY 2009-10	1
Operational Highlights At A Glance	2
Board of Directors	4
Directors’ Report	5
Management Discussion and Analysis Report	12
Report on Corporate Governance	22
Accounts with Auditors’ Report	32
Information pertaining to HOEC Bardahl India Limited (Subsidiary)	72
Consolidated Accounts with Auditors’ Report	89
Glossary	117

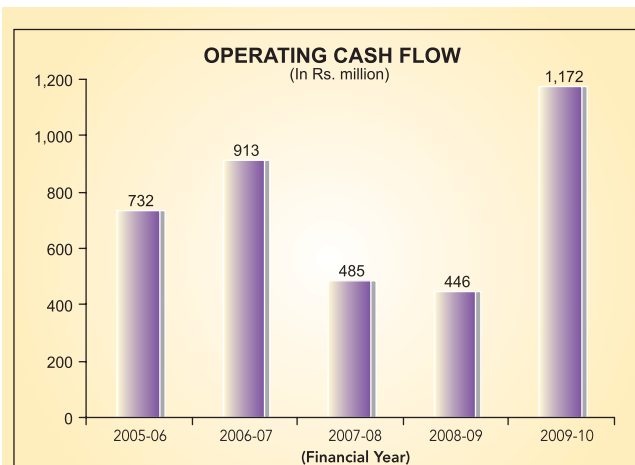
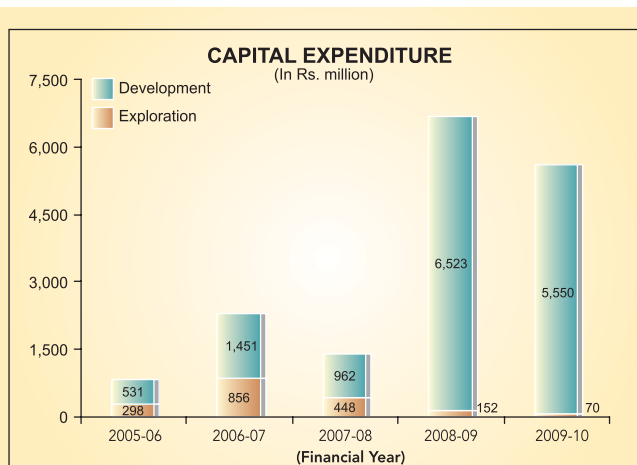
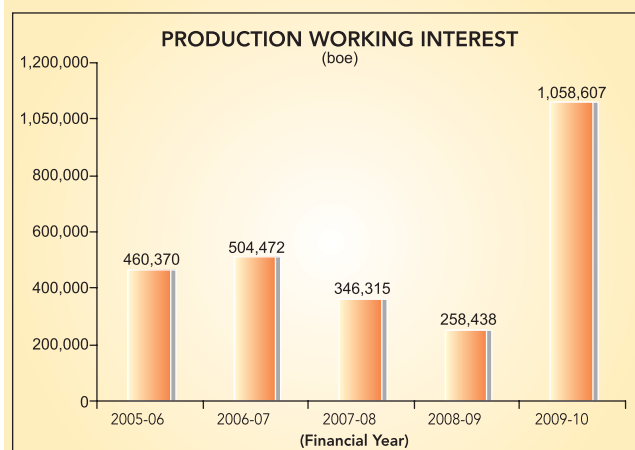
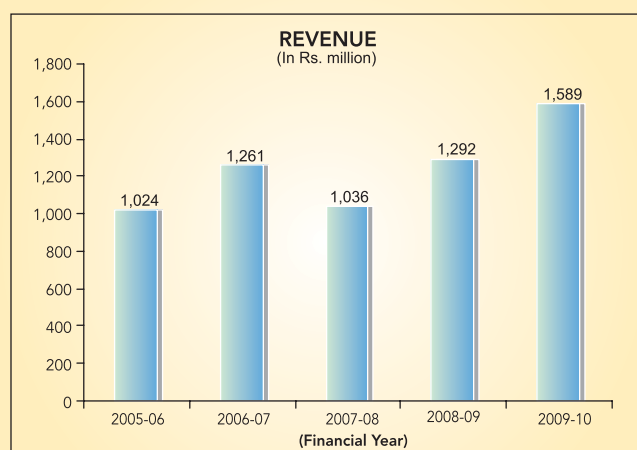
Disclaimer Note:

Certain sections of this Annual Report, in particular the Management Discussion and Analysis, and Operational Highlights may contain forward-looking statements concerning the financial condition and results of operations of HOEC. Forward-looking statements are statements of future expectations that are based on management’s current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in these statements. No assurances can be given as to future results, levels of activity and achievements and actual results, levels of activity and achievements may differ materially from those expressed or implied by any forward-looking statements contained in this report. HOEC does not undertake any obligation to publicly update or revise any forward-looking statement as a result of new information, future events or other information.

Highlights of FY 2009-10

FINANCIAL HIGHLIGHTS

- Revenue of Rs. 1,589 million (FY 2008-09: Rs. 1,292 million)
- Average Production* 1,058,607 boe (FY 2008-09: 258,438 boe)
- Operating Cash Flow** of Rs. 1,172 million (FY 2008-09: Rs. 446 million)



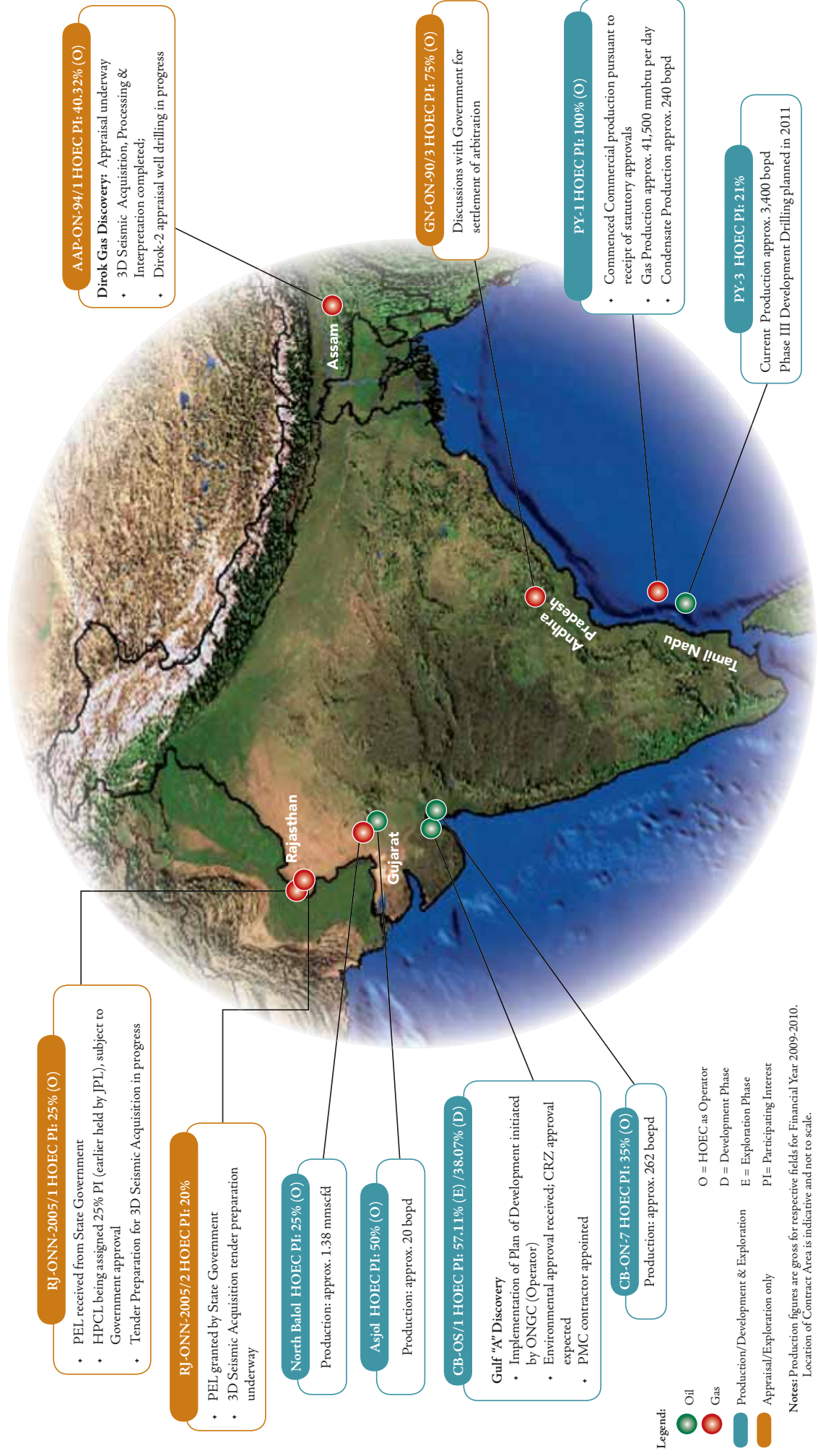
* Average Production is on working interest basis.

** Operating Cash Flow is before Working Capital Changes and Taxes.

Figures have been rounded off.

Operational Highlights At A Glance

HOEC's oil and gas assets consist of operated & non-operated acreages in Cauvery, Cambay, Assam-Arakan and Rajasthan basins in India



Board of Directors

Mr. R. Vasudevan

Non-Executive Independent Director/Chairman



Mr. R. Vasudevan, 73 years, holds a B.A. (Hons.) (Economics) degree from the University of Madras, a M.A. (Economic Statistics) degree from the University of Delhi and a M.P.A. (Development Economics) from Harvard University, Boston, U.S.A.

He has held various senior level positions in the ministries of the Government of India including the Prime Minister's Office, Ministry of Steel and Ministry of Petroleum and Natural Gas. He retired as Secretary to the Government of India, Ministry of Power. He was a founder director of Small Industries Development Bank of India.

Mr. Deepak S. Parekh

Non-Executive Director



Mr. Deepak S. Parekh, 66 years, is a Fellow of the Institute of Chartered Accountants (England and Wales). Besides HDFC Group Companies, Mr. Parekh is the Non-Executive Chairman of the board of several leading companies across diverse sectors.

At the financial helm of India Inc., Mr. Parekh is an active member of various high-powered Economic Groups, Government appointed Advisory Committees and Task Forces which includes housing, financial services, capital markets and infrastructure sector reforms.

He is a recipient of Padma Bhushan award from the Government of India. He is also the first international recipient of the Institute of Chartered Accountants in England and Wales' Outstanding Achievement Award - 2010.

Mr. Sunil Behari Mathur

Non-Executive Independent Director



Mr. Sunil Behari Mathur, 66 years, is a Chartered Accountant. He has more than 40 years of experience in the fields of insurance and housing finance. He was the Chairman of Life Insurance Corporation of India. He is on the board of various companies. He has been

sponsored by United States Agency for International Development ("USAID") for a training program on housing finance at the Wharton Business School of the University of Pennsylvania. He also holds Trusteeships, Advisory/Administrative Roles on Government Bodies, Authorities and Corporations. He is the Ex-officio Secretary General of Life Insurance Council.

Mr. Paolo Carmosino

Non-Executive Director



Mr. Paolo Carmosino, 56 years, holds a degree in law from the University "La Sapienza" of Rome and pursued a career within the Eni Group spanning 32 years in finance and planning control areas. He is Eni's Senior Vice President for Finance, Chairman of Eni

Coordination Center and Banque Eni SA and he is also a Director of EniADFin (formerly Sofid SpA).

Mr. Santo Laganà

Non-Executive Director



Mr. Santo Laganà, 56 years, holds a degree in Mining Engineering and a Post graduate degree in Petroleum Engineering from the Politecnico of Turin. He had for Eni, various assignments in Italy and abroad, including the positions as District Manager of Agip Oil Libia and as

General Manager and Managing Director of the Egyptian Operating Company Agiba. He subsequently returned to Italy and initially held the position of Regional Manager for the Angola and Congo areas, and subsequently as the Regional Manager for India and Pakistan. He is a Director of Eni India Limited and Burren Energy plc.

Mr. Sergio Adriano Laura

Non-Executive Director



Mr. Sergio A. Laura, 52 years, has a degree in Geological Sciences from the University of Genoa. He joined Eni in 1984 and after gaining experience in various disciplines of geology for hydrocarbon exploration, he has held various senior managerial

positions while working with Eni Exploration & Production in several countries: Italy, UK, China, Egypt, Indonesia and India. Currently, he is the General Manager of Eni India Limited. He is currently Director of Burren Shakti Limited, Burren Energy India Limited and Eni India Limited.

Mr. Luigi Ciarrocchi

Managing Director



Mr. Luigi Ciarrocchi, 49 years, holds a degree in Petroleum Engineering from the Politecnico of Turin and has pursued an international career, spanning almost 22 years in hydrocarbon E&P sector, in Europe, Africa and Middle East countries.

He has held different managerial positions in ENI, including District Manager in Italy, Managing Director of INAgip in Croatia and Managing Director of Eni Pakistan. He is currently Chairman of Burren Shakti Limited, Burren Energy plc, Eni China B.V., Eni South China Sea Limited, Sarl, Eni Australia B.V., Eni Australia Limited, Eni Bulungan B.V., Eni Muara Bakau and others.

Mr. Mukesh Butani

Non-Executive Independent Director



Mr. Mukesh Butani, 46 years, is a lawyer and Chartered Accountant. He is a member of ICC, Paris Taxation Commission and served as Chairman of the Tax & Tariff Committee of the American Chamber of Commerce.

He is a member of OECD's Business restructuring advisory group. Mr. Mukesh Butani is the founder partner of BMR Legal, Advocates & Solicitors. He leads the tax practice with specialization in International Tax and Transfer Pricing matters. He was leader of the Oil and gas Industry practice at Andersen, a member of the core industry team at Ernst & Young and has deep experience in working with companies across the industry value chain from upstream companies to organizations engaged in mid-stream and downstream activities.

Mr. Manish Maheshwari

Joint Managing Director



Mr. Manish Maheshwari, 42 years, holds Bachelor (Hons.) degree in Chemical Engineering and Masters in Business Administration from Strathclyde University, U.K. and received Danida Fellowship. He has diversified business experience

of more than 20 years. Prior to his appointment as the Joint Managing Director of the Company, he held the office of the Chief Financial Officer of the Company.

Mr. Manish Maheshwari is also the Chairman of HOEC Bardahl India Limited, the wholly owned subsidiary of the Company.

DIRECTORS' REPORT

To the Members of HINDUSTAN OIL EXPLORATION COMPANY LIMITED

Your Directors have the pleasure in placing before you the 26th Annual Report including the Audited Statement of Accounts for the year ended March 31, 2010.

1. FINANCIAL HIGHLIGHTS

Rs. million

Particulars	Standalone		Consolidated	
	2009-2010	2008-2009	2009-2010	2008-2009
Turnover	1,450	830	1,607	964
Other Income	139	462	144	465
Profit before Depreciation/ Depletion/Amortisation/Write Offs/ Taxation	1,123	752	1,160	766
Less : Depreciation/Depletion/ Amortisation	472	118	473	119
Less : Provisions & Write Offs	0	0	0	0
Profit Before Tax	651	634	687	647
Less : Provision for Tax	235	99	247	102
Profit After Tax	416	535	440	545
Profit/(Loss) brought forward	1,454	919	1,490	945
Profit available for Appropriation	1,870	1,454	1,930	1,490
Balance carried to the Balance Sheet	1,870	1,454	1,930	1,490

The higher turnover of the Company during the year was mainly on account of commencement of commercial production from PY-1 Field with effect from November 27, 2009. The increase in turnover was registered despite PY-3 Field being under shutdown for almost seven months from July 2009 to January 2010 on account of unscheduled repairs and maintenance of offshore mooring facility.

Depreciation/depletion/amortization charge was higher due to charge of PY-1 depletion to the P&L upon commencement of production of natural gas from this Field.

The profit-before-tax was marginally better though the same has not increased in tandem with growth in turnover primarily due to other income (by way of dividend and interest earned on investment of surplus funds) being significantly lower as the Company has deployed such funds towards planned capital expenditure programme.

Provision for tax was higher because of higher taxable income in the current year as also the fact that the income from dividend, which contributed a considerable income in previous year, was not taxable in the hands of the Company.

2. DIVIDEND

The Directors have not recommended any dividend for the year 2009-2010 as the Company's PAT was lower than the previous year. However the Directors are having a positive outlook for the next fiscal year in terms of revenue and profitability growth with PY-1 going on stream and resumption of production from PY-3 Field.

3. CAPITAL EXPENDITURE

During the year under review, the Company invested capital expenditure of Rs. 5,550 million towards development expenditures, predominantly PY-1 Field and Rs. 70 million towards exploration expenditure covering appraisal activities in Block AAP-ON-94/1.

4. RIGHTS ISSUE

The Company has completely utilized the proceeds of the Right Issue 2008. IDBI Bank Limited, the Monitoring Agency, appointed by the Company in terms of the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000, to monitor the utilization of the proceeds of the Rights Issue 2008, has given report of utilization of Rs. 6,105 million consistent with the objects of the issue and authorisation by the Board.

5. OPERATIONAL HIGHLIGHTS

Operations review has been provided in the Management Discussion and Analysis Report.

6. START OF GAS PRODUCTION FROM PY-1 FIELD

During the year, your Company accomplished commercial production of natural gas from PY-1 Field on November 27, 2009. Upon receipt of various statutory approvals, the Company successfully commissioned the project in a safe and secured manner entailing in excess of 5 million manhour efforts. PY-1 Field is currently producing around 41,500 mmbtu of gas and 260 barrels of condensate per day.

7. COMMENCEMENT OF DRILLING OF APPRAISAL WELL IN ASSAM

Your Company, as Operator of AAP-ON-94/1 consortium, has commenced the drilling of first appraisal well in Block AAP-ON-94/1. The Company has a 40.323% participating interest during exploration/appraisal period in the said Block.

8. TECHNICAL SUPPORT FROM ENI (PROMOTERS OF THE COMPANY)

In order to augment the know-how and technical expertise available to the Company and to pursue state of the art exploration and petroleum operation practices, the Company has entered into a Petroleum Service Agreement (PSA) with ENI India Limited, United Kingdom (Eni), which is a part of ENI Group, the promoters of the Company. This Agreement allows your Company to seek technical support from Eni on terms compliant with various regulations including the Production Sharing Contracts, transfer pricing, and related party transactions. Such technical support from Eni is requisitioned by the Company with due authorization by the Board.

9. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

In terms of Clause 49 of the Listing Agreement with the Stock Exchanges, Management Discussion and Analysis Report are appended to and forms part of this Annual Report.

10. CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement, the report on Corporate Governance, along with a Certificate thereon, from a Company Secretary in Practice is appended to and forms part of this Annual Report.

The Board of Directors have taken cognisance of the 'Corporate Governance Voluntary Guidelines 2009', issued by the Ministry of Corporate Affairs in December 2009. Recognising the importance and need to constantly assess governance practices thereby ensuring a sustainable business environment, the Board has adopted certain provisions of the said guidelines.

11. COST ACCOUNTING RECORDS

The Company has maintained cost records as required by Cost Accounting Records (Petroleum Industry) Rules, 2002 notified on October 8, 2002.

12. HOEC BARDAHL INDIA LIMITED (HBIL), SUBSIDIARY OF HOEC

During the year, net income of HBIL, HOEC's wholly owned subsidiary, was Rs. 169 million, being marginally higher than the previous year. The net profit was Rs. 24 million during the year, registering a net profit margin of 14.9%.

13. CONSOLIDATED FINANCIAL STATEMENTS

Pursuant to Accounting Standard AS-21 and the Listing Agreement entered into with the Stock Exchanges, Consolidated Financial Statements for the financial year 2009-2010 are appended to and form part of this Annual Report.

14. CREDIT RATING

ICRA had assigned a rating of LA+ to the term loan facilities availed by the Company. LA+ is the adequate-credit quality rating assigned by ICRA and the rated instrument carries average credit risk. ICRA has not revised this rating during the year.

15. AUDITORS' REPORT AND DIRECTOR'S EXPLANATION

Auditors have made an observation vide para 7 to the Auditors' Report about the accrual and provisioning of Rs. 160,438,827 on account of services rendered by ENI India Limited, as development expenditure to one of unincorporated joint ventures (PY-1), where the Company is the Operator.

With reference to this observation we have to state that the Company has entered into a Petroleum Service Agreement (PSA) with ENI India Limited ("ENI"), one of the Promoter Group Companies. As per the terms of the PSA, ENI shall provide petroleum operation related services on "cost basis". The Audit Committee and Board at their meeting held on April 30, 2010, reviewed and confirmed that the charges for such services by ENI are for comparable technical services of equal quality being provided by the peers, of comparable qualification in the industry. Board further required that each job order to be issued under this PSA shall be approved by the Board. Pursuant to the PSA, the Company has issued certain job orders for specific services subsequent to Board approval. As per the Board's directive, the Company has accrued the charges of Rs. 160,438,827 as of March 31, 2010 for the services based on ENI's Invoices. However, payment to ENI shall be made only upon receiving: (a) ENI's statutory auditor's certificate for "at cost" charge out rates; and (b) Certified timesheets from ENI supporting the man-day efforts charged. The Company is in the process of receiving the aforesaid documentation from ENI to satisfy the above defined conditions. The Company expects that there should not be any material impact on the results for the year ended March 31, 2010 on account of the above.

16. UNINCORPORATED JOINT VENTURES

The financial statements of the Company reflect its share of assets, liabilities, income and expenditure of the Joint Venture operations which are accounted on the basis of available information on line by line basis with similar items in the Company's Accounts to the extent of the participating interest of the Company as per various "Production Sharing Contracts". The financial statements of the Unincorporated Joint Ventures are prepared by the respective Operators in accordance with the requirements prescribed by the respective Production Sharing Contracts of the Unincorporated Joint Ventures.

17. FIXED DEPOSIT

Your Company has not accepted any fixed deposits and, as such, no amount of principal or interest was outstanding as at the balance sheet date.

18. DIRECTORS

In accordance with the Articles of Association of the Company and provisions of the Companies Act, 1956, Mr. Deepak S. Parekh and Mr. Paolo Carmosino will retire by rotation and being eligible have offered themselves for re-appointment.

The term of appointment of Mr. Luigi Ciarrocchi as Managing Director will expire at the conclusion of the ensuing Annual General Meeting. He has offered himself for re-appointment and accordingly terms of his re-appointment forms part of the Notice of Annual General Meeting for your consideration and approval.

Further, the Company has received a notice with the requisite deposit as prescribed in the Section 257 of the Companies Act, 1956 from a member proposing the appointment of Mr. Marcello Simoncelli as a Director of the Company on a term liable to be retiring by rotation.

The Board of Directors recommends aforesaid re-appointments/ appointment at the ensuing Annual General Meeting.

Further, Mr. Santo Laganà, Director of the Company retires at the ensuing Annual General Meeting of the Company and has expressed his unwillingness to be re-appointed as Director due to other business commitments. Mr. Santo Laganà has contributed significantly to the deliberations of the Board. The Board of Directors herein places its appreciation for his

valuable services, guidance and support during his association with the Company.

19. EMPLOYEES STOCK OPTION SCHEME

The status of ESOS is as below:

	PARTICULARS	2009-2010	2008-2009
(a)	Option Granted ^{refer note*}	16,828	17,613
(b)	Pricing Formula	Nil	Nil
(c)	Options Vested (corresponding to previous year grant ^{refer note **})	15,069	Nil
(d)	Options Exercised (corresponding to previous year grant ^{refer note **})	15,069	Nil
(e)	The total number of shares arising upon/after exercise of Option	16,828	17,613
(f)	Options Lapsed	Nil	Nil
(g)	Variation in terms of Options	Not Applicable	Not Applicable
(h)	Money realized by exercise of Options	Nil	Nil
(i)	Total number of Options in force	16,828	17,613
(j)	Employee wise details of Options granted to:		
	Senior Management Personnel		
	Mr. R. Vasudevan	—	9,274
	Mr. Mukesh Butani	2,775	—
	Mr. S. B. Mathur	2,775	—
	Mr. Manish Maheshwari	4,895	4,498
	Any other employee who received a grant in any one year of Options amount to 5% or more of Options granted during that year		
	Mr. K. N. Prabhakar	972	927

	PARTICULARS	2009-2010	2008-2009
	Mr. Sagar Mehta :	1,401	1,369
	Mr. Rajiv Hura :	967	refer note***
	Identified employees who were granted Options, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding equity share) of the Company at the time of grant.	None	None
(k)	Diluted Earnings Per Share (EPS) before exceptional items pursuant to issue of shares on exercise of Options calculated in accordance with Accounting Standard (AS) 20 'Earning Per Share' refer note****.	Rs. 3.19	Rs. 4.10

Notes:

- * The number of options granted during the year 2009-2010 is net of 12,215 options (Previous Year: Nil) originally granted to a grantee, who declined to accept the grant of options.
- ** Represent options which were granted for Financial Year 2006-2007.
- *** Less than 5% of the total option granted to the individual during the year in reference.
- **** Under the ESOS Scheme approved by the Shareholders, the exercise of options have no dilution impact on the EPS.

20. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

A. Conservation of energy:

(a) energy conservation measures taken :

During the year, Company has initiated several measures for energy conservation. Some of them are:

1. Facilities engineered for production in normal course with minimalistic gas flaring in PY-1 Field.
2. Reducing the flaring of associated natural gas from producing field in Cambay basin by:
 - (i) Internal utilization of associated natural gas as fuel; &
 - (ii) Sale of associated natural gas to end user(s).

(b) additional investments and proposals, if any, being implemented for reduction of consumption of energy: Company has installed gas based power generators utilising low pressure gas to operate PY-1 onshore facilities and solar panels for offshore facilities thereby ensuring clean and efficient source of power for internal use. This has also made PY-1 Project self reliant for its power requirements.

(c) impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods :

Reduction in emission of Green House Gases (GHGs) due to minimalistic flaring; use of gas and solar cells for power generation for internal consumption.

(d) total energy consumption and energy consumption per unit of production as per Form A of the annexure in respect of industries specified in the schedule thereto: The Company is not part of the industries/nor engaged in activities specified in the Schedule. A small fraction of gas production is being utilized for internal consumption.

B. Technology absorption:

Efforts made in technology absorption as per Form B of the annexure:

The following technology initiatives were taken during the year:

- (i) Company used control beam migration processing, a state-of-the-art technology, to precisely image the sub-surface in a highly complex and tectonically disturbed area of AAP-ON-94/1 Block.
- (ii) ERP software like IBM Maximo and Sun System are implemented for budgeting, material/service requirement procurement and accounting respectively which have resulted in putting these functions centralized and web based.
- (iii) Secured wireless link between PY-1 Onshore Gas Terminal and Offshore unmanned Platform has been implemented to monitor and control unmanned platform. CCTV Cameras are installed on unmanned platform and which are controlled and monitored from the Onshore Gas Terminal.

(iv) Geophysical and Geological work stations have been equipped with software suites like Hampson-Russell and Eclipse. The Hampson-Russell software suite is used for all aspects of seismic exploration and reservoir characterization from pre-and-post-seismic inversion. Eclipse black oil software is utilized for reservoir modeling and simulation with a view to define and optimize production.

(v) Seismic Data Interpretation software, GeoFrame, has been upgraded for comprehensive and advanced interpretation and modeling.

C. Foreign exchange earnings and outgo:

(a) activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services; and export plans : Company is engaged in production of crude oil and natural gas; the existing Government policies and Production Sharing Contracts (PSCs) to which Company is one of the Party, do not allow Company to export its production till India achieves self sufficiency.

(b) total foreign exchange used and earned:

		Rs. million	
Particulars		2009-2010	2008-2009
A.	Foreign Exchange Earnings (See Note 1)	10.69	1.88
B.	Foreign Exchange Used		
	• Cash Call Payment to Joint Ventures	5,748.47	1,815.96
	• Farm in Consideration (See Note 2)	134.87	—
	• Expenditure in Foreign Currency (See Note 3)	192.21	31.96
	• Repayment of Foreign Currency Loan (See Note 4)	243.24	163.16
Total Foreign Exchange used		6,318.79	2,011.08

- Notes: 1. The above includes Interest received in foreign currency amounting to Rs. 7.82 million (Previous Year Rs. 1.88 million) netted off against Borrowing Cost in accordance with the Accounting Standard 16.
2. This refers to the final milestone payment to Mosbacher India LLC as per the terms of the agreement.
3. The above includes Interest paid in foreign currency amounting to Rs. 28.08 million (Previous Year Rs. 31.48 million) capitalized as Borrowing Cost in accordance with the Accounting Standard 16.
4. The above excludes drawdown of foreign currency loan amounting to Rs. 6,165 million (Previous Year Rs. Nil).

21. HUMAN CAPITAL & MANAGEMENT

The Company continues to pursue best practices to develop human capital to attract and retain talent. Company has implemented a web based Performance Appraisal System incorporating KRAs, deliverables, performance measurement matrix, assessment of potential and identification of training needs. During the year, Company has sponsored training of its operational and technical personnel at Eni's facilities in Italy.

22. PARTICULARS OF EMPLOYEES

The particulars of employees required to be furnished pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are appended hereto and forms part of this Report.

23. AUDITORS

The Auditors, M/s. Deloitte Haskins & Sells, will retire at the forthcoming Annual General Meeting. M/s. Deloitte Haskins & Sells, have expressed their unwillingness to be re-appointed as Auditors at the ensuing Annual General Meeting. Your Directors place on record their appreciation for valuable professional services rendered by M/s. Deloitte Haskins & Sells, to the Company.

In view of the foregoing and based on the recommendation of the Audit Committee, the Board has at its meeting held on August 12, 2010 proposed and recommended the appointment of M/s. S. R. Batliboi & Co. as the Statutory Auditors of the Company to hold office from the conclusion of the ensuing Annual General Meeting until the conclusion of the next Annual General Meeting.

24. DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with the provisions of Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

- (i) that in the preparation of the annual accounts for the financial year, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;

- (ii) that the directors have selected such accounting policies and applied them consistently unless otherwise stated and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss account of the Company for the year ended on that date;
- (iii) that the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that the directors have prepared the accounts on a 'going concern' basis.

25. ACKNOWLEDGEMENTS

Your Directors place on record their gratitude for the support and co-operation received from Government agencies namely, Ministry of Petroleum & Natural Gas, Directorate General of Hydrocarbons, Government of Gujarat, Government of Tamil Nadu, Government of Assam, Government of Andhra Pradesh and Government of Rajasthan and the authorities working under them. Your directors express their gratitude to the Company's stakeholders, shareholders, business partners, and bankers for their understanding and support and look forward to their continued support in future. Your Directors value the professionalism, dedication and commitment of the HOEC team, which has contributed to the growth of the organization.

For and on behalf of the Board

R. Vasudevan
Chairman

Date : August 12, 2010

ANNEXURE TO THE DIRECTORS' REPORT

Statement of particulars of employees pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended March 31, 2010.

Name	Designation	Remuneration received (not including Stock options)	Stock options granted during the year (No. of shares)	Nature of employment	Nature of duties of the employee	Qualifications of the employee	Experience of the employee (in years)	Date of commencement of employment	Age	The last designation and employment held by such employee before joining the company	The number of equity shares held by the employee	The percentage of equity shares held by the employee	Period of Employment during the Financial year
Mr. Bhuwan Chandra Gariya	Chief Geophysicist	3,479,491	365	Permanent	Geophysical activities	M.Sc (Physics)	26	5-Sep-08	49	Chief Geophysicist – Oil and Natural Gas Corporation Limited	Nil	Nil	1-Apr-09 31-Mar-10
Mr. K. N. Prabhakar	Head - Exploration Ventures	5,537,812	972	Permanent	Exploration activities	M.Sc (Geology)	34	14-Jun-07	56	Deputy General Manager – Oil and Natural Gas Corporation Limited	500	Negligible	1-Apr-09 31-Mar-10
Mr. Manish Maheshwari	Joint Managing Director	20,018,546	4,895	Permanent	Overall management of the Company	B.E. (Hons), MBA (UK)	20	1-Oct-03	42	Senior Investment Manager – Danish International Investment Fund	9,590	Negligible	1-Apr-09 31-Mar-10
Mr. Rajiv Hura	Chief Operations Geologist	5,296,036	967	Permanent	Operations Geological activities	Masters in Applied Geology – IIT Bombay	27	14-Mar-05	51	Deputy Chief Geologist – Oil India Limited	1,096	Negligible	1-Apr-09 31-Mar-10
Mr. R. Raghunath Rao	Principal Logistics & Materials Coordinator	3,431,687	743	Permanent	Logistics & Materials	B.Tech (Mechanical)	15	15-Sep-05	37	Deputy Manager (Materials & Logistics) – Reliance Industries Limited	108	Negligible	1-Apr-09 31-Mar-10
Mr. Sagar Mehta	Chief - Cambay Business Unit	4,478,560	1,401	Permanent	Cambay Assets activities	M.Sc (Geology), MBA	21	1-Jul-89	46	Not Applicable	4,279	Negligible	1-Apr-09 31-Mar-10
Mr. Sandeep Khamesra	Chief Accounts Controller	2,801,854	494	Permanent	Accounting & Finance	B.Com, CA	9	1-Oct-04	30	Accounts Manager – Executive Ship Management Pte Ltd.	118	Negligible	1-Apr-09 31-Mar-10
Mr. Vikash Jain*	Company Secretary, Chief Tax & Legal	2,371,407	—	Permanent	Company Secretarial, Legal and Taxation	B.Com, FCS, LLB, AII, ICWA (Inter)	14	5-Oct-05	32	Manager – High Technology Transmission Systems Pvt. Limited	118	Negligible	1-Apr-09 15-Jan-10

Notes:

Gross remuneration as above includes salary, taxable allowances, Company's Contribution to Provident Fund and Superannuation Fund, Gratuity paid (but excludes Company's contribution to Gratuity Fund), reimbursement of medical expenses, personal accident & health insurance premium, leave travel assistance and monetary value of perquisites calculated in accordance with the provisions of the Income Tax Act, 1961 and the Rules there-under. Long term benefits are included in the remuneration of the year in which they are awarded. Stock Options (Exercise Price Nil) granted during the year have been shown separately.

All the above named persons are eligible for all employee benefits eligible to the same class of employee.

None of the above named person is a relative of any Director of the Company.

* resigned from the Company

Management Discussion and Analysis Report

INDUSTRY STRUCTURE, DEVELOPMENT AND OPPORTUNITIES

Exploration and production of oil and gas is critical for India's energy security and economic growth. During the financial year 2009-2010, the world experienced a wide range of business environments. Early 2009-2010 was anchored by a low commodity price environment and continued concern over economic conditions. In the second half of 2009-2010, optimism began to grow, allowing crude oil prices to follow suit where they remained at relatively stable levels through to the end of the year. The industry is on a path of recovery and oil prices rose from an average of USD 46/barrel (bbl) in April 2009 to touch USD 80/bbl in March 2010.

India continues to import nearly 70% of its Crude Oil requirements with its oil import bill being close to USD 86 billion in 2009-2010. Further given India's targeted GDP growth, India's need for primary energy is likely to more than double by 2020. In a high demand growth scenario coupled with the fact that India remains vastly unexplored territory with only 20% of its sedimentary basins been moderately explored and developed, the Oil and Gas sector in India presents significant opportunity to the industry.

HOEC operates in the Oil & Gas Exploration and Production (E&P) Industry, with its current portfolio of assets located in India. HOEC's business is therefore inexorably linked with the national imperative. HOEC is dedicated to contribute in meeting the energy needs of India and in this endeavor, the Company, in association with its consortium partners, works in close collaboration with the Government of India through Production Sharing Contracts (PSCs) to explore, develop and produce hydrocarbons in a safe and responsible manner.

COMPANY'S BUSINESS AND STRATEGY

The Company's core business is to explore, develop and produce hydrocarbons. HOEC's strategy is to grow Company's core business over both medium and the long term with improving profitability through enhanced operational efficiency, capital efficiency and cost efficiency. HOEC conducts its business with high regard for safety in operations and in compliance with the law. We strive to run our business within the discipline of a transparent financial framework. We intend to focus on the application of technology and developing relationships based on a commitment to long-term partnerships and mutual advantage.



Our intention is to generate and sustain business momentum and growth through a rigorous process of continuous improvement and an ongoing focus on safety, people and performance. To recapitulate, the key elements of our Company's strategy continue as follows:

- To increase our production by development of discoveries in existing assets/licenses;
- To increase our reserve base by exploring and establishing upside potential in our existing licenses;
- To constrain our exposure to exploration risk within prudent limits;
- To seek new investment opportunities wherein HOEC can leverage its position as a cost efficient operator; and
- To monetise assets with a view to value realization or risk sharing.

In executing this strategy, Company intends to preserve a robust capital structure targeting an optimal mix of borrowings and shareholders' equity.

The results achieved by the Company against the objectives set for the FY 2009-2010 are summarized below:

- At the end of the year, Company achieved the first millennium barrels of oil equivalent annual production milestone in its history;
- We successfully completed construction and installation of the PY-1 Onshore Process Facilities and drilling of two Development Wells and commenced Commercial Production from PY-1 Field upon receipt of statutory approvals;

- Our Company has acquired 3D seismic data in AAP-ON-94/1 Block, located in a logistically difficult terrain, and completed processing and interpretation of the same to establish definition of Dirok Discovery and released the location of the first appraisal well;
- Geological and Reservoir Model has been updated for PY-3 Field and the Operator is preparing programme for Phase III Development Drilling;
- Secured environmental approvals for development of CB-OS/1 Gulf "A" Field, located in the intertidal area of Gulf of Cambay; and
- Company/Consortium has secured PEL for the Rajasthan acreages from the State Government during the year.

Building up on the outcome of the objectives set for last year, we have defined the following objectives for the FY 2010-2011:

- Update G&G and Reservoir Model of PY-1 Field using an integrated approach from seismic to production history;
- Complete drilling of Appraisal Well(s) to delineate the "Dirok" Discovery and based on the results of the appraisal well(s) prepare a Commercial Discovery Report (CDR) and Plan of Development to monetise the Discovery, if commercial;
- Continue to facilitate development initiative of Gulf "A" Discovery in Block CB-OS/1 operated by ONGC;
- Assist HEPL, the Operator, in execution of Phase III Development Drilling in PY-3 Field;
- Establish exploration objectives for the Rajasthan acreages based on evaluation of existing data pack and prepare for acquisition of 3D seismic data; and
- Continue to seek new opportunities which provide strategic fit to our existing portfolio/competencies while providing basis of reserve replacement.

We shall be reviewing our portfolio for organic growth as also evaluating new growth opportunities commensurating with our risk profile and providing competitive economic returns.

Financial and Operational Discipline

Oil and gas exploration is a capital intensive industry. In pursuit of its business strategy, the Company undertakes a comprehensive risk-reward evaluation and allocates capital post assessment of risked returns expected from projects. Projects within the Company compete against each other for capital. This approach ensures that the opportunities with acceptable risk profile and better expected returns attracts capital allocation. Operational discipline, technical excellence and cost control are intrinsic to the Company's processes.

HOEC has demonstrated its operational, commercial and financial capabilities by commencing commercial production from PY-1, an unconventional reservoir, within budget. This was achieved during periods spanning economic uncertainty, inflationary pressure on input cost and an environment of liquidity crunch.

OPERATIONS REVIEW

Overview

The Company's activities relate to exploration and production (based on exploration success) of hydrocarbons (crude oil and natural gas), which are natural resources.

Product-wise Performance

The Company's aggregate production during the FY 2009-2010 was 1,058,607 barrels of oil equivalent (boe) (crude oil: 181,127 bbls; gas: 137,968,552 scm) as against 258,438 barrels of oil equivalent (boe) (crude oil: 232,741 bbls; gas: 4,040,474 scm) during the previous year. With PY-1 production on stream, the Company has derisked its high dependence on PY-3 Field for its production and financial performance.

Reserves

As of March 31, 2010, the internal estimates of Proved and Probable (P+P) reserves on working interest basis for the Company is 53.2 mmboe.

CAUVERY BASIN

PY-1 Gas Field

The Company commenced the commercial production of Natural Gas and Condensate from PY-1 Field during the year. The Gas from PY-1 Field is supplied to GAIL (India) Limited. Pursuant to the Production Sharing Contract for PY-1 Field, Chennai Petroleum Corporation Limited (CPCL), is designated as the Government nominee for purchasing the Condensate.

The Field produced 134,084,000 scm of natural gas and 35,020 Barrel of Condensate during the year. The first tranche of gas from PY-1 Field has replaced high carbon intense and relatively expensive naptha, a liquid fuel, for power generation. This liquid fuel replacement by gas from PY-1 shall translate into a savings of Rs. 14 billion per year at 90% plant load factor (PLF) to the State Government.

It may be highlighted that during the installation of 56 km subsea pipeline from PY-1 platform to the landfall point, a provision has been made in the offshore section of the pipeline to receive gas from fields like PY-3, so as to reduce flaring of such stranded gas.

Forward Plan

Utilising the dynamic data and initial production history match, the Company proposes to refine the G & G and Reservoir Model for better definition and characterisation of the unconventional basement reservoir and evaluate possibility of drilling infill well(s).

PY-3 Field

The average gross production from PY-3 Field decreased to 1,436 bopd in FY 2009-2010 from 2,563 bopd in the previous year as the Field was shut down from July 5, 2009 to repair offshore mooring facility/carrier arm of export hose. The production was resumed on January 24, 2010 after completion of repair and maintenance activities of the offshore facilities. Production on working interest basis to HOEC averaged 301 bopd in FY 2009-2010, as against 538 bopd in FY 2008-2009.

Forward Plan

Following in depth of G & G studies and updating the Reservoir Model of the PY-3 Field, the Consortium envisages drilling of two new producer wells along with provision for gas lift facilities to improve recovery of crude oil.



PY-1: Onshore Gas Processing Facilities



CB-ON-7: Palej Processing Facilities

Consortium shall be also evaluating options for a safe and reliable production operations on a forward basis given the increasing trend of downtime in existing facilities.

CAMBAY BASIN

Block CB-ON-7

The gross production from CB-ON-7 Block averaged 262 boepd. Production on working interest basis to HOEC averaged 92 boepd during the year, a nominal decrease of 2% being due to natural decline.

Forward Plan

The Joint Venture partners comprising of GSPCL, ONGC and HOEC have requested the Government for retention of certain block area in accordance with the Government guidelines for further exploration and the proposal is under consideration by the Government. Should the Government grant consent, the JV shall acquire 3D seismic data and drill additional well(s) in the said area.

North Balol Gas Field

North Balol Field produced 14,243,823 scm of natural gas during the year with an average production rate of 39,024 scmd, down by 6% over the previous year.

Asjol Field

The field produced at an average rate of 20 bopd during the year with an aggregate production of 7,144 bbls.

Block CB-OS/1

ONGC, the Operator, is pursuing the implementation of Plan of Development for Gulf "A" Discovery as approved by the Directorate General of Hydrocarbons.

Operator has secured Environmental Clearance (EC) from the Ministry of Environment and Forest (MOEF) for the development of Gulf "A" Discovery. Further no objection certificate from the State Maritime Board has been received and Operator expects to receive CRZ approval from the authorities in due course.

Operator has completed land survey work along the approach road from village Taratalao to the proposed drilling pad and has initiated action for acquisition of land for approach road, drilling pad and base camp accommodation.

Operator has appointed a Project Management Consultant (PMC) for completion of basic engineering, defining scope of work and preparing tender document for civil component of the project.

ASSAM-ARAKAN BASIN

Block AAP-ON-94/1

The Company has acquired 3D seismic data in this logistically difficult terrain and completed processing and interpretation of the same to establish definition of Dirok Discovery and released the location of appraisal well(s) for delineation. The Company has commenced drilling of the first appraisal well, Dirok-2, in the Block on July 20, 2010.

Forward Plan

Based on the result of the appraisal well(s), the Company shall prepare a Commercial Discovery Report (CDR) and Plan of Development to monetise the Discovery, if the same is of commercial interest.

RISKS, THREATS, UNCERTAINTIES, CONCERNS AND OPPORTUNITIES

The principal risks and uncertainties facing the Company and the action taken to mitigate these risks are as follows:

Oil Price Volatility

HOEC is exposed to volatility in the oil price since the Company does not undertake any oil price hedge. The impact of a falling

oil price is however partly mitigated via the production sharing formula in the PSCs, whereby our share of gross production increases in a falling oil price environment due to cost recovery mechanism. We believe that our shareholders as a body prefer to retain exposure to the oil price, so our policy is not to hedge against a fall in oil prices.

The PY-1 gas price being fixed under term contract entered by the Company coupled with take-or-pay provisions during the plateau period provides the Company with certainty in terms of cash inflows from sale of gas.

Cost Inflation impacting both Goods and Services

The inflationary environment in general and more specifically for oil field goods and services has been described herein below (see 'Outlook'). Under the terms of the PSCs, operating expenditure and capital costs are recoverable through cost recovery mechanism, and so the effect of cost increase is cushioned to certain degree, subject to approval of expenditure by the

Management Committees under the PSCs. The retention of key staff at an acceptable cost is addressed through our remuneration and incentive plan to give key staff a long term stake in the Company's performance.

Geological Risk

Exploration is inherently a risky business, with statistically only a relatively small proportion of exploration wells resulting in commercial discovery. It is not possible to insure against the risk of exploration failure. HOEC's policy is to contain this exposure within prudent limits.

Risk on account of adverse outcome of Litigations

The Company is party to various ongoing litigations/arbitrations (also refer "Notes to Accounts"), which if decided against the Company, may have an adverse impact on the operations and/or financial position of the Company.

Opportunities

The Company continues to seek new opportunities which provide strategic fit to our existing portfolio/competencies while providing basis of reserve replacement.

Health, Safety and Environment

Oil and gas operations carry a potentially high level of attendant risk, and the impact of an accident can be significant in terms of human, environmental and financial cost. HOEC carries out HAZOP, HAZID, SIMOPs and maintains risk register covering risks specific to various operations.

Insurance Coverage

Our business is subject to the operating risks normally associated with exploration, production, processing and transportation of oil and gas. As protection against financial loss resulting from some of the operating hazards, we maintain insurance coverage for all operated and non-operated assets including physical damage, operator extra expenses, business interruption, employer's liability, third party liability, goods in transit, terrorism coverage and comprehensive general liability insurance. The coverage is subject to customary deductibles, waiting periods and recovery limits. We maintain insurance at levels that we believe are appropriate and consistent with industry practice and we regularly review our potential risks of loss and the cost and availability of insurance and revise our insurance program accordingly.



AAP-ON-94/1: Rig Sher III at Drok-2 location



PY-1: Onshore Gas Processing Facilities

FINANCIAL REVIEW

Revenue

Revenue from oil and gas was up by 80% to Rs. 1,443 million. This is primarily on account of sale of gas and condensate from PY-1 Field with effect from November 27, 2009. Other Income was lower by 70% to Rs. 146 million on account of lower investible surplus as the funds were utilized towards planned capital expenditure programme. The average sale price of crude oil was USD 67/bbl (2008-2009: USD 80/bbl) and net gas price was USD 3.63 per mmbtu.

Production on working interest basis during the year was 1,058,607 boe, 310% higher than the previous year. The net entitlement volume was 2,878 boepd, 212% higher than the previous year. Sales volume at 1,037,012 boe was 308% higher than in previous year. The inventory volume at the year end was 51% higher than the previous year.

Operating Profit

Cost of sales increased from Rs. 540 million to Rs. 857 million, 59% higher than the previous year, as this includes the cost of production from PY-1 field which commenced production in this financial year. This was partially offset by lower operating expenses in PY-3 Field as it was shut down from July 05, 2009 to January 24, 2010. Depletion charge for the year was Rs. 466 million as against Rs. 110 million in the previous year, the increase primarily being on account of depletion charges relating to PY-1 Field in line with the Company's accounting policy.

Interest and finance charges were Rs. 80 million as compared to Rs. 104 million in the previous year.

The operating profit was Rs. 731 million compared to Rs. 738 million against the previous year.

Net Profit

The total tax charge after MAT Credit entitlement was Rs. 235 million for the year compared to total tax charge of Rs. 99 million in previous year. The higher tax charge in the year under review was due to lower income of dividend from Current - Non Trade Investments as compared to previous year. Profit after tax decreased to Rs. 416 million (FY 2008-2009: Rs. 536 million).

Cash Flow and Capital Expenditure

Cash from Operation before working capital and Taxes was Rs. 1,172 million as compared to Rs. 446 million of the previous year. This increase is contributed by PY-1 commercial production during the year.

During the year under review, the Company made a capital expenditure of approximately Rs. 5,620 million (FY 2008-2009: Rs. 6,746 million). Of this, the exploration expenditure was approx Rs. 70 million and development expenditure of approx Rs. 5,550 million.

Subsequent to the consent of Reserve Bank of India under the "approval route" for External Commercial Borrowings (ECB), the Company has drawn down ECB of USD 125 million from ECC. During the year, the term debt increased by Rs. 5,220 million to Rs. 6,525 million.

FINANCIAL POSITION

Liquidity

At the year end, HOEC had cash and cash equivalent of approx Rs. 550 million.

Cash surplus to immediate requirements is placed in debt oriented Liquid Funds and Bank Deposits as approved by the Board. HOEC manages its short term liquidity in order to generate returns by investing its surplus funds while ensuring safety of capital.

During the financial year 2009-2010, the Company has re-paid an amount of USD 3.9 million towards Dollar Facility Agreement for PY-1 Field Development from a consortium of domestic banks co-led by IDBI Bank Limited.

ICRA has assigned an LA+ (pronounced L A plus) rating to its term loan. LA+ is the adequate-credit quality rating assigned by ICRA and the rated instrument carries average credit risk. ICRA has not revised this rating during the year.



PY-1: Gas Treatment Facilities

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has a proper and adequate system of internal control commensurate with the size and nature of business to provide assurance regarding the reliability of financial reporting and preparation of financial statements. These are routinely tested and certified by Statutory Auditors as well as Internal Auditors Protivity, a global firm with expertise in internal audit and assurance. Audit Committee reviews the adequacy and effectiveness of the Company's internal control environment and monitors the implementation of audit recommendations including those relating to strengthening of the Company's risk management policies and systems. No significant control failings were reported during the year.

The Company has an established policy towards maintaining standards of health, safety and environmental norms while maintaining operational integrity. Emergency Response Plan (ERP) is also in place for all operational areas.

As part of the Company's internal control process, any transactions with related parties are approved by the Board of Directors and appropriately disclosed in the financial statements.

The Company has implemented Maximo ERP system to further strengthen its procurement-to-payment function. Maximo ERP System covers most of the Company's operations with a defined online authorization protocol and provides a proper budgetary control system to monitor capital related as well as other costs, against approved budget on an ongoing basis.

OUTLOOK

Based on the forward plan in various assets and more specifically development of PY-1 Gas Field, our outlook remains positive. On certain macro economic factors which impact the business, we share the following views:

Oil and Gas Markets

Ignoring seasonal variations, we expect oil prices to remain in the range of USD 70/bbl in the immediate to short term period. Gas prices in India have been evolving over the years from an administered price regime of sub USD 2/mmbtu to USD 4.2/mmbtu and eventually would become linked to energy equivalent pricing mechanism. With the Government expected to finalise gas allocation policy and establishment of a regulatory framework to facilitate and promote gas transmission infrastructure spanning the country, the gap in producer gas prices can be expected to progressively close.

Price Inflation

The global economic slowdown has also eased demand on finite oil service resources which have caused rig day rates, marine spread cost and costs of the attendant services to remain flat or register a modest decline.

MATERIAL DEVELOPMENT IN HUMAN RESOURCE FRONT

Human ware is your Company's key resource. The Company views its employees as valuable resources who are important stakeholders in the growth, prosperity and development of the organization. The dedication and capabilities of our team shapes our success. HOEC recruits promising experienced personnel

and we are working to enhance our diversity. We are committed to: retain our performers by valuing their contributions and providing challenging and rewarding assignment; recruiting the best talent to support our operations; and gaining access to sources of best practices and encouraging innovative thinking.

Your Company has over the years evolved a favourable work environment that creates and promotes culture of performance for teams to maximize their contribution. As you are aware of, the Company has a long-term incentive plan (LTIP), duly approved by the shareholders, to provide incentives by way of cash and employee stock options, to act as a retention tool. The employees are beneficiaries, for the financial year 2009-2010, under the LTIP scheme.

The Company has not only grown in production and asset base, but also in the strength of technical, operational, financial and managerial skills demonstrated by our team of committed people. Today we operate in complex basins across India, all of which require diverse skills and expertise. HOEC has been able to take advantage by gaining and sourcing necessary technical skills from our promoters, Eni, to optimize resource recovery. Technology continues to evolve in all disciplines; and it is the prudent application of technology that yields economic success and value creation for our shareholders.

HOEC's talent base, as on March 31, 2010, stands at 62 (previous year: 56) with the average employee age being 36 years.

HEALTH, SAFETY, ENVIRONMENT & SOCIAL RESPONSIBILITY

Your Company places great significance on health, safety, environment and corporate social responsibility (HSEC). FY 2009-2010 has seen a focus on implementing HSEC standards across areas of operations.

In line with the Company HSE Management System, site specific HSE Procedures for the producing assets have been put in place. Emergency Response Plans for production operations, drilling campaigns and construction site activities have been developed to ensure timely response in times of emergency. HSE Management System Interface (Bridging) Plans are developed for alignment of HSE systems between the Company and its Contractors. Risk Assessment and Management studies have been carried out for onshore and offshore operations.



PY-1: Condensate Storage Facilities

Special skills training on Job Safety Awareness (JSA) and Risk Assessment and HSE awareness campaigns have been conducted and best practices have been felicitated by HSE Awards Program.

During the year under review, there were no fatalities, one lost time incidents (LTI) and no environmental incidents. The key performance indicators (KPIs) related to HSE tracked by the Company are as below:

KPI's statistics	2009-2010	2008-2009
Total Efforts Hours for the Financial Year	2,348,900	3,678,165
Fatalities Accident Rate (FAR)	0	0
No. of LTI incidents	1	0
Days since last LTI	275	943
Oil Spill Incident (OSI)	0	0
	2009-2010 Results	Industry statistics OGP Report dated May 2010
Fatal Accident Rate	0	2.8
LTI Frequency	0.43	0.45
LTI Severity	0.85	37.5

The Company, as part of its Corporate Social Responsibility (CSR) measure, has participated in "Self Help Programs" at panchayat level in areas of its operations to facilitate development



PY-1: Gas Heating Facilities



PY-1: Onshore Gas Processing Facilities

of rural infrastructure and promoting rural employment. To promote the cause of education, the Company has distributed school books, stationary and uniforms to students in local schools. The Company is constructing a community centre including a place of worship.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of the financial statements requires the Company's management to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. When alternatives exist among various accounting methods, the choice of accounting method can have a significant impact on reported amounts. The following is a discussion of the accounting policies, estimates and judgment which management believes are most significant in the application of generally accepted accounting principles used in the preparation of the financial statements.

Oil and Gas Properties

We account for crude oil and natural gas properties under the Successful Efforts Method (SEM) of accounting. Under the SEM, costs to acquire mineral interests in crude oil and natural gas properties, to survey and acquire seismic, to drill and equip exploratory wells that find commercial quantities of proved reserves, and to drill and equip development wells are capitalized. Proved property acquisition costs are amortized by the unit-of production method on a field-by-field basis based on total proved

developed crude oil and natural gas reserves as approved by the Management Committees of the respective Unincorporated Joint Ventures. Costs associated with survey, seismic acquisition and drilling exploratory wells that find proved reserves and drilling development wells are also amortized by the unit-of-production method on a field-by-field basis. These costs, along with support equipment and facilities, are amortized based on proved developed crude oil and natural gas reserves.

The alternative method of accounting for crude oil and natural gas properties is the Full Cost Method (FCM). However, we believe that the SEM is the most appropriate method to use in accounting for our crude oil and natural gas properties because it provides a better representation of results of operations, especially during periods of active exploration. If we had used the full cost method, our financial position and results of operations could have been significantly different.

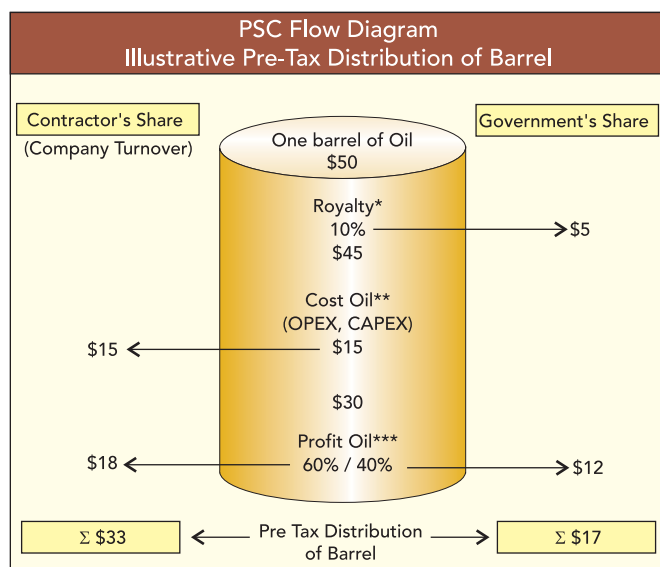
Site Restoration Liability

Our site restoration liability consist of estimated costs of dismantling and abandoning producing well sites and facilities, site reclamation and similar activities associated with our oil and gas properties. The recognition of Site Restoration Liability requires that management make estimates, assumptions and judgments regarding such factors as estimated probabilities, amounts and timing of obligation. The corresponding amount is added to the cost of the producing property and is expensed in proportion to the production for the year and the remaining estimated proved reserves of hydrocarbons based on latest technical assessment available with the Company. Any change in the value of the estimated liability is dealt with prospectively and reflected as an adjustment to the provision and the corresponding producing property. Site Restoration Liability totaled Rs. 801.5 million at March 31, 2010.

Note: In preceding sections of this Annual Report, in particular the Directors' Report and the Management Discussion and Analysis:

- (a) Previous year figures have been regrouped to conform to the current year presentation; and
- (b) Figures have been rounded off.

Annexure to the Management Discussion and Analysis Report



Notes:

- * For pre NELP Blocks, Royalty borne by Licensee
- ** Cost Recovery Limit defined in PSC; biddable term
- *** Profit Oil Sharing is based on Investment Multiple biddable term. Investment Multiple computation is as below:

Investment Multiple (IM) = Cumulative Net Cash Income of Contractor ÷ Cumulative Investment

wherein:

Net Cash Income of Contractor = Cost Petroleum + Contractors' Profit Petroleum – Production Costs – Notional Income Tax

Investment = Exploration Costs + Development Costs

REPORT ON CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

The objectives of the Company's Corporate Governance principles are to maintain highest degree of integrity, transparency, accountability, ethical behavior and long term sustainability in its business conduct and to be a good corporate citizen by ensuring investors protection, better compliance with statutory laws and regulations and by adopting best industry practices.

Company positions itself for a meaningful role towards communities and its environs which directly or indirectly co-relate themselves with Company's success and growth.

Company has complied with mandatory provisions of the Corporate Governance laid down by the Securities Exchange Board of India (SEBI) and which have been incorporated as Clause 49 of the Listing Agreement.

The Company is *inter-alia* in compliance with the non-mandatory requirements relating to the Remuneration Committee and Whistle Blower Policy.

Additionally, the Company has voluntarily adopted certain non-mandatory guidelines issued by the Ministry of Corporate Affairs in December 2009 relating to appointment and training of Directors, risk management, rotation of Auditors and/or its Partners.

2. BOARD OF DIRECTORS

(i) Composition and Category of Directors

As on March 31, 2010, the Company has nine Directors out of which seven Directors are Non-Executives Directors and remaining two Directors are Executive Directors. The Chairman of the Board is a Non-Executive Independent Director. Three Directors are Non-Executive Independent Directors. Therefore the composition of the Board is in

conformity with Clause 49 of the Listing Agreement entered into with the Stock Exchanges.

(ii) Function of the Board

Board is the highest decision making body subject to the powers and matters reserved to Members that may be exercised in their meeting. Board accords its approval to all the key decisions of the Company. For day to day routine operations, the Board has delegated authority to Managing Director and Joint Managing Director. All matters of strategic or material nature are placed before the Board with background, proposal, situational and option analysis, notes and relevant documents to enable Board to take informed decisions.

(iii) Separation of Board's supervisory role from Executive Management

The Company, in line with the best Corporate Governance practice, has separated the Board's supervisory role from that of the executive management. The Chairman of the Company is a Non-Executive Independent Director.

(iv) Role of Independent Directors

The Independent Directors have vast and diversified professional and operational experience in the areas of general management, finance, insurance, international taxation and public administration & policy. This pool of diverse experience enriches and adds value to discussions and decisions arrived by the Board.

(v) The names and categories of the Directors on Board, their attendance and other directorships etc.

The names and categories of the Directors on Board, their attendance record, the number of directorships and committee positions as on March 31, 2010 are noted below:

Name of directors	Category	No. of attendance at the Board meeting	Whether last AGM attended	Memberships on Board of other public Companies*	Board Committee Chairmanship/ Membership of Board Committees of other public Companies@	No. of shares & % held in the Company
Mr. R. Vasudevan	Non-Executive, Independent Director (Chairman)	6 of 6	Yes	4	Membership – 5	Nil
Mr. Deepak S. Parekh	Non-Executive, Non-Independent Director	0 of 6	No	11**	Chairmanship – 5 Membership – 2	Nil
Mr. Paolo Carmosino	Non-Executive Director	2 of 6	Yes	Nil*	Nil	Nil
Mr. Santo Laganà	Non-Executive Director	6 of 6	Yes	Nil*	Nil	Nil
Mr. Sunil Behari Mathur	Non-Executive, Independent Director	4 of 6	Yes	11**	Chairmanship – 3 Membership – 3	Nil
Mr. Mukesh Butani	Non-Executive, Independent Director	5 of 6	Yes	1*	Nil	Nil
Mr. Franco Conticini (resigned w.e.f. May 27, 2009)	Non Executive Director	1 of 1	—	Nil*	Nil	Nil
Mr. Sergio Adriano Laura (appointed w.e.f. June 11, 2009)	Non-Executive Director	4 of 5	Yes	Nil*	Nil	Nil
Mr. Luigi Ciarrocchi	Managing Director	1 of 6	Yes	Nil*	Nil	Nil
Mr. Manish Maheshwari §	Joint Managing Director	6 of 6	Yes	1	Nil	9,590 (% Negligible)

* Status as on March 31, 2010.

* Excludes directorships on the Board of foreign companies registered out side India.

** Excludes directorships/trusteeships and advisory role on the Board of various private limited companies, trusts and the Government body/authorities/corporations.

Mr. Deepak S. Parekh is an alternate director in four companies as well as a director on the board of Airport Authority of India. The same is not included in the above details of membership on Board of other public Companies.

@ Represents Chairmanships/Memberships of Audit Committee and Shareholders/Investors Grievance Committee across all public limited companies, whether listed on the stock exchange(s) or not.

§ Mr. Manish Maheshwari is also the Chairman of HOEC Bardahl India Limited, wholly owned subsidiary of the Company. The number of shares mentioned above represents the stock options exercised during the year as per the terms of ESOS scheme of the Company.

(vi) Board Meetings

The Board is required to have four regular scheduled meetings per financial year. During the year under review, six (6) Board meetings were held and the gap between any two meetings did not exceed four months. The maximum and the minimum time gaps between two Board meetings were 88 days and 32 days respectively.

The dates on which the Board meetings were held during the Financial Year 2009-10 are April 23, 2009, June 11, 2009, July 23, 2009, September 29, 2009, October 31, 2009 and January 27, 2010.

(vii) Directors retiring during the year and appointments/re-appointments of Directors

Mr. Deepak S. Parekh, Mr. Paolo Carmosino and Mr. Santo Laganà would retire at the ensuing Annual General Meeting of the Company. Being eligible, Mr. Deepak S. Parekh and Mr. Paolo Carmosino have offered themselves for re-appointment. Mr. Santo Laganà has not given his consent for re-appointment due to his other commitments.

Further, Company has received a notice from a member proposing the name of Mr. Marcello Simoncelli under Section 257 of the Companies Act, 1956, for the appointment as Director at ensuing Annual General Meeting.

The term of Mr. Luigi Ciarrocchi as Managing Director will expire at the conclusion of 26th Annual General Meeting. Being eligible, Mr. Luigi Ciarrocchi has consented to act as the Managing Director.

The brief resume and expertise of Mr. Deepak S. Parekh, Mr. Paolo Carmosino and Mr. Marcello Simoncelli, Directors and Mr. Luigi Ciarrocchi, Managing Director, their directorships in the Companies and memberships of Board Committees etc. are given in the Notes to the Notice of the Annual General Meeting and hence not included here to avoid repetition.

The Company did not have any pecuniary relationship with the Non-Executive Directors during the year under review, except for the payment of sitting fees, commission and grant of stock options to the Non-Executive Independent Directors.

The Board periodically reviews compliance of all laws applicable to the Company. Based on compliance certificates given by the functional heads, the Joint Managing Director and the Company Secretary jointly give certificate of compliance to the Board for its review and noting. This certificate also contains reasons and action plan to remedy non-compliance, if any.

(viii) Code of Conducts for the Directors and Senior Executives

In compliance with Clause 49 of the Listing Agreement, Company has laid down and implemented the Directors' Code of Conduct and Code of Ethics for Senior Management of the Company. All Board Members, Senior Management *inter alia* personnel who are below the Senior Management level, but instrumental in the critical operations/functions are also covered under the said Codes. Company continues to ensure effective implementation and enforcement of these Codes to achieve the

objectives enshrined in these Codes. All the employees are updated and sensitized about these Codes. Copies of these codes are readily made available to all the employees for their reference and compliance. These Codes have been also posted on the Company's web site: www.hoec.com. All the employees under the scope of these Codes have affirmed their compliance thereof.

(ix) Code of Conduct for prevention of Insider Trading

Pursuant to the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, as amended from time to time, the Company has laid down and adopted a Code of Conduct for Prevention of Insider Trading based and modeled on said Regulations. The said Code incorporates the amendments made in the aforementioned Insider Trading Regulations from time to time. The Company *inter alia* observes a closed period for trading in securities of the Company for Directors/Officers and Designated Employees of the Company for the period of at-least seven days prior to the consideration of quarterly/yearly results. The trading window is also closed in anticipation of price sensitive information/announcements/events. The said closure extends upto at least 24 hours after the disclosure of the said results/price sensitive information/announcements/events to the Stock Exchanges.

3. AUDIT COMMITTEE**(i) Terms of Reference**

The terms of reference of the Audit Committee *inter alia* are to review financial reporting process, reports of the Internal Auditors, internal control systems and quarterly/annual financial statements, risk management, appointment/re-appointment of Statutory Auditors and Internal Auditors and payment of remuneration to them etc. The scope of the activities of the Audit Committee is as prescribed under Section 292A of the Companies Act, 1956 as well as Clause 49. II of the Listing Agreement entered into with the Stock Exchanges.

The Audit Committee meets Statutory Auditors and Internal Auditors periodically to discuss their findings, suggestions, reviews and action taken by the Company.

The Audit Committee also reviews the financial statements including investments of HBIL, the Subsidiary Company.

(ii) Composition of Audit Committee

Audit Committee consists of four Directors. Majority of the members of the Committee are Non-Executive Independent Directors.

Mr. Mukesh Butani, a Non-Executive Independent Director, is the Chairman of the Committee.

All the members of this Committee possess good knowledge of finance, accounts and basic elements of corporate laws.

The Company Secretary is also the Secretary to the Audit Committee.

(iii) Meetings and attendance during the year

During the year under review, four (4) Audit Committee Meetings were held on June 11, 2009, July 23, 2009, October 31, 2009 and January 27, 2010.

The details of attendance of Members of the Committee are given below:

Sr. No.	Name of members and their position	No. of Committee meetings attended
1.	Mr. Mukesh Butani, Chairman	3 of 4
2.	Mr. R. Vasudevan, Member	4 of 4
3.	Mr. Sunil Behari Mathur, Member	2 of 4
4.	Mr. Paolo Carmosino, Member	1 of 4
5.	Mr. Santo Laganà, Member (appointed w.e.f. 31.10.2009 resigned w.e.f. 27.01.2010)	1 of 1

4. COMPENSATION & REMUNERATION COMMITTEE

(i) Terms of Reference

The terms of reference of the Compensation & Remuneration Committee, *inter alia*, are to decide the term of services and compensation payable to Whole-time/Managing Director/Joint Managing Director and to discharge such other functions as may be referred by the Board from time to time. Additionally, the Committee also considers the compensation payable to senior executives of the Company. It is also entrusted with the duty to administer the Long Term Incentive Plan of the Company including the ESOS.

(ii) Composition of Committee

The Committee comprises of five directors. Mr. R. Vasudevan, a Non-Executive Independent Director, is the Chairman of the Committee. Mr. Franco Conticini resigned as a Director of the Company w.e.f. May 27, 2009 and also ceased to be a member of the Committee. The Board nominated Mr. Sunil Behari Mathur, a Non-Executive Independent Director as the member of the Committee w.e.f. April 30, 2010. The Composition of Committee is as under:

Sr. No.	Name	Designation
1.	Mr. R. Vasudevan	Chairman
2.	Mr. Santo Laganà	Member
3.	Mr. Mukesh Butani	Member
4.	Mr. Sergio Adriano Laura	Member
5.	Mr. Sunil Behari Mathur	Member

(iii) Attendance during the year

During the year under review, three (3) Compensation & Remuneration Committee meetings were held on September 29, 2009, October 31, 2009 and January 27, 2010.

Attendance details of Members of the Compensation & Remuneration Committee are given below:

Sr. No.	Name of member and their position	No. of Committee meetings attended
1.	Mr. R. Vasudevan, Chairman	3 of 3
2.	Mr. Santo Laganà, Member	3 of 3
3.	Mr. Mukesh Butani, Member	2 of 3
4.	Mr. Franco Conticini, Member (resigned w.e.f. May 27, 2009)	1 of 1
5.	Mr. Sergio Adriano Laura, Member	2 of 3
6.	Mr. Sunil Behari Mathur, Member (appointed w.e.f. April 30, 2010)	N.A.

(iv) Remuneration Policy

The Company *inter-alia* while deciding the remuneration package takes into consideration, the following:

- Employment scenario and demand for talent in the upstream oil and gas sector;
- Remuneration package of the industry/other industries for the requisite managerial talent; and
- The qualification and experience held by the appointee.

(v) Details of Remuneration of Directors:

(A) REMUNERATION TO THE MANAGING DIRECTOR/ JOINT MANAGING DIRECTOR DURING THE YEAR 2009-10.

The Managing Director of the Company is appointed as per the terms and conditions decided by the Board of Directors of the Company. Mr. Luigi Ciarrocchi, Managing Director of the Company does not draw any remuneration from the Company.

The remuneration package of the Joint Managing Director comprises of salary, allowances, perquisites and bonuses as approved by the shareholders at the 24th Annual General Meeting held on September 30, 2008 and as revised by the Board from time to time. The details of remuneration received by Joint Managing Director during the Financial Year 2009-10 is given hereunder:

Name	FIXED COMPONENT			PERFORMANCE LINKED INCENTIVE			Total Remuneration (Refer Note 2 below)
	Salaries	Contribution to provident fund & superannuation fund	Other allowances/perquisites (Refer note 1 below)	Total	Bonus	Stock Options (No. of shares) (Refer Note 2 below)	
	Rs.	Rs.	Rs.	Rs. (A)	Rs.		Rs. (B)
Mr. Manish Maheshwari, Joint Managing Director	7,020,000	1,895,400	8,633,720	17,549,120	2,469,426	4,895	2,469,426
							20,018,546

Notes:

- Other allowance/perquisites include house rent allowance, flexible allowance and reimbursement of medical expenses incurred for self and family in line with Company Policies and in compliance with terms of the appointment.
- As per the terms of the Long Term Incentive Plan 2005, the Stock Options are granted at nil exercise price. During the year, Mr. Manish Maheshwari, Joint Managing Director has exercised 9,590 Stock Options as per the terms of the ESOS. For further details please refer the Directors' Report.
- During the year ended March 31, 2010, following benefits were provided to the Joint Managing Director, the value whereof is not included in the table above;
 - Telephone communication facility at residence
 - Contribution to Group Saving Linked Scheme
 - Contribution to Employee's Deposit Linked Insurance Scheme
- As per the practice followed by the Company, gratuity and eligible leave encashment is payable at the time of retirement/separation and, hence, gratuity and leave encashment are included in the remuneration of the year in which they are payable. Similarly, annual variable pay and long term incentive benefits are included in the remuneration of the year in which they are awarded.
- In computing Managerial Remuneration, perquisites have been valued in terms of actual expenditure incurred by the Company in providing the benefits except in case of certain expenses, where the actual amount of expenditure cannot be ascertained with reasonable accuracy notional amount as per Income Tax Rules has been added.

(B) REMUNERATION PAID TO NON-EXECUTIVE INDEPENDENT DIRECTORS DURING THE YEAR 2009-10.

All Non-Executive Directors of the Company are entitled to receive sitting fee for each meeting of the Board or Committee thereof attended by them. Besides, the net profits of the Company, not exceeding 1% can be distributed, as commission, amongst the Non-Executive Directors of the Company having due consideration to their valuable contribution to the Company. To enable the Board to pay such commission a resolution was passed by the Members at their 24th Annual General Meeting held on September 30, 2008, Members authorized Board to pay commission not exceeding 1% of the net profit.

Directors are also eligible to Stock Options in accordance with ESOP Schemes of the Company. However, benefit of the Employee Stock Option Scheme is not available to the Promoter Director(s) or Director(s) who either by himself/themselves or through his/their relative or through any body corporate, directly or indirectly hold(s) more than 10% of the outstanding equity shares of the Company.

The details of sitting fees and the commission paid for the financial year 2009-10 are given hereunder:

In Rupees

Sr. No.	Name of director	Sitting Fees	Commission
1.	Mr. R. Vasudevan	90,000	750,000
2.	Mr. Sunil Behari Mathur	30,000	650,000
3.	Mr. Mukesh Butani	50,000	650,000

During the year, Stock Options have been granted to Non-Executive Independent Directors: Mr. R. Vasudevan, Mr. S. B. Mathur and Mr. Mukesh Butani. However the Chairman of the Company, Mr. R. Vasudevan, has chosen not to accept the stock options granted to him under the ESOS scheme. Details of stock options granted to Non-Executive Independent Directors are given in Directors' Report. None of the Directors are related to each other.

5. SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE

The terms of reference of the Shareholders/Investors Grievance Committee *inter alia* are to look into the shareholders/investors complaints pertaining to transfer and transmission of shares, issue of duplicate shares, non-receipt of balance sheet, dividends etc.

To facilitate prompt services to the shareholders of the Company, erstwhile Company Secretary, Chief Legal & Tax Mr. Vikash Jain, and thereafter present Chief Legal Counsel & Company Secretary Mr. Sanjay Tiwari and Mr. Minesh Bhatt, Assistant Company Secretary, are severally authorized to approve the Share Transfer and its related processes/procedures/activities viz., splitting, consolidation, replacement, issue of duplicate share certificate, dematerialization and rematerialisation of equity shares etc. Mr. Sanjay Tiwari also acts as a Compliance Officer to the Shareholders/Investors Grievance Committee.

During the year under review, five (5) Shareholders/Investors Grievance Committee meetings were held on April 23, 2009, June 11, 2009, July 23, 2009, October 31, 2009 and January 27, 2010. The composition of the Shareholders/Investors Grievance Committee and the details of meetings attended by Committee members are given below.

Sr. No.	Name of members and their position	No. of Committee meetings attended
1.	Mr. R. Vasudevan, Chairman	5 of 5
2.	Mr. Paolo Carmosino, Member	1 of 5
3.	Mr. Manish Maheshwari, Member	5 of 5

The Shareholders/Investors Grievance Committee meetings are also attended by the Company Secretary & Compliance Officer.

Name, Designation & Address of Company Secretary & Compliance Officer are given hereunder:

Mr. Sanjay Tiwari,
Chief Legal Counsel & Company Secretary
Hindustan Oil Exploration Company Limited
'Lakshmi Chambers',
192, St. Mary's Road, Alwarpet
Chennai-600 018 (Tamil Nadu) India
Tel : +91-(044) 66229000
Fax : +91-(044) 66229011/12
E-mail : hoecshare@hoec.com

Details of number of grievances received and replied/resolved during the year are as under:

Particulars	Total Grievances/ Complaints received	Total Grievances/ Complaints resolved/ addressed	Pending Grievances/ Complaints as on 31.03.2010
Received from Investors	79	79*	Nil
Received from NSDL/CDSL	06	06	Nil
Referred by SEBI	06	06	Nil
Referred by Stock Exchanges	08	08	Nil
Total	99	99	Nil

* excludes 04 complaints which could not be addressed for lack of basic information of nature like wrong Ledger Folio Number, non disclosure of Depository Participant ID and Client ID etc., and the Company has sought clarification/missing information so as to take necessary action.

There are no grievance/complaints from shareholders which remained unaddressed/unresolved except where Company was restrained by courts or constrained because of courts' proceedings, or subject matters of complaints were disputed. Every effort is made to redress investors' grievances/complaints in least possible time.

There was one pending share transfer request for 100 shares for transfer as on March 31, 2010 which was effected subsequently.

6. PROMOTERS

Eni UK Holding plc; Burren Shakti Limited and Burren Energy India Limited (referred to as "Eni Group") collectively hold 47.18% of the paid-up capital of the Company. Eni Group, the promoters, have declared that they have not pledged any of their shareholding in the Company.

7. DETAILS ON GENERAL BODY MEETINGS

Location, Date and Time of last three Annual General Meetings is as under:

Year	Location	Date	Time
2006-2007	"Chandarva", Welcom Hotel Vadodara, R. C. Dutt Road, Alkapuri, Vadodara – 390 007.	September 28, 2007	10:30 a.m.
2007-2008	"Tropicana Hall", Taj Residency Vadodara, Akota Gardens, Akota, Vadodara – 390 020.	September 30, 2008	10:30 a.m.
2008-2009	"Tropicana Hall", The Gateway Hotel Vadodara, Akota Gardens, Akota, Vadodara – 390 020.	September 29, 2009	10:30 a.m.

NOTES:

1. The details of the Special Resolutions passed at the Annual General Meeting (AGM) for the last 3 years are as under:
 - (a) Ratification and approval of Remuneration paid to Mr. Rakesh Jain, erstwhile Managing Director of the Company, being in excess of the limits specified in Schedule XIII (passed at the 23rd AGM held on September 28, 2007).
 - (b) Ratification and approval of Remuneration paid to Mr. Manish Maheshwari, Joint Managing Director of the Company, being in excess of the limits specified in Schedule XIII (passed at the 23rd AGM held on September 28, 2007).
 - (c) Appointment of Mr. Luigi Ciarrocchi as the Managing Director of the Company w.e.f. September 30, 2008 until the conclusion of the 26th Annual General Meeting of the Company (passed at the 24th AGM held on September 30, 2008).
 - (d) Appointment of Mr. Manish Maheshwari as the Joint Managing Director of the Company w.e.f. September 30, 2008 until the conclusion of the 27th Annual General Meeting of the Company (passed at the 24th AGM held on September 30, 2008).
 - (e) Payment of remuneration/commission (including cash bonuses under Long Term Incentive Plan of the Company) in addition to the sitting fees for attending the meetings of the Board or Committees thereof, to the Non-Executive Directors of the Company not exceeding @ 1% of the net profits of the Company for the particular financial year in relation to which the remuneration/commission is payable (passed at the 24th AGM held on September 30, 2008).

2. No Special Resolution was passed through postal ballot during the last year. The Company is not anticipating any Special Resolution to be passed through Postal Ballot and hence procedure for postal ballot has not been provided for.

8. DISCLOSURES

- (a) Related Party Transactions are disclosed in the Notes to Accounts forming part of the Annual Report. None of the transactions with any of the related parties were in conflict with the interest of the Company.
- (b) There are no penalties, strictures imposed on the Company by Stock Exchange or SEBI or any Statutory Authority for non-compliance by the Company, on any matter related to capital markets, during the last three years.
- (c) Though Whistle Blower Policy is non-mandatory, the Company has adopted the same, which has been approved by the Board. During the year, no personnel have been denied access to the Audit Committee. The Whistle Blower Policy is available on the web site of the Company www.hoec.com.
- (d) All the mandatory requirements under Clause 49 of Listing Agreement in respect of Corporate Governance have been complied with. The Company is *inter alia* in compliance with the non-mandatory requirements relating to the Remuneration Committee and Whistle Blower Policy.
- (e) In respect of adoption of other non-mandatory requirements, the Company will review its implementation from time to time. Further, the Company has also ensured that the persons who are appointed as independent director/(s) have the requisite qualifications and experience which would be useful to the Company and which, in the opinion of the Company, would enable them to contribute effectively to the Company in their capacity as an independent director.
- (f) **Transfer to Investor Education and Protection Fund**
During the year under review, the Company in compliance with Section 205C of the Companies Act, 1956, has deposited an amount of Rs. 1,426,631 being the amount of unclaimed/unpaid dividend for the financial year 2001-2002, with the Investor Education and Protection Fund.
- (g) **Subsidiary Company**
The Company does not have any material unlisted subsidiary and hence is not required to have an Independent Director of the Company on the Board of such subsidiary. The Audit Committee reviews the financial statements of the Company's unlisted subsidiary company. The minutes of the meeting of the Board of Directors of the subsidiary company are periodically placed before and reviewed by the Board of Directors of the Company.

9. MEANS OF COMMUNICATION

The quarterly, half yearly, annual financial results are normally published in the Economic Times, Ahmedabad edition, Vadodara Samachar, Vadodara edition and the Business Line, all editions. The results along with official news release are promptly displayed on the Company's web site at www.hoec.com. As the Company publishes the audited annual results within the stipulated period as required by the listing agreement with the Stock Exchanges, hence the unaudited results for the last quarter of the Financial Year are not published.

Management Discussion & Analysis Report forms part of the Annual Report.

10. GENERAL SHAREHOLDERS INFORMATION

Day, Date, Time and Venue of 26 th Annual General Meeting.	Thursday, 30 th day of September, 2010 at 10:30 a.m at "Tropicana Hall", The Gateway Hotel Vadodara, Akota Gardens, Akota, Vadodara – 390 020.
Financial Year/ Financial Year Calendar	April 1, to March 31 Results for the quarter ending on: June 30, 2010 September 30, 2010 December 31, 2010 March 31, 2011 Within 45 days from the close of the quarter Before May 30, 2011 Board also ensures that the gap between two Board meetings is not more than four months
Book Closure Date	September 28, 2010 to September 30, 2010 (both days inclusive).
Dividend Payment Date	Not Applicable (No dividend recommended for the Financial Year 2009-10)

Equity Shares of the Company at present are listed at following Stock Exchanges:

1. Bombay Stock Exchange Limited (BSE)
2. National Stock Exchange of India Limited (NSE)

The Company has paid annual listing fees for the Financial Year 2010-11 to the said Stock Exchanges and annual maintenance/custodial charges/fees to the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

Stock Code:

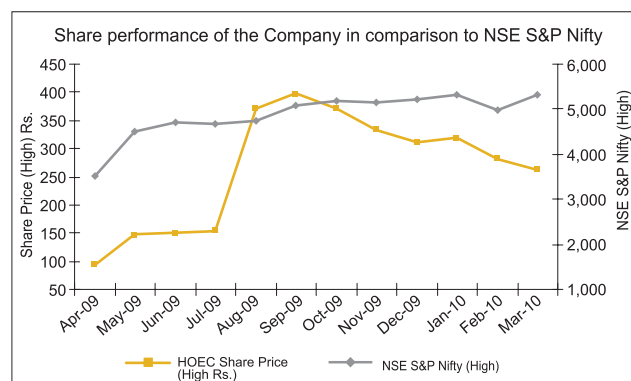
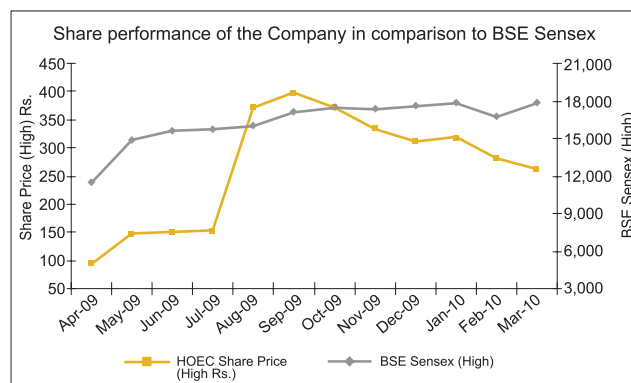
Bombay Stock Exchange Limited (BSE) : **500186**
 National Stock Exchange of India Limited (NSE) : **HINDOILEXP**
 Series : Eq

The Company has established the connectivity for trading of equity shares in the depository system with both depositories viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). International Security Identification Number (ISIN) of the Company's equity shares with NSDL and CDSL is **INE345A01011**.

Market Price Data:

Month	BSE Share Price		BSE Sensex (High)	NSE S&P Nifty (High)
	High Price	Low Price		
April 2009	94.50	58.05	11,492.10	3,517.25
May 2009	149.00	81.30	14,930.54	4,509.40
June 2009	149.50	116.40	15,600.30	4,693.20
July 2009	154.00	93.35	15,732.81	4,669.75
August 2009	372.20	143.10	16,002.46	4,743.75
September 2009	398.90	318.20	17,142.52	5,087.60
October 2009	371.90	290.00	17,493.17	5,181.95
November 2009	333.00	245.00	17,290.48	5,138.00
December 2009	310.00	257.10	17,530.94	5,221.85
January 2010	320.65	237.60	17,790.33	5,310.85
February 2010	280.35	227.50	16,669.25	4,992.00
March 2010	261.90	225.15	17,793.01	5,329.55

Share Price Chart



Registrars and Transfer Agents

Link Intime India Private Limited
 (formerly Intime Spectrum Registry Limited)
 Unit: Hindustan Oil Exploration Company Limited
 1st Floor, 308, Jaldhara Complex,
 Opp. Manisha Society, Vasna Road
 Vadodara-390 007 (Gujarat) India.
 Email : vadodara@linkintime.co.in
 Tel : +91 (0265) 2250241, 2252875
 Fax : +91 (0265) 2250246

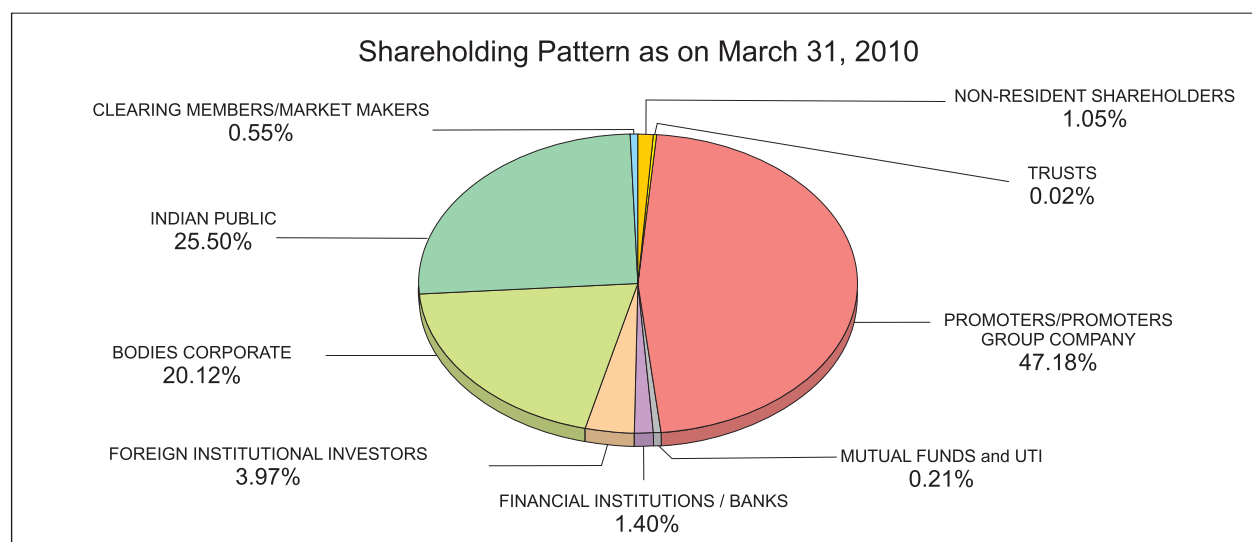
Share Transfer System

Share Transfer in physical form requests are generally registered and returned within a period of 21 days from the date of receipt and request for dematerialisation, rematerialisation generally confirmed within a period of 21 days from the date of its receipt, if documents are complete in all respect.

As on March 31, 2010 Company has dematerialized 92,541,990 equity shares, which is 70.92% of the total equity shares.

DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31, 2010

CATEGORY (Shares)	PHYSICAL		NSDL		CDSL		TOTAL	
	No. of Shareholders	No. of Shares	No. of Shareholders	No. of Shares	No. of Shareholders	No. of Shares	No. of Shareholders	No. of Shares
1 to 5,000	12,263	2,399,092	41,091	12,705,880	19,710	4,506,476	73,064	19,611,448
5,001 to 10,000	1	8,750	251	1,864,557	114	833,022	366	2,706,329
10,001 to 20,000	1	12,766	128	1,889,935	43	624,826	172	2,527,527
20,001 to 30,000	1	20,600	46	1,147,164	23	570,230	70	1,737,994
30,001 to 40,000	0	0	18	623,389	6	213,357	24	836,746
40,001 to 50,000	0	0	28	1,323,436	4	186,000	32	1,509,436
50,001 to 1,00,000	1	69,178	23	1,687,708	5	399,501	29	2,156,387
Above 1,00,000	1	35,440,913	40	61,203,302	10	2,763,207	51	99,407,422
TOTAL	12,268	37,951,299	41,625	82,445,371	19,915	10,096,619	73,808	130,493,289



SHAREHOLDING PATTERN AS ON MARCH 31, 2010

Category code	Category of Shareholders	Number of Share holders	Total number of shares	Number of shares held in dematerialized form	Total shareholding as a percentage of total number of shares		Shares Pledged or otherwise encumbered	
					As a percentage of (A+B)	As a percentage of (A+B+C)	Number of Shares	As a percentage
I	II	III	IV	V	VI	VII	VIII	IX = VIII/IV x 100
(A)	Shareholding of Promoter and Promoter Group							
1.	Indian	0	0	0	0	0	0	0
2.	Foreign (Foreign Companies)	4	61,569,134	26,046,277	47.18	47.18	0	0
	Sub Total (A)(2)	4	61,569,134	26,046,277	47.18	47.18	0	0
	Total Shareholding of Promoter and Promoter Group (A) = (A)(1) + (A)(2)	4	61,569,134	26,046,277	47.18	47.18	0	0
(B)	Public shareholding							
1.	Institutions							
(a)	Mutual Funds/UTI	7	273,100	270,000	0.21	0.21	0	0
(b)	Financial Institutions/Banks/ Insurance Cos.	16	1,831,503	1,829,243	1.40	1.40	0	0
(c)	Foreign Institutional Investors	17	5,184,333	5,183,333	3.97	3.97	0	0
	Sub-Total (B)(1)	40	7,288,936	7,282,576	5.58	5.58	0	0
2.	Non-institutions							
(a)	Bodies Corporate	1,594	26,257,596	26,211,625	20.12	20.12	0	0
(b)	Individuals							
i	Individual shareholders holding nominal share capital up to Rs. 1 lakh	70,103	18,921,049	16,893,492	14.50	14.50	0	0
ii	Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	186	14,348,852	14,348,852	11.00	11.00	0	0
(c)	Any Other							
i	Clearing Member/Market Makers	362	712,503	712,503	0.55	0.55	0	0
ii	Non Resident Shareholders	1,514	1,365,573	1,017,019	1.05	1.05	0	0
iii	Trusts	5	29,646	29,646	0.02	0.02	0	0
	Sub-Total (B)(2)	73,764	61,635,219	59,213,137	47.24	47.24	0	0
	Total Public Shareholding (B) = (B) (1)+ (B) (2)	73,804	68,924,155	66,495,713	52.82	52.82	0	0
	TOTAL (A)+(B)	73,808	130,493,289	92,541,990	100.00	100.00	0	0
(C)	Shares held by Custodians and against which Depository Receipts have been issued	0	0	0	0	0	0	0
	GRAND TOTAL (A)+(B)+(C)	73,808	130,493,289	92,541,990	100.00	100.00	0	0

NOTES:

- The classification of the shareholders as provided by the depositories has been relied upon, except for correction of prima facie errors. Each folio/client id has been regarded as a separate shareholder.
- Promoters shares pledge data is based on their declarations dated April 08, 2010 & April 23, 2010.

Statement showing Shareholding of persons belonging to the category “Promoter and Promoter Group”

Sr. No.	Name of the Shareholder	Total Shares held		Shares pledged or otherwise encumbered		
		Number of shares	As a % of grand total (A)+(B)+(C)	Number of shares	As a Percentage	As a % of grand total (A)+(B)+(C) of sub-clause (I) (a)
I	II	III	IV	V	VI = V / III x 100	VII
1.	Eni UK Holding plc.	26,046,277	19.96	NIL	NIL	NIL
2.	Eni UK Holding plc.	69,178	0.05	NIL	NIL	NIL
3.	Burren Shakti Limited	35,440,913	27.16	NIL	NIL	NIL
4.	Burren Energy India Limited	12,766	0.01	NIL	NIL	NIL
	TOTAL	61,569,134	47.18	NIL	NIL	NIL

Statement showing Shareholding of persons belonging to the category “Public” and holding more than 1% of the total number of shares

Sr. No.	Name of the shareholder	Number of shares	Shares as a percentage of total number of shares {i.e., Grand Total (A)+(B)+(C) indicated in Statement at para (I)(a) above}
1.	Housing Development Finance Corporation Limited	14,826,303	11.36
2.	Jhunjhunwala Rakesh Radheshyam	4,785,143	3.66
3.	Daivi Ventures	3,890,300	2.98
4.	Jhunjhunwala Rekha Rakesh	1,887,273	1.45
5.	General Insurance Corporation of India	1,750,537	1.34
	TOTAL	27,139,556	20.79

OUTSTANDING ADR/GDR/WARRANTS ETC. : Not Applicable

PROCESS / PLANT / PRODUCTION FACILITIES LOCATION

The Company is engaged in the business of Oil and Gas exploration, development & production, and is at present operating at various fields as mentioned in section “Operational Highlights” in the Annual Report. The address of the respective production facilities is summarised as follows:

PY-1 Offshore Production Facility

SUN Platform

Offshore Cauvery Basin, Block PY-1, Tamil Nadu

PY-1 Gas Processing Plant

Pillaiperumalnallur, Thirukadaiyur-609 311
Nagapattinam District (Tamil Nadu), India.

Palej Production Facilities (PPF)

Block CB-ON-7, Near Palej, Village Makan-392 220
Vadodara District (Gujarat), India.

North Balol Gas Collection Station (GCS)

Block North Balol, Near Village Palaj-384 410
Mehsana District (Gujarat), India.

Asjol Early Production System (EPS)

Block Asjol, Village Katosan-384 430
Mehsana District (Gujarat), India.

Tahara Floating Production Unit

[under the control of Hardy Exploration & Production (India) Inc. (Operator of the Block)] Offshore Cauvery Basin, Block CY-OS-90/1, (Tamil Nadu), India.

ADDRESS FOR CORRESPONDENCE

Secretarial Department
Hindustan Oil Exploration Company Limited
‘Lakshmi Chambers’, 192, St. Mary’s Road
Alwarpet, Chennai – 600 018 (Tamil Nadu), India.
Tel : + 91-(044)- 66229000
Fax : +91-(044)- 66229011/12
Email : hoecshare@hoec.com

For and on behalf of the Board

R. Vasudevan
Chairman

Date: August 12, 2010

DECLARATION

I hereby declare that all the members of the Board and the senior management personnel of the Company have affirmed compliance with their respective Code of Conduct, as applicable to them for the Financial Year ended March 31, 2010.

It is further, declared that the Board of Directors of the Company had at its meeting held on May 29, 2010 taken note of the CEO/CFO Certificate.

For and on behalf of the Board

Manish Maheshwari
Joint Managing Director

Date: August 12, 2010

CERTIFICATE ON CORPORATE GOVERNANCE

To,
The Members
Hindustan Oil Exploration Company Limited

I have examined the compliance of the conditions of Corporate Governance by Hindustan Oil Exploration Company Limited, for the financial year ended March 31, 2010 as stipulated in Clause 49, as amended, of the Listing Agreement of the said Company with the Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. My examination was limited to procedures and implementation thereof adopted by the Company for ensuring the compliance of the conditions of Corporate Governance.

It is neither an audit nor an expression of opinion on the financial statement of the Company.

In my opinion and to the best of my information and according to the explanations given to me, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in the Listing Agreement.

I state that as per the records maintained, no investor complaint/grievances against the Company are pending for a period exceeding one month before Shareholders/Investors Grievance Committee.

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

Place : Vadodara
Date : August 12, 2010

Niraj Trivedi
Company Secretary
CP. No. 3123

AUDITORS' REPORT

TO THE MEMBERS OF HINDUSTAN OIL EXPLORATION COMPANY LIMITED

1. We have audited the attached Balance Sheet of HINDUSTAN OIL EXPLORATION COMPANY LIMITED ("the Company") as at March 31, 2010, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto, in which are incorporated the financial statements of one unincorporated joint venture audited by us and nine unincorporated joint ventures audited by other auditors. 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.
2. We conducted our audit in accordance with the 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order. Our comments in the Annexure are restricted to the activities of the Company only and exclude matters relating to the Company's interest in the unincorporated joint ventures, which are not subject to audit under the Companies Act, 1956 and, accordingly, their auditors have not reported on the matters specified in CARO.
4. Without qualifying our opinion, we draw attention to the following:
 - (a) The Accounts have been drawn up in accordance with the Statement of Significant Accounting Policies (Schedule 15). Accounting Policy 3 relating to "Successful Efforts Method", the treatment of exploration and development costs and the estimates of proved developed hydrocarbon reserves and Accounting Policy 4 relating to "Site Restoration" are significant to the oil and gas exploration and production industry.
 - (b) Categorisation of the wells as exploratory, development or producing and the depletion of producing property on the basis of proved developed hydrocarbon reserves and expensing of the estimated site restoration liability on the basis of proved hydrocarbon reserves are made according to technical evaluation of the Management, on which we have placed reliance.
 - (c) As stated in Accounting Policy 6 of the Statement of Significant Accounting Policies (Schedule 15), the financial statements of the unincorporated joint ventures are prepared in accordance with the requirements prescribed by the respective Production Sharing Contracts of the unincorporated joint ventures. Hence, certain adjustments / disclosures required under the mandatory accounting standards, the Companies Act, 1956 and pronouncements of the Institute of Chartered Accountants of India have been made in these accounts to the extent of the information available with the Company.
 - (d) As stated in Note 20 of Schedule 16 of the Accounts, an amount of Rs. 894,400,144 representing Income Tax demands under appeal as at March 31, 2010 has been disclosed as claims against the Company not acknowledged as debt. In the opinion of the Management, no provision is required be made in the financial statements with respect to the same.
5. The accounts of the Company for the year ended March 31, 2010 include assets aggregating Rs. 16,276,333,000, liabilities aggregating Rs. 490,497,454, income aggregating Rs. 148,719 and expenditure aggregating Rs. 195,085,051 relating to the Company's share in nine unincorporated joint ventures, which have been audited by other auditors, whose reports have been furnished to us and our opinion, in so far as it relates to the amounts and other financial information included in respect of these unincorporated joint ventures, is based solely on their reports.
6. In the case of one of the unincorporated joint ventures of the Company, PY-1, the auditors of the said unincorporated joint venture have given an emphasis of matter paragraph in respect of creation of site restoration fund subsequent to the year end (See Note 37 of Schedule 16 of the Accounts) and approval of the Management Committee pending for certain transactions with an affiliate of the Company (See paragraph 7 below and Note 37 of Schedule 16 of the Accounts).

7. As stated in Note 16 of Schedule 16 of the Accounts, an amount of Rs. 160,438,827 has been accrued and accounted for by the Company during the year as Development Expenditure, being the Company's share of the cost of services rendered by M/s ENI India Limited, United Kingdom ("ENI India") to one of the unincorporated joint ventures (PY-1) where the Company is the Operator, subject to the Company receiving the required documentation as stipulated by the Board before making the payment, which the Company is in the process of obtaining. Pending receipt of the same, we are unable to comment on the aforesaid transaction accounted by the Company. Also see paragraph 6 above.
8. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
- 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, *except for our comments in paragraph 7 above* and read with our comments in paragraph 4(c) above;
 - in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books and proper financial statements adequate for the purposes of our audit have been received from nine unincorporated joint ventures audited by other auditors;
 - the reports on the financial statements of nine unincorporated joint ventures audited by other auditors have been provided to us by the Company and have been dealt with by us in preparing this report;
 - the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account and the audited financial statements of the unincorporated joint ventures;
- in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956 read with paragraph 4(c) above;
 - In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read with our comments in paragraphs 4, 5 and 6 above, give the information required by the Companies Act, 1956, in the manner so required and, *subject to our comments in paragraph 7 above*, give a true and fair view in conformity with the accounting principles generally accepted in India:
 - in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2010;
 - in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
 - in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
9. On the basis of the written representations received from the Directors as at March 31, 2010 taken on record by the Board of Directors, we report that none of the Directors of the Company is disqualified as at March 31, 2010 from being appointed as a Director in terms of Section 274(1)(g) of the Companies Act, 1956.

For Deloitte Haskins & Sells
Chartered Accountants
(Registration No. 008072S)

Sriraman Parthasarathy
Partner
(Membership No. 206834)

New Delhi, May 29, 2010

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our report of even date)

- (i) Having regard to the nature of the Company's business/ activities/result/transactions, etc. during the year and read together with our comment relating to the unincorporated joint ventures in paragraph 3 of our audit report, clauses 4(ii), 4(viii), 4(x), 4(xii), 4(xiii), 4(xiv), 4(xv), 4(xviii), 4(xix) and 4(xx) of CARO are not applicable.
- (ii) In respect of its fixed assets:
- (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
- (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (iii) (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956.
- (b) In respect of loans, secured or unsecured, taken by the Company from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956, according to the information and explanations given to us:
- (i) The Company has taken an unsecured loan aggregating Rs. 6,165,000,000 from one party during the year. At the year end, the outstanding balance of such loan aggregated Rs. 5,697,500,000 and the maximum amount involved during the year was Rs. 6,165,000,000.
- (ii) The rate of interest and other terms and conditions of such loan is, in our opinion, *prima facie*, not prejudicial to the interests of the Company.
- (iii) The payments of principal amounts and interest in respect of such loan have been regular/as per stipulations.
- (iv) Subject to our comments in Paragraph 7 of the Audit Report relating to the required documentation pending to be received for the Company's share of the cost of services rendered by M/s ENI India Limited, United Kingdom to one unincorporated joint venture where the Company is the Operator, in our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of special nature and suitable alternative sources are not readily available for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for the sale of goods and rendering of services. During the course of our audit, we have not observed any major weakness in such internal control system.
- (v) In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and according to the information and explanations given to us:
- (a) The particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 that needed to be entered in the Register maintained under the said Section have been so entered.
- (b) Where each of such transaction is in excess of Rs. 5 lakhs in respect of any party, subject to our comments in Paragraph 7 of the Audit Report relating to the required documentation pending to be received for the Company's share of the cost of services rendered by M/s ENI India Limited, United Kingdom to one unincorporated joint venture where the Company is the Operator, the transactions have been made at prices which are *prima facie* reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposit from the public.

- (vii) In our opinion, the internal audit functions carried out during the year by an external agency appointed by the Management have been generally commensurate with the size of the Company and the nature of its business.
- (viii) According to the information and explanations given to us in respect of statutory dues:
- (a) The Company has been regular in depositing undisputed statutory dues, including Provident Fund, Investor Education and Protection Fund, Income Tax, Fringe Benefit Tax, Value Added Tax, Service Tax, Wealth Tax, Customs Duty, Cess and other material statutory dues with the appropriate authorities during the year.
- (b) There were no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Income Tax, Fringe Benefit Tax, Value Added Tax, Service Tax, Wealth Tax, Customs Duty, Cess and other material statutory dues applicable to the Company in arrears as at March 31, 2010 for a period of more than six months from the date they became payable.
- (c) The details of disputed dues which have not been deposited by the Company as at March 31, 2010 are as follows:
- (ix) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks and financial institutions.
- (x) In our opinion and according to the information and explanations given to us, term loans availed by the Company were, *prima facie*, applied by the Company during the year for the purposes for which the loans were obtained, other than temporary deployment pending application.
- (xi) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, funds raised on short term basis have not been used during the year for long term investment.
- (xii) To the best of our knowledge and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

Name of Statute	Nature of the Dues	Assessment Year	Amount (Rs.)	Forum where Dispute is Pending
Income Tax Act, 1961	Tax and Interest	2003-2004	2,836,952	Income Tax Appellate Tribunal
		2005-2006	226,581,290	Commissioner of Income Tax (Appeals)
		2006-2007	256,015,070	Commissioner of Income Tax (Appeals)
		2007-2008	287,299,694	Commissioner of Income Tax (Appeals)
	Sub-total		772,733,006	
	Less: Refunds Adjusted *		(34,202,040)	
	Net Amount		738,530,966	
	Fringe Benefit Tax	2006-2007	741,728	Commissioner of Income Tax (Appeals)

* Refunds pertaining to other assessment years adjusted against disputed dues, based on intimations received from the Income Tax Department.

For Deloitte Haskins & Sells
Chartered Accountants
(Registration No. 008072S)

Sriraman Parthasarathy
Partner

New Delhi: May 29, 2010

(Membership No. 206834)

BALANCE SHEET AS AT MARCH 31, 2010

					in Rupees
	Schedule		As at March 31, 2010		As at March 31, 2009
SOURCES OF FUNDS					
SHAREHOLDERS' FUNDS					
Share Capital	1		1,305,093,005		1,305,093,005
Reserves and Surplus	2		9,711,476,034		9,295,551,440
LOAN FUNDS					
Secured Loans	3		827,177,191		1,304,840,843
Unsecured Loans	4		5,697,500,000		0
			<u>17,541,246,230</u>		<u>11,905,485,288</u>
APPLICATION OF FUNDS					
FIXED ASSETS					
Gross Block	5	17,890,050,830		2,396,967,281	
Less : Depreciation, Depletion and Amortisation		<u>1,842,449,118</u>		<u>1,361,096,742</u>	
Net Block		16,047,601,712		1,035,870,539	
Capital Work in Progress		<u>654,173,695</u>		<u>10,255,489,079</u>	
			16,701,775,407		11,291,359,618
INVESTMENTS					
FOREIGN CURRENCY MONETARY ITEM TRANSLATION DIFFERENCE ACCOUNT (See Note 27 of Schedule 16)	6		29,131,475		115,185,816
DEFERRED TAX ASSET (NET) (See Note 19(ii) of Schedule 16)			2,501,863		17,179,351
CURRENT ASSETS, LOANS AND ADVANCES	7		53,147,919		284,147,919
a. Inventories		432,484,561		662,914,303	
b. Sundry Debtors		412,325,942		209,914,306	
c. Cash and Bank Balances		799,782,476		2,762,716,670	
d. Other Current Assets		2,182,492		3,596,085	
e. Loans and Advances		<u>634,671,105</u>		<u>591,775,112</u>	
		2,281,446,576		4,230,916,476	
Less : CURRENT LIABILITIES AND PROVISIONS					
a. Current Liabilities	8	679,046,886		3,693,212,769	
b. Provisions		<u>847,710,124</u>		<u>340,091,123</u>	
		1,526,757,010		4,033,303,892	
NET CURRENT ASSETS					
			<u>754,689,566</u>		<u>197,612,584</u>
			<u>17,541,246,230</u>		<u>11,905,485,288</u>
Significant Accounting Policies	15				
Notes to the Accounts	16				
Schedules referred to above form an integral part of the Balance Sheet.					

In terms of our report of even date attached.

On behalf of the Board of Directors

For Deloitte Haskins & Sells
Chartered Accountants
(Registration No. 008072S)

R. Vasudevan
Chairman

Manish Maheshwari
Joint Managing Director

Sriraman Parthasarathy
Partner
Membership No. 206834

Sanjay Tiwari
Chief Legal Counsel & Company Secretary

Place : New Delhi
Date : May 29, 2010

Place : New Delhi
Date : May 29, 2010

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

		in Rupees	
	Schedule	Year ended March 31, 2010	Year ended March 31, 2009
INCOME			
Sales and Services	9	1,400,550,243	851,783,601
Increase/(Decrease) in Stock of Crude Oil Condensate and Natural Gas	10	49,718,432	(22,436,780)
Other Income	11	138,631,677	462,365,923
		1,588,900,352	1,291,712,744
EXPENDITURE AND CHARGES			
Field Operating Expenses	12	390,912,539	430,057,407
Corporate Expenses (Net)	13	(5,151,650)	5,384,165
Depreciation & Amortisation on Fixed Assets	5	6,026,796	8,309,355
Depletion of Producing Properties	5	465,923,122	109,875,745
Interest and Finance Charges	14	80,427,399	103,771,815
		938,138,206	657,398,487
PROFIT BEFORE TAX		650,762,146	634,314,257
Provision for Current Income Tax [including Rs. Nil (Previous Year Rs. 1,350,000) for Prior Years]		108,000,000	32,350,000
Provision for Deferred Tax (See Note 19(ii) of Schedule 16)		231,000,000	95,000,000
Provision for Wealth Tax		200,000	200,000
Provision for Fringe Benefit Tax		0	2,100,000
MAT Credit Entitlement (Net of MAT Credit Adjustments pertaining to Prior Years) (See Note 19(i) of Schedule 16)		(104,362,448)	(31,000,000)
PROFIT AFTER TAX		415,924,594	535,664,257
Profit Brought Forward		1,454,029,967	931,505,283
Less : Transitional Adjustment (See Note 27 of Schedule 16)		0	(13,139,573)
PROFIT AVAILABLE FOR APPROPRIATION		1,869,954,561	1,454,029,967
Balance Carried to Balance Sheet		1,869,954,561	1,454,029,967
Earnings Per Share of Rs. 10 Face Value (Basic and Diluted) (See Note 18 of Schedule 16)		Rs. 3.19	Rs. 4.10
Significant Accounting Policies	15		
Notes to the Accounts	16		
Schedules referred to above form an integral part of the Profit and Loss Account.			

In terms of our report of even date attached.

On behalf of the Board of Directors

For Deloitte Haskins & Sells
Chartered Accountants
(Registration No. 008072S)

R. Vasudevan
Chairman

Manish Maheshwari
Joint Managing Director

Sriraman Parthasarathy
Partner
Membership No. 206834

Sanjay Tiwari
Chief Legal Counsel & Company Secretary

Place : New Delhi
Date : May 29, 2010

Place : New Delhi
Date : May 29, 2010

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2010

in Rupees		
Particulars	Year ended March 31, 2010	Year ended March 31, 2009
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax	650,762,146	634,314,257
Adjustments for:		
Compensated Absences	573,500	300,000
Depreciation, Depletion and Amortisation	471,949,918	118,185,100
Dividend/Interest Income	(41,888,648)	(419,349,710)
Loss on Sale of/Discarded Assets (Net)	0	416,349
Excess Liabilities / Provisions Written Back	(11,690,574)	0
Amortisation of Foreign Currency Monetary Item Translation Difference Account	7,655,662	4,345,806
Unrealized Exchange Loss	14,312,711	4,338,596
Interest and Finance Charges	80,427,399	103,771,815
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	1,172,102,114	446,322,213
Adjustments for:		
Trade and Other Receivables (including Site Restoration Deposits)	(84,034,705)	(39,422,224)
Inventories	230,429,742	(424,698,945)
Payables	(3,000,889,152)	2,715,196,825
CASH (USED IN) / FROM OPERATIONS	(1,682,392,001)	2,697,397,869
Taxes Paid	(184,836,151)	(47,123,501)
NET CASH (USED IN) / FROM OPERATING ACTIVITIES	(1,867,228,152)	2,650,274,368
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(4,866,392)	(70,653,036)
Proceeds from Sale of Fixed Assets	9,548	127,232
Insurance Claim Received	0	7,768,846
Development Expenditure *	(5,544,516,948)	(6,522,761,396)
Exploration Expenditure	(70,477,412)	(152,377,373)
Dividend/Interest Received	43,302,241	423,148,160
NET CASH USED IN INVESTING ACTIVITIES	(5,576,548,963)	(6,314,747,567)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Secured Loans Repaid – Long Term	(410,534,837)	(349,159,505)
Unsecured Loans Taken – Long Term	5,898,925,184	0
Interest and Finance Charges Paid *	(89,081,574)	(179,365,553)
Dividend Paid (including Dividend Tax)	0	(152,670,623)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	5,399,308,773	(681,195,681)
NET DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	(2,044,468,342)	(4,345,668,880)
Cash, Cash Equivalents:		
Opening Balance	2,594,886,904	6,940,555,784
Closing Balance	550,418,562	2,594,886,904
	(2,044,468,342)	(4,345,668,880)
Cash and Bank Balance as per Schedule 7	799,782,476	2,762,716,670
Current Investment as per Schedule 6	24,082,232	110,136,573
Adjustment for Unpaid Dividend Account and Share Application Money Account	(5,612,647)	(7,198,804)
Adjustment for Site Restoration Deposit (See Note 5 of Schedule 16)	(227,273,440)	(214,966,840)
Adjustment for Lien Marked Deposits / Accounts (See Note 5 of Schedule 16)	(40,560,059)	(55,800,695)
Total Cash and Cash Equivalents as at Year End	550,418,562	2,594,886,904
* Interest and Finance Charges Paid includes and Development Expenditure excludes Borrowing Cost capitalised amounting to Rs. 8,654,175 (Previous Year: Rs. 75,593,734).		
Schedules 1 to 16 form an integral part of the Accounts		

In terms of our report of even date attached.

For Deloitte Haskins & Sells
Chartered Accountants
(Registration No. 008072S)Sriraman Parthasarathy
Partner
Membership No. 206834
Place : New Delhi
Date : May 29, 2010

On behalf of the Board of Directors

R. Vasudevan
ChairmanManish Maheshwari
Joint Managing DirectorSanjay Tiwari
Chief Legal Counsel & Company SecretaryPlace : New Delhi
Date : May 29, 2010

Schedules Forming Part of the Balance Sheet as at March 31, 2010

	in Rupees	
	As at March 31, 2010	As at March 31, 2009
SCHEDULE 1		
SHARE CAPITAL (See Note 4 of Schedule 16)		
AUTHORISED		
200,000,000 Equity Shares of Rs. 10 each	2,000,000,000	2,000,000,000
ISSUED		
130,563,363 Equity Shares of Rs. 10 each	1,305,633,630	1,305,633,630
SUBSCRIBED AND FULLY PAID-UP		
130,493,289 Equity Shares of Rs. 10 each fully paid-up	1,304,932,890	1,304,932,890
Add : Amount Paid-up on Shares Forfeited	160,115	160,115
	1,305,093,005	1,305,093,005
SCHEDULE 2		
RESERVES AND SURPLUS		
Securities Premium Account	7,841,521,473	7,841,521,473
General Reserve		
Opening Balance	0	3,383,000
Transitional Adjustment (See Note 27 of Schedule 16)	0	(3,383,000)
Closing Balance	0	0
Balance in Profit and Loss Account	1,869,954,561	1,454,029,967
	9,711,476,034	9,295,551,440
SCHEDULE 3		
SECURED LOANS		
(See Note 2 of Schedule 16)		
Loans from Banks		
Foreign Currency Term Loan	491,177,191	787,931,076
Rupee Term Loan	336,000,000	480,000,000
Loan from Financial Institution		
Foreign Currency Term Loan	0	36,909,767
	827,177,191	1,304,840,843
SCHEDULE 4		
UNSECURED LOANS		
(See Note 3 of Schedule 16)		
Other Loans – From Others		
Loan From ENI Coordination Center S.A., Belgium	5,697,500,000	0
	5,697,500,000	0
Note:		
Amounts Repayable within One Year	341,850,000	0

Schedules Forming Part of the Balance Sheet as at March 31, 2010

SCHEDULE 5 FIXED ASSETS

in Rupees

Type of the Assets	GROSS BLOCK			DEPRECIATION, DEPLETION and AMORTISATION				NET BLOCK	
	As at April 01, 2009	Additions / Adjustments	Deductions / Adjustments	As at March 31, 2010	For the Year	Deductions / Adjustments	As at March 31, 2010	As at March 31, 2010	As at March 31, 2009
Producing Properties	2,062,767,216	15,488,267,388*	0*	17,551,034,604	465,923,122	0	1,626,619,905	15,924,414,699	902,070,433
OTHER FIXED ASSETS:									
Land-Freehold	22,983,821	0	0	22,983,821	0	0	0	22,983,821	22,983,821
Buildings	107,072,105	0	0	107,072,105	3,976,018	0	31,527,727	75,544,378	79,520,396
Office Equipments	22,852,577	274,360	0	23,126,937	1,174,760	0	15,856,271	7,270,666	8,171,066
Computers	13,504,791	663,677	41,596	14,126,872	934,734	36,205	12,724,772	1,402,100	1,678,548
Office Furniture	15,502,197	68,500	0	15,570,697	542,796	0	13,114,616	2,456,081	2,930,377
Improvements to Leasehold Premises	8,032,485	0	0	8,032,485	0	0	8,032,485	0	0
Plant & Machinery	107,697,078	3,089,797	8,635	110,778,240	7,099,024	4,478	99,295,646	11,482,594	15,495,978
Vehicles	8,326,206	0	0	8,326,206	431,968	0	7,089,701	1,236,505	1,668,473
Intangible Assets – Software	28,228,805	770,058	0	28,998,863	1,310,637	0	28,187,995	810,868	1,351,447
Total (A):	2,396,967,281	15,493,133,780	50,231	17,890,050,830	481,393,059	40,683	1,842,449,118	16,047,601,712*	1,035,870,539*
Previous Year	1,612,771,578	794,076,252*	9,880,549*	2,396,967,281	129,765,458*	1,568,122	1,361,096,742	1,035,870,539*	379,872,172*
Capital Work in Progress									
Development Expenditure	9,639,957,699	5,291,638,951*	14,922,382,119	9,214,531	0	0	0	9,214,531	9,639,957,699
Exploration Expenditure (See Note 28 of Schedule 16)	615,531,380	70,537,916	41,110,132	644,959,164	0	0	0	644,959,164	615,531,380
Total (B):	10,255,489,079	5,362,176,867	14,963,492,251	654,173,695	0	0	0	654,173,695	10,255,489,079
Previous Year	4,021,871,328	6,896,105,967*	662,488,216	10,255,489,079	0	0	0	10,255,489,079	4,021,871,328
GRAND TOTAL (A + B):	12,652,456,360	20,855,310,647	14,963,542,482	18,544,224,525	481,393,059	40,683	1,842,449,118	16,701,775,407	11,291,359,618
Previous Year	5,634,642,906	7,690,182,219	672,368,765	12,652,456,360	129,765,458	1,568,122	1,361,096,742	11,291,359,618	4,401,743,500
Fixed Assets include the Company's share in Unincorporated Joint Venture Assets									
Current Year	12,469,976,580	20,854,446,609	14,963,542,482	18,360,880,707	475,366,263	40,683	1,761,041,598	16,599,839,109	11,184,260,562
Previous Year	5,516,678,300	7,624,832,406	671,534,126	12,469,976,580	121,456,103	1,116,349	1,285,716,018	11,184,260,562	4,351,302,036

* including Rs. 9,382,637 (Previous Year: Rs. 8,534,997) charged to Producing Properties and Rs. Nil (Previous Year Rs. 3,028,357) charged to Development Expenditure, and Rs. 60,504 (Previous Year: Rs. 17,004) charged to Exploration Expenditure.

@ including Rs. 21,122,860 (Previous Year : Rs. 16,559,177) of Other Fixed Assets considered for depletion of Producing Properties.

Additions/Adjustments to Producing Properties include (See Note 22 of Schedule 16):

(a) decrease in undiscounted estimated future Site Restoration cost of Rs. 30,817,500 (Previous Year increase of Rs. 59,535,000) on account of change in foreign exchange rates.

(b) increase in Site Restoration cost of Rs. 546,210,000 (Previous Year Rs. 1,400,000).

& Deductions to producing properties represents insurance claim received for PD-3 well in PY-3 block amounting to Rs. Nil (Previous Year Rs. 7,768,846).

\$ Additions to Capital Work in Progress includes:

(a) Borrowing Cost Rs. 8,654,175 (Previous Year Rs. 75,593,734) capitalised as Development Expenditure.

(b) Net foreign exchange gain of Rs. 261,532,172 (Previous Year exchange loss of Rs. 133,793,106) capitalised as Development Expenditure. (See Note 27 of Schedule 16).

Schedules Forming Part of the Balance Sheet as at March 31, 2010

	in Rupees	
	As at March 31, 2010	As at March 31, 2009
SCHEDULE 6		
INVESTMENTS (FULLY PAID) – At Cost (See Note 7 of Schedule 16)		
LONG TERM		
IN WHOLLY OWNED SUBSIDIARY COMPANY – UNQUOTED		
50,002 Equity Shares of Rs. 100 each of HOEC Bardahl India Limited	5,000,200	5,000,200
QUOTED (TRADE)		
318 Equity Shares of Rs. 10 each of Reliance Industries Limited	25,975	25,975
318 Equity Shares of Rs. 5 each of Reliance Communication Ventures Limited	19,332	19,332
318 Equity Shares of Rs. 5 each of Reliance Natural Resources Limited	350	350
23 Equity Shares of Rs. 10 each of Reliance Energy Limited	3,219	3,219
15 Equity Shares of Rs. 10 each of Reliance Capital Limited	166	166
UNQUOTED (NON TRADE)		
100,000 Equity Shares of Rs. 10 each of Gujarat Securities Limited	1,000,000	1,000,000
CURRENT		
UNQUOTED (NON TRADE)		
UNITS OF MUTUAL FUNDS		
142,793 (Previous Year 927,731) Units of Rs. 10 each of HDFC Cash Management Fund – Saving Plan – Daily Dividend – Reinvestment	1,518,807	9,867,728
166,025 (Previous Year Nil) Units of Rs. 10 each of ICICI Prudential Flexible Income Plan – Premium – Daily Dividend	17,554,704	0
409,607 (Previous Year Nil) Units of Rs. 10 each of Kotak Liquid (Institutional Premium) – Daily Dividend	5,008,721	0
Nil (Previous Year 98,356) Units of Rs. 1,000 each of UTI Liquid Cash Plan Institutional – Daily Income Option – Reinvestment	0	100,268,845
	30,131,474	116,185,815
Less : Provision for Diminution in Value of Investments	999,999	999,999
	29,131,475	115,185,816
Aggregate Cost of Quoted Investments	49,042	49,042
Market Value of Quoted Investments	445,773	571,319
Aggregate Cost of Unquoted Investments	30,082,432	116,136,773

Schedules Forming Part of the Balance Sheet as at March 31, 2010

	in Rupees	
	As at March 31, 2010	As at March 31, 2009
SCHEDULE 7		
CURRENT ASSETS, LOANS AND ADVANCES		
(A) INVENTORIES		
Crude Oil, Condensate and Natural Gas (See Note 23 (ii) of Schedule 16)	100,960,540	49,587,439
Stores, Spares, Capital Stock and Drilling Tangibles (See Note 23(iv) and 26 of Schedule 16)	331,524,021	613,326,864
	432,484,561	662,914,303
(B) SUNDRY DEBTORS		
(Unsecured, Considered Good)		
Outstanding for a Period more than Six Months	0	38,380,106
Outstanding for a Period Less than Six Months		
Receivable from Wholly Owned Subsidiary – HOEC Bardahl India Limited	0	24,786,332
Other Receivables	412,325,942	146,747,868
	412,325,942	209,914,306
(C) CASH AND BANK BALANCES		
Cash on Hand	3,438	3,366
Balances with Scheduled Banks		
Current Accounts (See Notes 5 (a) of Schedule 16)	25,309,996	51,950,163
Unclaimed / Unpaid Dividend Accounts	5,172,671	6,725,124
Unclaimed / Unpaid Share Application Money	439,976	473,680
Deposit Accounts (See Notes 4 & 5 (b) of Schedule 16)	744,474,999	2,642,890,982
Balances with Non-Scheduled Bank		
Current Account (See Note 6 and 17 of Schedule 16)	24,381,396	60,673,355
	799,782,476	2,762,716,670
(D) OTHER CURRENT ASSETS		
Interest Accrued on Bank Deposits	2,182,492	3,596,085
	2,182,492	3,596,085
(E) LOANS AND ADVANCES (See Note 2 below)		
Advances Recoverable in Cash or in Kind or for Value to be Received (See Note 3 below)	267,256,167	397,320,768
Service Tax Input Credit	957,790	648,796
MAT Credit Entitlement (See Note 19(i) of Schedule 16)	135,362,448	31,000,000
Advance Income Tax [Net of Provision for Taxation of Rs. 415,963,496 (Previous Year Rs. 129,963,496)]	245,416,180	177,127,028
Advance Fringe Benefit Tax [Net of Provision for Fringe Benefit Taxation of Rs. 5,900,000 (Previous Year Rs. 5,900,000)]	1,235,376	1,235,376
	650,227,961	607,331,968
Less : Provision for Doubtful Advances (See Notes 2 & 3 below)	15,556,856	15,556,856
	634,671,105	591,775,112
TOTAL (A) + (B) + (C) + (D) + (E)	2,281,446,576	4,230,916,476
Notes:		
1. Maximum Amount Due from HOEC Bardahl India Limited at any time during the year	28,029,152	24,786,332
2. Of the above :		
Secured, Considered Good	0	0
Unsecured, Considered Good	634,671,105	591,775,112
Unsecured, Considered Doubtful (See Note 3 (a) below)	15,556,856	15,556,856
	650,227,961	607,331,968
3. Advances Recoverable in Cash or in Kind or for Value to be Received includes:		
(a) Capital Advance Rs. 1,354,621 (Previous Year Rs. 1,354,621) for which a provision of Rs. 1,354,621 (Previous Year Rs. 1,354,621) has been made.		
(b) Unamortised Borrowing Cost of Rs. 15,413,163 (Previous Year Rs. 19,884,941).		
(c) Advance Profit Petroleum Payment made to Government of India Rs. 100,921,368 (Previous Year Rs. 114,594,339).		

Schedules Forming Part of the Balance Sheet as at March 31, 2010

	in Rupees	
	As at March 31, 2010	As at March 31, 2009
SCHEDULE 8		
CURRENT LIABILITIES AND PROVISIONS		
(A) CURRENT LIABILITIES		
Sundry Creditors		
– Outstanding Dues to Micro Enterprises and Small Enterprises (See Note 8 of Schedule 16)	193,025	0
– Outstanding Dues to Creditors other than Micro Enterprises and Small Enterprises (See Note 1 below)	599,119,346	3,519,983,491
Unclaimed/Unpaid Dividend (See Note 2 below)	5,172,671	6,725,124
Unclaimed/Unpaid Share Application Money (See Note 2 below)	439,976	473,680
Other Liabilities	74,121,868	166,030,474
	679,046,886	3,693,212,769
(B) PROVISIONS		
Provision for Compensated Absences	3,373,500	2,800,000
Provision for Site Restoration (See Note 22 of Schedule 16)	801,505,000	286,112,500
Provision for Taxation		
– Income Tax [Net of Advance Tax of Rs. 481,783,766 (Previous Year Rs. 651,356,382)]	42,216,234	50,643,618
– Wealth Tax [Net of Advance Tax of Rs. 599,926 (Previous Year Rs. 480,311)]	438,074	357,689
– Fringe Benefit Tax [Net of Advance Tax of Rs. 2,422,684 (Previous Year Rs. 2,422,684)]	177,316	177,316
	847,710,124	340,091,123
TOTAL (A) + (B)	1,526,757,010	4,033,303,892
Notes:		
1. Includes Security deposit of Rs. 6,000,000 (Previous Year Rs. 6,000,000) received from HOEC Bardahl India Ltd., the Wholly Owned Subsidiary of the Company.		
2. There are no amounts due and outstanding, to be credited to the Investor Education and Protection Fund.		

Schedules Forming Part of the Profit and Loss Account for the Year Ended March 31, 2010

	in Rupees	
	Year ended March 31, 2010	Year ended March 31, 2009
SCHEDULE 9		
SALES AND SERVICES		
(A) SALES (See Note 23(i) and 33 of Schedule 16)		
Sale of Crude Oil Condensate and Natural Gas	1,457,752,788	831,411,800
Less : Profit Petroleum to Government of India (See Note 31 of Schedule 16)	64,258,545	6,322,445
	1,393,494,243	825,089,355
(B) SERVICES		
Management Fee [Tax Deducted at Source Rs. Nil (Previous Year Rs. 3,167,125)]	0	24,930,246
Warehousing Services [Tax Deducted at Source Rs. 830,028 (Previous Year Rs. 222,947)]	7,056,000	1,764,000
	7,056,000	26,694,246
TOTAL (A) + (B)	1,400,550,243	851,783,601

Schedules Forming Part of the Profit and Loss Account for the Year Ended March 31, 2010

	in Rupees	
	Year ended March 31, 2010	Year ended March 31, 2009
SCHEDULE 10		
INCREASE/(DECREASE) IN STOCK OF CRUDE OIL, CONDENSATE AND NATURAL GAS		
Increase/(Decrease) in Gross Stock of Crude Oil, Condensate and Natural Gas (See Note 23(ii) of Schedule 16)	51,373,101	(22,436,780)
Less : Profit Petroleum to Government of India (See Note 31 of Schedule 16)	1,654,669	0
	49,718,432	(22,436,780)
SCHEDULE 11		
OTHER INCOME		
Interest Income (Gross) on Bank Deposits [Tax Deducted at Source Rs. 1,307,640 (Previous Year Rs. 2,860,251)]	21,754,558	24,994,351
Dividend from Long Term – Trade Investments	4,647	4,134
Dividend from Current – Non Trade Investments	20,129,443	394,351,225
Gain on Foreign Exchange Fluctuation (Net) (See Notes 24 of Schedule 16)	84,875,266	37,052,587
Excess Liabilities/Provisions Written Back (See Notes 12 & 13 of Schedule 16)	11,690,574	0
Miscellaneous Income (See Notes 29 and 32 of Schedule 16)	177,189	5,963,626
	138,631,677	462,365,923
SCHEDULE 12		
FIELD OPERATING EXPENSES		
Hire Charges (See Note 21 of Schedule 16)	171,313,467	379,941,808
Insurance	19,108,645	2,703,219
Fuel, Water and Others	6,643,891	12,716,654
Production Expenses	113,001,777	22,905,921
Royalty, Cess & Other Duties	68,618,105	1,985,516
Other Expenses	12,226,654	9,804,289
	390,912,539	430,057,407
SCHEDULE 13		
CORPORATE EXPENSES (NET)		
(A) STAFF EXPENSES		
Salaries, Allowances and Bonus (See Notes 9(a) and 12 of Schedule 16)	87,567,594	79,132,311
Contribution to Provident and Other Funds (See Notes 9(a) and 13(A) of Schedule 16)	8,581,404	8,562,704
Welfare Expenses	2,607,167	2,839,526
	98,756,165	90,534,541
(B) ESTABLISHMENT EXPENSES		
Office and Guest House Rent	9,631,231	9,779,389
Electricity	1,933,880	1,970,970
Rates and Taxes	451,363	396,241
Repairs and Maintenance – Others	11,937,030	10,809,624
General Office Expenses	482,798	547,519
	24,436,302	23,503,743

Schedules Forming Part of the Profit and Loss Account for the Year Ended March 31, 2010

in Rupees

	Year ended March 31, 2010	Year ended March 31, 2009
SCHEDULE 13		
CORPORATE EXPENSES (NET) (Contd.)		
(C) OTHER EXPENSES		
Travelling and Conveyance	4,798,003	6,585,776
Communication Expenses	3,399,364	5,143,831
Printing and Stationery	2,373,082	2,410,885
Legal and Professional Expenses (see Note below)	34,051,285	40,367,176
Insurance	206,562	190,480
Directors' Sitting Fees and Commission (See Notes 9(b) & 9(c) of Schedule 16)	6,170,000	205,000
Auditors' Remuneration (See Notes below)		
As Statutory Auditors	1,450,000	1,250,000
For Tax Matters	150,000	150,000
For Other Matters	395,000	30,000
Reimbursement of Expenses	84,859	36,749
Service Tax [Net of Service Tax Input Credit of Rs. 214,225 (Previous Year Rs. 154,088)]	0	0
	2,079,859	1,466,749
Loss on Sale of/Discarded Assets (Net)	0	416,349
Miscellaneous Expenses	7,178,497	7,423,811
	60,256,652	64,210,057
(D) TOTAL CORPORATE EXPENSES (A + B + C)	183,449,119	178,248,341
(E) Less : RECOVERY OF EXPENSES (See Note 25 of Schedule 16)	188,600,769	172,864,176
	(5,151,650)	5,384,165
Note: Auditors' Remuneration for the current year excludes and Legal and Professional Expenses includes Rs.1,400,000 (Previous Year Rs. 1,225,000) (Excluding Service Tax) paid / payable towards tax matters to a firm in which some partners of the audit firm are partners.		
SCHEDULE 14		
INTEREST AND FINANCE CHARGES		
Interest on Fixed Term Loans	75,943,045	56,802,638
Bank Charges and Commission	1,079,260	307,671
Other Finance Charges	3,405,094	46,661,506
	80,427,399	103,771,815
Notes: 1. The above excludes Interest and Finance Charges capitalised during the year to Development Expenditure Rs. 8,654,175 (Previous Year Rs. 75,593,734) in accordance with Accounting Standard 16 – Borrowing Costs. 2. Other Finance Charges includes exchange difference arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs covered under Accounting Standard 16 (AS 16) – Borrowing Costs amounting to Rs. Nil (Previous Year Rs. 5,112,247).		

Schedules Forming Part of the Accounts for the Year Ended March 31, 2010

SCHEDULE 15

SIGNIFICANT ACCOUNTING POLICIES

1. Accounting Convention

The financial statements are prepared under the historical cost convention in accordance with the generally accepted accounting principles in India including relevant provisions of the Companies Act, 1956 and accounting standards notified by the Government of India, as applicable.

2. Use of Estimates

The preparation of the financial statements requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period like depletion of producing properties, estimate of site restoration liability, expensing of the estimated site restoration liability, provision for employee benefits, useful lives of fixed assets, provision for doubtful advances, provision for tax, recognition of MAT Credit, recognition of deferred tax asset etc. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results may vary from these estimates. Any revisions to accounting estimates are recognised prospectively.

3. Exploration and Development Costs

The Company generally follows the "Successful Efforts Method" of accounting for its exploration and production activities as explained below:

- (i) Cost of exploratory wells, including survey costs, is expensed in the year when the well is determined to be dry / abandoned or is transferred to producing properties on attainment of commercial production.
- (ii) Cost of all appraisal programmes related to a Discovery are initially capitalised as "Capital Work in Progress". If a Discovery is determined to be commercial pursuant to the appraisal programme, all appraisal costs, including the cost of unsuccessful appraisal wells, if any, are capitalised on attainment of commercial production. If at the end of the appraisal programme, the Discovery is relinquished, then all appraisal costs related to the Discovery are charged to the Profit and Loss Account.
- (iii) Cost of temporary occupation of land, successful exploratory wells, appraisal wells, development wells and all related development costs, including depreciation on support equipment and facilities, are considered as development expenditure. These expenses are capitalised as producing properties on attainment of commercial production.
- (iv) Producing properties, including the cost incurred on dry / abandoned wells in development areas, are depleted using "Unit of Production" method based on estimated proved developed reserves. Any changes in Reserves and/or Cost are dealt with prospectively from the beginning of the year of such change. Hydrocarbon reserves are estimated and/or approved by the Management Committees of the Unincorporated Joint Ventures, which follow the International Reservoir Engineering Principles.
- (v) If the Company / Unincorporated Joint Venture were to relinquish a block or part thereof, the accumulated acquisition and exploration costs carried in the books related to the block or part thereof, as the case may be, are written off as a charge to the Profit and Loss Account in the year of relinquishment.

Explanatory Note

1. All exploration costs including acquisition of geological and geophysical seismic information, license, depreciation on support equipment and facilities and acquisition costs are initially capitalized as "Capital Work in Progress - Exploration Expenditure", until such time as either the exploration well(s) in the first drilling campaign is determined to be successful, at which point the costs are transferred to "Producing Properties", or is determined to be unsuccessful, in which case such costs are written off consistent with para 2 below.
2. Exploration costs associated with drilling, testing and equipping exploratory well(s) are initially capitalized as "Capital Work in Progress - Exploration Expenditure" and retained in Capital Work in Progress – Exploration Expenditure so long as:
 - (a) such well has found potential commercial reserves; or
 - (b) such well test result is inconclusive and is subject to further exploration or appraisal activity like acquisition of seismic, or re-entry of such well, or drilling of additional exploratory / step out well in the area of interest, such activity to be carried out no later than 2 years from the date of completion of such well testing;
 - until such time as such costs are transferred to "Producing Properties" on attainment of commercial production;
 - or
 - else charged to the Profit and Loss Account.

Management makes quarterly assessment of the amounts included in "Capital Work in Progress - Exploration Expenditure" to determine whether capitalization is appropriate and can continue. Exploration well(s) capitalized beyond 2 years are subject to additional judgment as to whether facts and circumstances have changed and therefore the conditions described in 2(a) and (b) no longer apply.

Schedules Forming Part of the Accounts for the Year Ended March 31, 2010

SCHEDULE 15 — SIGNIFICANT ACCOUNTING POLICIES (Contd.)

4. Site Restoration

Estimated future liability relating to dismantling and abandoning producing well sites and facilities is recognised when the installation of the production facilities is completed based on the estimated future expenditure determined by the Management in accordance with the local conditions and requirements. The corresponding amount is added to the cost of the producing property and is expensed in proportion to the production for the year and the remaining estimated proved reserves of hydrocarbons based on latest technical assessment available with the Company. Any change in the value of the estimated liability is dealt with prospectively and reflected as an adjustment to the provision and the corresponding producing property.

5. Impairment

At each Balance Sheet date, the Company reviews the carrying amount of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss.

Where the impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but not exceeding the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior accounting periods.

6. Unincorporated Joint Ventures

The financial statements of the Company reflect its share of assets, liabilities, income and expenditure of the Joint Venture operations which are accounted on the basis of available information in the audited financial statements of the Unincorporated Joint Ventures on line by line basis with similar items in the Company's accounts to the extent of the participating interest of the Company as per the various "Production Sharing Contracts". The financial statements of the Unincorporated Joint Ventures are prepared by the respective Operators in accordance with the requirements prescribed by the respective Production Sharing Contracts of the Unincorporated Joint Ventures. Hence, in respect of these Unincorporated Joint Ventures, certain adjustments / disclosures required under the mandatory Accounting Standards as notified by the Government of India, the Companies Act, 1956 and other pronouncements of The Institute of Chartered Accountants of India have been made in the financial statements of the Company only to the extent of information available with the Company. Such information may pertain to particulars relating to micro, small and medium enterprises, particulars of expenditure in foreign currency, particulars of earnings in foreign currency, particulars of CIF value of imports, transactions with related parties, details of commitments and contingencies, information relating to valuation and consumption of stores, spares, capital stock and drilling tangibles, information relating to foreign exchange differences, particulars of unhedged foreign currency exposure of the respective Unincorporated Joint Ventures, details of leases and details relating to fixed assets. See Notes 8, 10, 17, 20, 23, 24 and 35 of Schedule 16.

7. Fixed Assets

Fixed assets are stated at cost inclusive of all incidental expenses.

8. Depreciation

- (i) Depreciation is provided on the "Written Down Value" method at the rates specified in Schedule XIV of the Companies Act, 1956.
- (ii) In the case of additions during the year, depreciation is provided for the full year irrespective of the date of installation and no depreciation is provided in the year of sale/disposal.
- (iii) Improvements to Leasehold premises are amortised over the remaining primary lease period.
- (iv) Computer software is amortised over their license periods or 10 years, whichever is lower.
- (v) Assets individually costing less than or equal to Rs. 5,000 are fully depreciated in the year of acquisition.
- (vi) Depreciation is accelerated on fixed assets, based on their condition, usability etc. as per the estimates of the Management, wherever necessary.

9. Investments

Investments are capitalised at cost plus brokerage and stamp charges. Long-term investments are valued at cost. Provision is made for diminution, other than temporary, in the value of long-term investments. Current investments are valued at the lower of cost and fair value on individual scrip basis.

10. Inventories

- (i) Closing stock of crude oil, condensate and natural gas in saleable condition is valued at estimated Net Realisable Value less estimated selling costs.
- (ii) Stores, spares, capital stock and drilling tangibles are valued at cost on FIFO / weighted average basis, as applicable, or estimated net realisable value, whichever is lower.

Schedules Forming Part of the Accounts for the Year Ended March 31, 2010

SCHEDULE 15 — SIGNIFICANT ACCOUNTING POLICIES (Contd.)

11. Miscellaneous Expenditure

Share issue expenses are either debited to the Profit and Loss Account or adjusted against the securities premium account in accordance with Section 78 of the Companies Act, 1956, based on Management's decision.

12. Revenue Recognition

- (i) Revenue from the sale of crude oil / condensate and natural gas, net of Government's share of Profit Petroleum (calculated as per the provisions of the respective Production Sharing Contracts), where applicable, and Value Added Tax, is recognised on transfer of custody.
- (ii) Sale is recorded at the invoiced price, which is subject to the approval of the Government of India, Ministry of Petroleum & Natural Gas (MOP&NG). The difference between the invoiced price and the final approved price, if any, is adjusted in the year in which the aforesaid approval is received. Also see Note 33(i) of Schedule 16.
- (iii) Service Income is recognised on accrual basis as per the contractual terms and is net of Service Tax.
- (iv) Delayed payment charges, interest on delayed payments and interest on income tax refunds are recognised as and when there is no uncertainty in the determination / receipt of the amount, on grounds of prudence.

13. Employee Benefits

(a) Defined Contribution Plan

- (i) **Provident Fund:** Contributions towards Employees' Provident Fund are made to the Employees Provident Fund Scheme in accordance with the statutory provisions.
- (ii) **Superannuation:** The Company contributes a sum equivalent to 15% of eligible employees basic salary to a Superannuation Fund administered by trustees. The Company has no liability for future Superannuation Fund benefits other than its annual contribution and recognizes such contributions as an expense in the year of incurrence.

(b) Defined Benefit Plan

The Company makes annual contribution to a Gratuity Fund administered by trustees and managed by the Life Insurance Corporation of India. The Company accounts its liability for future gratuity benefits based on actuarial valuation, as at the Balance Sheet date, determined every year by an Actuary appointed by the Company using the Projected Unit Credit method. Actuarial gains / losses are recognised in the Profit and Loss Account. Obligation under the defined benefit plan is measured at the present value of estimated future cash flows. The estimate of future salary increase takes into account inflation, likely increments, promotions and other relevant factors.

(c) Compensated Absences

The liability for long term compensated absences carried forward on the balance sheet date is provided for based on actuarial valuation done by an independent actuary using the Projected Unit Credit method at the end of each accounting period. Short term compensated absences is recognized based on the eligible leave at credit on the Balance Sheet date and is estimated based on the terms of the employment contract.

(d) Other Employee Benefits

Other employee benefits, including allowances, incentives etc. are recognised based on the terms of the employment contract.

14. Borrowing Cost

Eligible borrowing cost specifically identified to the acquisition, construction or production of qualifying assets are capitalized as part of such asset. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. Other borrowing costs are charged to the Profit and Loss Account.

15. Foreign Currency Transactions

Foreign currency transactions are accounted at the exchange rates ruling on the date of the transactions. Foreign currency monetary items as at the Balance Sheet date, are restated at the closing exchange rates. Exchange differences arising on actual payments / realisations and year-end restatements of foreign currency monetary items, excluding long term foreign currency monetary items (see below), are dealt with in the Profit and Loss Account.

Exchange differences, both realised and unrealised, arising on reporting of long term foreign currency monetary items (as defined in the Accounting Standard - 11 notified by the Government of India) relating to the acquisition of a depreciable capital asset are added to / deducted from the cost of the asset and in other cases unrealised exchange differences are accumulated in a "Foreign Currency Monetary Item Translation Difference Account" in the Company's Balance Sheet and amortized over the balance period of such long term asset / liability but not beyond March 31, 2011, by recognition as income or expense in each of such periods.

Also See Note 27 of Schedule 16.

Schedules Forming Part of the Accounts for the Year Ended March 31, 2010

SCHEDULE 15 — SIGNIFICANT ACCOUNTING POLICIES (Contd.)

16. Taxation

Income Tax: Current tax is the amount of tax payable on the taxable income for the year and is provided with reference to the provisions of the Income Tax Act, 1961.

Deferred Tax: Deferred tax is recognised, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax asset is recognised when there is a reasonable certainty of future taxable income except for deferred tax assets in respect of unabsorbed loss or depreciation where it is recognised only if there is a virtual certainty with convincing evidence.

MAT Credit: Minimum Alternate Tax (MAT) Credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period in accordance with the Guidance Note on "Accounting for Credit Available in respect of Minimum Alternate Tax under Income Tax Act, 1961". In the year in which the MAT Credit becomes eligible to be recognised as an asset, the said asset is created by way of a credit to the Profit and Loss Account and shown as MAT Credit Entitlement. The Company reviews the same at each Balance Sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that the Company will pay normal income tax during the specified period.

17. Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised only when the Company has present or legal obligations as a result of past events for which it is probable that an outflow of economic benefit will be required to settle the transaction and when a reliable estimate of the amount of obligation can be made. Contingent liability is disclosed for (i) possible obligations which will be confirmed only by future events not wholly within the control of the Company or (ii) present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made. Contingent assets are not recognised in the financial statements since this may result in the recognition of income that may never be realised.

SCHEDULE 16

NOTES TO THE ACCOUNTS

1. Commencement of Production from PY-1

During the current year ended March 31, 2010, the Company has commenced production of Natural Gas and Condensate from PY-1 Field. The Natural Gas from PY-1 Field is supplied to GAIL (India) Limited ("GAIL") pursuant to the Gas Sales Agreement entered into between the Company and GAIL dated September 18, 2009. Pursuant to the Production Sharing Contract for the PY-1 Field, Chennai Petroleum Corporation Limited (CPCL) is designated as the Government nominee for purchasing the Condensate produced from the field.

2. Secured Loans (Foreign Currency and Rupee Term Loans)

(a) The term loans from State Bank of India, Axis Bank and HDFC Bank amounting to Rs. 479,900,983 as at March 31, 2010 (Rs. 712,047,320 as at March 31, 2009), are secured by way of charge on the Company's Participating Interest in PY-3 and Palej Fields, first charge on the Company's share of Crude Oil Receivables from PY-3 and Palej Fields and charge on the Debt Service Reserve Account. See Note 5 below.

(b) The term loans from Axis Bank amounting to Rs. 347,276,208 as at March 31, 2010 ((Rs. 592,793,523 as at March 31, 2009) from Axis Bank, Bank of India, Canara Bank, Export-Import Bank of India, Indian Overseas Bank, Syndicate Bank, The Federal Bank Limited and Union Bank of India) are secured by way of charge on all movable properties pertaining to PY-1 Gas Project, the Company's Participating Interest in PY-1 Field and on the PY-1 Trust and Retention Accounts. See Note 5 below.

During the year ended March 31, 2010, the Company has repaid the loans taken from Bank of India, Canara Bank, Export-Import Bank of India, Indian Overseas Bank, Syndicate Bank, The Federal Bank Limited and Union Bank of India.

3. Unsecured Loan from ENI Coordination Center S.A, Belgium

Pursuant to the Loan Agreement entered into by the Company with ENI Coordination Center S.A, Belgium dated February 6, 2009, the Company has availed an Unsecured Loan amounting to USD 125,000,000 (Equivalent Rs. 5,697,500,000 as at March 31, 2010) during the year ended March 31, 2010 for the purpose of *inter-alia* financing the development capital expenditure in PY-1 and general corporate purposes.

Schedules Forming Part of the Accounts for the Year Ended March 31, 2010

SCHEDULE 16 — NOTES TO THE ACCOUNTS (Contd.)

4. Rights Issue of Equity Shares

On January 24, 2008, an allotment of 52,180,621 Equity Shares of Rs. 10 each was made consequent to the Rights Issue of 52,217,720 Equity Shares of Rs. 10 each at a premium of Rs. 107 per Share to the then existing Shareholders of the Company in the ratio of Two Equity Shares for every Three Equity Shares held aggregating to Rs. 6,105,132,657. In terms of Clause No. 6.13.2.28 of SEBI (Disclosure and Investor Protection) Guidelines, 2000, as amended, the details of the utilisation of the proceeds of the Rights Issue are as under:

in Rupees			
Block	Defined Programme	Utilisation up to March 31, 2010	Utilisation up to March 31, 2009
PY-1	Contribution towards Cash Calls for Development of Basement Gas Reservoir in PY-1 Field	5,682,477,915	3,546,064,141
PY-3 (CY-OS-90/1)	Contribution towards Cash Calls for Phase III Drilling Programme	387,350,353	341,404,559
Rights Issue Expenses	Rights Issue Expenses (Net)	15,304,389	15,304,389
General Corporate Purpose (See Note below)	Contribution towards Exploration Expenditure in Block AAP-ON-94/1 (Assam)	20,000,000	0
Total		6,105,132,657	3,902,773,089

Note:

In accordance with the Rights Issue Letter of Offer, the Board of Directors, at their meeting held on April 23, 2009, approved the use of funds allocated as General Corporate Expenses towards Exploration Expenses and Repayment of Loan. Pursuant to the same, the Company has utilised Rs.20,000,000 towards Exploration Expenditure in the Assam Block. The Rights Issue Proceeds have been fully utilised towards the objects stated in the Letter of Offer as certified by Monitoring Agency.

The balance amount of Rs. Nil (Rs. 2,202,359,568 as at March 31, 2009) has been invested in the following forms of investments:

in Rupees			
Form of Investment	Amount as at March 31, 2010	Amount as at March 31, 2009	Schedule Reference
Bank Deposits	0	2,202,359,568	Cash and Bank Balances – Schedule 7(C)
Total	0	2,202,359,568	

5. Bank Balances – Scheduled Banks

- Current Accounts with Scheduled Banks include Lien Marked Accounts Rs. 1,261,453 as at March 31, 2010 (Rs. 3,025,946 as at March 31, 2009). See Note 2 above.
- Deposits with Scheduled Banks include:
 - Lien Marked Deposits Rs. 39,298,606 as at March 31, 2010 (Rs. 52,774,749 as at March 31, 2009). See Note 2 above.
 - Deposits amounting to Rs. 227,273,440 as at March 31, 2010 (Rs. 214,966,840 as at March 31, 2009) placed as “Site Restoration Fund” under Section 33ABA of the Income Tax Act, 1961.

6. Bank Balances – Non-Scheduled Bank

The balance with Non-Scheduled Bank represents the Company's share in the balance in a foreign currency account with Barclays Bank, London amounting to Rs. 24,381,396 as at March 31, 2010 (Rs. 60,673,355 as at March 31, 2009) and Banque ENI Belgium (a ENI Group Entity) amounting to Rs. Nil as at March 31, 2010 (Rs. Nil as at March 31, 2009). The maximum amount outstanding at any time during the year in respect of these accounts were Rs. 103,143,622 (Previous Year Rs. 159,637,993) and Rs. 6,165,000,000 (Previous Year Rs. Nil), respectively.

Schedules Forming Part of the Accounts for the Year Ended March 31, 2010

SCHEDULE 16 — NOTES TO THE ACCOUNTS (Contd.)

7. Purchase and Sale of Investments

The details of purchase and sale of Investments are as under:

A. 2009 – 2010

Name of the Funds	in Rupees			
	Purchase		Sales	
	Units	Amount	Units	Amount
HDFC Cash Management Fund-Savings Plan – Daily Dividend – Reinvestment	8,462,165	90,006,971	9,247,103	98,355,892
ICICI Prudential Institutional Liquid Plan – Super Institutional Dividend – Daily	88,602,882	1,349,960,639	88,602,882	1,349,960,639
ICICI Prudential Flexible Income Plan Premium – Daily Dividend	85,490,644	1,448,056,434	85,324,619	1,430,501,730
TATA Liquid Super High Investment Fund – Daily Dividend	225,143	250,926,470	225,143	250,926,470
Birla Sun Life Cash Plus Fund – Instl. – Daily Dividend – Reinvestment	52,704,593	528,073,673	52,704,593	528,073,673
Birla Sun Life Savings Fund – Instl. – Daily Dividend – Reinvestment	10,654,040	106,612,852	10,654,040	106,612,852
Reliance Liquidity – Daily Dividend Reinvestment Option	47,991,480	480,063,569	47,991,480	480,063,569
Reliance Money Manager Fund – Institutional Option – Daily Dividend Plan	491,328	491,886,221	491,328	491,886,221
UTI Liquid Cash Plan Institutional – Daily Income Option – Reinvestment	618,652	630,681,695	717,008	730,950,540
UTI Treasury Advantage Fund – IP – Daily Dividend Option – Reinvestment	711,208	711,359,787	711,208	711,359,787
Kotak Liquid (Institutional Premium) – Daily Dividend	16,115,236	197,058,721	15,705,629	192,050,000
Kotak Floater Long Term – Daily Dividend	18,910,686	190,615,933	18,910,686	190,615,933
Total	330,978,057	6,475,302,965	331,285,719	6,561,357,306

B. 2008 – 2009

Name of the Funds	in Rupees			
	Purchase		Sales	
	Units	Amount	Units	Amount
SBI – Premier Liquid Fund – Super Institutional Plan – Daily Dividend	127,085,549	1,274,985,774	127,085,549	1,274,985,774
SBI SHFI-Liquid Plus Institutional Plan – Daily Dividend	83,159,194	832,007,740	83,159,194	832,007,740
Templeton India Treasury Management Account – Super Institutional Option – Daily Dividend Reinvestment	549,990	550,150,003	549,990	550,150,003
Templeton Floating Rate Income Fund – Long Plan Super Institutional Option – Daily Dividend Reinvestment	45,240,296	452,891,560	45,240,296	452,891,560

(Contd.)

Schedules Forming Part of the Accounts for the Year Ended March 31, 2010

SCHEDULE 16 — NOTES TO THE ACCOUNTS (Contd.)

Name of the Funds	in Rupees			
	Purchase		Sales	
	Units	Amount	Units	Amount
Templeton India Treasury Management Account Super Institutional Option – Daily Dividend Reinvestment	865,901	866,287,333	865,901	866,287,333
Templeton Ultra Short Bond Fund – Super Institutional Option – Daily Dividend Reinvestment	36,901,860	369,711,618	36,901,860	369,711,618
HDFC Cash Management Fund – Savings Plan – Daily Dividend – Reinvestment	118,936,625	1,265,057,524	118,008,894	1,255,189,796
HDFC Cash Management Fund – Savings Plus Plan – Wholesale Daily Dividend – Reinvestment	61,152,021	613,446,501	61,152,021	613,446,501
ICICI Prudential Institutional Liquid Plan – Super Institutional Daily Dividend – Reinvestment Dividend	68,140,035	681,434,419	68,140,035	681,434,419
ICICI Prudential Flexible Income Plan – Dividend – Daily – Reinvestment Dividend	65,864,889	696,422,403	65,864,889	696,422,403
HSBC – Cash Fund-Institutional Plus – Daily Dividend	7,508,875	75,130,804	7,508,875	75,130,804
HSBC–Liquid Plus – Institutional Plus – Daily Dividend	13,261,974	132,786,842	13,261,974	132,786,842
TATA Liquid Super High Investment Fund – Daily Dividend	25,801,909	1,104,944,917	25,801,909	1,104,944,917
TFLD TATA Floater Fund – Daily Dividend	60,399,297	606,143,186	60,399,297	606,143,186
Kotak Flexi debt Scheme Institutional – Daily Dividend	20,967,708	210,668,915	20,967,708	210,668,915
Kotak Liquid Fund (Institutional Premium) – Daily Dividend	23,160,957	283,214,503	23,160,957	283,214,503
BIRLA Cash Plus Fund	67,568,843	676,663,286	67,568,843	676,663,286
Birla Sunlife Short term fund – Institutional. Daily Dividend – Reinvestment	20,136,307	201,500,000	20,136,307	201,500,000
Birla Sunlife Liquid Plus – Institutional. Daily Dividend – Reinvestment	64,089,431	641,246,797	64,089,431	641,246,797
Reliance Liquidity Fund – Institutional Plan – Daily Dividend Plan	516,335	516,921,416	516,335	516,921,416
Reliance Medium Term Fund – Daily Dividend Plan	41,093,405	702,512,313	41,093,405	702,512,313
UTI Liquid Fund – Cash Plan – IP – Daily Dividend Option – Reinvestment	207,838	211,879,977	122,267	124,644,147
UTI Liquid Plus Fund – IP – Daily Dividend Option – Reinvestment	924,300	924,497,618	924,300	924,497,618
Principal Cash Management Fund – Liquid Option – Dividend Reinvestment	1,807,725	18,113,409	1,807,725	18,113,409
Principal Liquid Plus Fund – Dividend Reinvestment – Daily Dividend	5,406,651	54,080,306	5,406,651	54,080,306
Principal Fixed Floating Rate Fund – FMP – Institutional Option – Dividend Reinvestment – Daily	19,262,813	192,865,063	19,262,813	192,865,063

(Contd.)

Schedules Forming Part of the Accounts for the Year Ended March 31, 2010

SCHEDULE 16 — NOTES TO THE ACCOUNTS (Contd.)

Name of the Funds	in Rupees			
	Purchase		Sales	
	Units	Amount	Units	Amount
DWS Insta Cash Plus Fund	39,945,155	400,250,449	39,945,155	400,250,449
DWS Liquid Plus Fund – Institutional – Daily Dividend	40,960,716	410,221,570	40,960,716	410,221,570
ABN AMRO Money Plus Institutional Plan – Daily Dividend	15,518,803	155,236,143	15,518,803	155,236,143
ING-Liquid Fund – Institutional Daily Dividend Option	5,001,114	50,071,653	5,001,114	50,071,653
ING-Liquid Fund Plus – Institutional Daily Dividend Option	3,060,239	30,612,487	3,060,239	30,612,487
IDFC Liquid Plus Fund – TP – Super Inst Plan C – Daily Dividend	31,222,312	312,269,957	31,222,312	312,269,957
UTI Fixed Income Interval Fund – Quarterly Plan Series III – Institutional Dividend Plan – Re-investment	56,039,377	560,393,774	56,039,377	560,393,774
UTI Fixed Maturity Plan – QFMP – (02/08-I) – Institutional Dividend Plan – Reinvestment	680,266	6,802,654	59,317,921	593,179,206
UTI Fixed Maturity Plan – HFMP 03/08 – I – Institutional Plan – Re-investment	778,412	7,784,119	35,778,412	357,784,119
SBI SDFS 90D – May 24 – Dividend	61,793,059	617,933,950	61,793,059	617,933,950
TATA Fixed Horizon Fund – Series 17 Scheme D – Institutional Plan – Periodic Dividend	828,200	8,283,493	69,230,301	692,304,504
TATA Fixed Horizon Fund Series 17 – Scheme E – Inst – Monthly – Dividend	55,960,220	559,607,861	55,960,220	559,607,861
TATA Floating Rate Fund Long Term – Income/Bonus	564,032	5,710,654	30,291,541	306,339,560
Reliance Fixed Horizon Fund – VIII – Series 11 – Institutional Dividend Plan	68,000,000	680,000,000	68,000,000	680,000,000
Reliance Fixed Horizon Fund VI – Series 2 – Institutional Dividend Plan	0	0	68,397,607	683,976,071
ICICI Prudential FMP 42 – 3 Months – Plan A – Retail Dividend – Pay Dividend	0	0	68,169,937	681,699,370
SBI – Debt Fund Series – 90 Days – 20 – (26-Feb-08) – Dividend	619,634	6,196,347	35,712,499	357,132,247
Principal PNB – Fixed Maturity Plan (FMP-43) 91 Days – Series XIII-Feb08	0	0	35,000,000	350,000,000
BSL – Quarterly Interval Fund – Series 2 – Dividend – Reinvestment	1,937,786	19,377,866	70,814,786	708,148,859
ABN Amro – Flexible Short Term Plan – Series D Quarterly Dividend	270,291	2,702,908	15,306,894	153,069,776
ABN Amro – Flexible Short Term Plan – Series D Calendar Quarterly Dividend	15,615,586	156,156,666	45,793,973	457,942,089
Fortis Flexible Short Term Plan Series D Monthly Div – Red	10,178,661	101,787,598	10,178,661	101,787,598
HSBC Interval Fund Plan 2 Institutional Dividend	178,740	1,787,418	10,206,977	102,133,752
HDFC FMP 90 Days March 2008 VII (2)	0	0	33,553,573	335,535,726

(Contd.)

Schedules Forming Part of the Accounts for the Year Ended March 31, 2010

SCHEDULE 16 — NOTES TO THE ACCOUNTS (Contd.)

Name of the Funds	in Rupees			
	Purchase		Sales	
	Units	Amount	Units	Amount
ABN Amro – Interval Fund Quarterly I – Monthly Dividend – Red	15,277,057	152,771,926	15,277,057	152,771,926
IDFC Fixed Maturity Plan – Quarterly Series 39 – Dividend	30,661,723	306,618,515	30,661,723	306,618,515
TATA Fixed Horizon Fund Series 19 – Scheme E – Institutional Plan – Periodic Dividend	57,329,100	573,304,755	57,329,100	573,304,755
Standard Chartered FMP – Quarterly Series 27 – Dividend	0	0	10,000,000	100,000,000
IDFC Fixed Maturity Plan – Quarterly Series 27 – Dividend	209,900	2,099,000	209,900	2,099,000
IDFC Quarterly Interval Fund – Plan A – Institutional – Dividend	30,683,867	306,910,655	30,683,867	306,910,655
Fortis Interval Fund Series 2 Quarterly Plan M Interval Dividend – Auto	30,709,638	307,246,362	30,709,638	307,246,362
DSPML FMP – 1M – Series 3	20,154,033	201,540,840	20,154,033	201,540,840
BSL Interval Income – Instl – Monthly – Series 2 – Dividend	20,160,640	201,606,400	20,160,640	201,606,400
Kotak Monthly Interval Plan – Series 3 – Div Reinvestment	20,124,453	201,310,552	20,124,453	201,310,552
Total	1,614,473,742	20,502,160,799	2,179,561,914	26,069,500,395

8. Micro Enterprises and Small Enterprises

A. 2009-2010

Based on information received by the Company from the suppliers during the year regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act), the relevant particulars are furnished below. With respect to information relating to dues to Micro, Small and Medium Enterprises in the case of one Unincorporated Joint Venture, the particulars have not been furnished in the absence of the required information in the audited financial statements of the Unincorporated Joint Venture, which are prepared in accordance with the requirements of the respective Production Sharing Contracts.

Particulars	in Rupees
	2009-2010
Principal amount due to suppliers under the MSMED Act as at year end	193,025
Interest accrued and due to suppliers under the MSMED Act on the above amount as at year end	0
Payment made to suppliers (other than interest) beyond the appointed day, during the year	0
Interest paid to suppliers under the MSMED Act (other than Section 16)	0
Interest paid to suppliers under the MSMED Act (Section 16)	0
Interest due and payable to suppliers under the MSMED Act for payments already made	0
Interest accrued and remaining unpaid to suppliers under the MSMED Act as at year end	0

Schedules Forming Part of the Accounts for the Year Ended March 31, 2010

SCHEDULE 16 — NOTES TO THE ACCOUNTS (Contd.)

B. 2008-2009

In order to comply with the requirement of the Micro, Small and Medium Enterprises Development Act, 2006, the Company had sought confirmation from the vendors as to whether they were falling in the category of Micro / Small / Medium Enterprises. The Company had received an intimation from one supplier as being registered under the Micro, Small and Medium Enterprises Development Act, 2006 and no amount was payable / overdue to the said supplier at any time during the year. Accordingly, as at March 31, 2009, the Company did not have any outstanding amounts payable to Micro, Small and Medium Enterprises. The information relating to dues to Micro, Small and Medium Enterprises was not provided in respect of the Unincorporated Joint Ventures as the details with respect to the same were not available as at March 31, 2009. Also see Note 38 below

9. Managerial Remuneration

(a) Details of Managerial Remuneration to Executive Director(s)

Particulars	in Rupees	
	2009-2010	2008-2009
Basic Pay	7,020,000	5,400,000
Allowances	8,564,871	6,592,222
Perquisites and Bonus (See Note 3 below)	2,538,275	1,366,335
Contribution to Provident and Superannuation Funds	1,895,400	1,458,000
Total (See Notes 1, 2 and 4 below)	20,018,546	14,816,557

Notes:

- The above Managerial Remuneration does not include an amount of Rs. Nil (Previous Year Rs. 40,000) paid to the erstwhile Managing Director as sitting fee for attending Board / Committee meetings. The erstwhile Managing Director and the current Managing Director did not / does not draw any other remuneration from the Company.
- The above Managerial Remuneration does not include the cost of 4,895 Employee Stock Options granted during the year 2009-2010 for the year 2008-2009 (4,498 Employee Stock Options granted during the year 2008-2009 for the year 2007-2008), pursuant to LTIP Scheme 2005. See Note 12 below.
- In computing the above Managerial Remuneration, perquisites have been valued in terms of actual expenditure incurred by the Company in providing the benefits or notional amount as per Income Tax Rules has been added, where the actual amount of expenditure cannot be ascertained.
- As per the practice followed by the Company, gratuity and eligible compensated absences is payable at the time of retirement / separation and, hence, gratuity and compensated absences are included in the remuneration of the year in which they are payable. Similarly, annual variable pay and long term incentive benefits are included in the remuneration of the year in which they are awarded.

(b) Details of Managerial Remuneration Paid to Non-Executive Directors

Particulars	in Rupees	
	2009-2010	2008-2009
Sitting Fees	170,000	165,000
Total	170,000	165,000

Note:

In addition, 5,550 Employee Stock Options were granted during the year 2009-10 to the Independent Director(s) of the Company for the year 2008-09 (9,274 Employee Stock Options granted during the year 2008-09 for the year 2007-08), pursuant to LTIP scheme 2005. See Note 12 below.

Schedules Forming Part of the Accounts for the Year Ended March 31, 2010

SCHEDULE 16 — NOTES TO THE ACCOUNTS (Contd.)

(c) Commission to Non Executive Directors

Computation of net profit in accordance with Section 198 and 309(5) of the Companies Act, 1956:

	in Rupees	
Particulars	2009-2010	2008-2009
Profit before Tax as per Profit and Loss Account	650,762,146	634,314,257
Add: Depreciation and Amortisation of Fixed Assets	6,026,796	8,309,355
Depletion of Producing Properties	465,923,122	109,875,745
Loss on Sale of / Discarded Assets (Net)	0	416,349
Directors' Sitting Fees	170,000	205,000
Directors' Commission	6,000,000	0
Remuneration to Managing Director / Joint Managing Director (See (a) above)	20,018,546	14,816,557
Less: Depreciation and Amortisation of Fixed Assets as per Section 350 of the Companies Act, 1956	6,026,796	8,309,355
Depletion of Producing Properties	465,923,122	109,875,745
Adjusted Profit under Section 198 and 309 (5) of the Companies Act, 1956	676,950,692	649,752,163
Commission Payable (1% of adjusted Profit)	6,769,507	6,497,522
Commission restricted to	6,000,000	0

10. Foreign Currency Transactions (see Notes below)

(i) Expenditure in Foreign Currency \$

	in Rupees	
Particulars	2009-2010	2008-2009
Royalty, Know-how	0	0
Professional and Consultancy Fees	121,088,667	0
Interest @	36,445,355	0
Travelling Expenses	1,247,246	215,713
Training & Development	0	219,690
Others	5,348,436	39,747

@ The above excludes interest paid in foreign currency amounting to Rs. 28,076,323 (Previous Year Rs. 31,479,401) capitalised as Development Expenditure in accordance with Accounting Standard 16.

\$ The above excludes Company' share of advance contribution paid in foreign currency to the Operators of the respective Unincorporated Joint Ventures

(ii) Earnings in Foreign Currency

	in Rupees	
Particulars	2009-2010	2008-2009
Interest +	2,872,155	0

+ The above excludes interest received in foreign currency amounting to Rs. 7,815,270 (Previous Year Rs. 1,879,227) netted off against Borrowing Cost capitalised as Development Expenditure in accordance with Accounting Standard 16 – Borrowing Costs.

Schedules Forming Part of the Accounts for the Year Ended March 31, 2010

SCHEDULE 16 — NOTES TO THE ACCOUNTS (Contd.)

(iii) CIF Value of Imports

in Rupees		
Particulars	2009-2010	2008-2009
Capital Goods	186,072,230	0

Notes:

- For the current year ended March 31, 2010, with respect to Expenditure in Foreign Currency and CIF Value of Imports in the case of PY-3 Unincorporated Joint Venture, where the Company is not the Operator, the particulars have not been furnished in the absence of the required information in the audited financial statements of the Unincorporated Joint Venture, which is prepared in accordance with the requirements of the Production Sharing Contract.
- The particulars relating to Expenditure in Foreign Currency, Earnings in Foreign Currency and CIF Value of Imports for the previous year ended March 31, 2009 excludes the Company's share in such transactions of the Unincorporated Joint Ventures, in the absence of the required information in the audited accounts of the respective Unincorporated Joint Ventures for the year ended March 31, 2009. Also See Note 38 below.
- The above disclosures have been made on cash basis as provided for in the Statement on the Amendments to Schedule VI to the Companies Act, 1956 issued by the Institute of Chartered Accountants of India dated March 12, 1976.

11. Dividend Paid in Foreign Currency to Non-Resident Shareholders (on cash basis)

Particulars of Dividend Paid to Non Resident Shareholders (including Foreign Institutional Investors) are as under:

in Rupees		
Particulars	2009-2010	2008-2009
Financial Year to which the Dividend relates	Nil, as the Company	2007-08
Number of Non-Resident Shareholders	has not declared	431
Number of Equity Shares Held by Them	any dividend for	37,757,162
Gross Amount of Dividend	FY 2008-09	37,757,162

12. Long Term Incentive Plan, Scheme 2005

Under the HOEC Limited Employee Stock Option Scheme – 2005 (ESOS Scheme) approved by the Shareholders, and as amended from time to time, the Board had on January 27, 2010 approved grant of 16,828 options (Net) (Previous Year 17,613 options approved on July 28, 2008) to the eligible Employees and eligible Directors at Nil exercise price as part of the Long Term Incentive Plan (LTIP). In terms of the ESOS Scheme, the options would vest at the third anniversary of the end of the financial year for which the grant corresponds to. For the financial year 2009-2010, an aggregate amount of Rs. 16,200,000 (Previous Year Rs. 20,900,000) has been provided towards performance bonus and stock options as per the LTIP Scheme 2005. During the year, the Company has written back excess provision towards cash and ESOS (deferred bonus) made during the prior years amounting to Rs. 8,813,666 based on the approval / ratification of the Board of Directors of the Company, at its meeting held on April 30, 2010.

Method used for Accounting for Share Based Payment Plan:

Under the LTIP Scheme 2005, the eligible employees are granted options in the succeeding year after adoption of the Annual Audited Accounts for the given year. The Company charges the entire amount provided towards performance bonus and stock options to the Profit and Loss Account for the year for which the grant corresponds to. Any upward variation in the market price / acquisition price of the ESOS stocks, as may be applicable, as on the date of Balance Sheet, is charged to the Profit and Loss Account for the period as per LTIP.

Particulars	Number of Shares Arising Out of Options	
	2009-2010	2008-2009
Outstanding at the beginning of the year	32,682	15,069
Granted during the year (See Note below)	16,828	17,613
Forfeited / lapsed during the year	0	0
Exercised during the year	15,069	0
Outstanding at the end of the year	34,441	32,682
- Vested	0	0
- Yet to Vest	34,441	32,682

Note: The number of options granted during the year is net of 12,215 options (Previous Year Nil) originally granted to a grantee, who has declined to accept the grant of options.

Fair Value Methodology:

The fair value of the options granted under LTIP Scheme 2005 approximates the intrinsic value of the options on the date of the grant and hence, the proforma disclosures as required by the Guidance Note on Employee Share Based Payments have not been disclosed.

Schedules Forming Part of the Accounts for the Year Ended March 31, 2010

SCHEDULE 16 — NOTES TO THE ACCOUNTS (Contd.)

13. Employee Benefits

A. Gratuity

The Company's obligation towards the Gratuity Fund is a Defined Benefit Plan. During the current year, the Company has reversed the excess Projected Benefit Obligation amounting to Rs. 2,876,908, as at April 01, 2009 based on the gratuity scheme applicable to the Company.

Details of Actuarial Valuation are given below:

in Rupees

Particulars	2009-2010	2008-2009
Projected Benefit Obligation as at the Beginning of the Year	8,311,130	6,696,883
Reversal of Excess Liability	(2,876,908)	0
Service Cost	1,087,244	1,397,580
Interest Cost	448,323	535,751
Actuarial (Gains)/Losses	(649,489)	30,916
Benefits Paid	0	(350,000)
Projected Benefit Obligation at the End of the Year	6,320,300	8,311,130
Change in Plan Assets		
Fair Value of Plan Assets as at the Beginning of the Year	2,204,015	1,041,648
Expected Returns on Plan Assets	243,124	138,231
Employer's Contribution	994,717	1,338,515
Benefits Paid	0	(350,000)
Actuarial Gains	25,631	35,621
Fair Value of Plan Assets as at the End of the Year	3,467,487	2,204,015
Amount Recognised in the Balance Sheet		
Present Value of Obligations as at the End of the Year	6,320,300	8,311,130
Fair Value of Plan Assets as at the End of the Year	3,467,487	2,204,015
Liability Recognised in the Balance Sheet	2,852,813	6,107,115
Cost of the Defined Benefit Plan for the Year		
Current Service Cost	1,087,244	1,397,580
Interest on Obligation	448,323	535,751
Expected Return on Plan Assets	(243,124)	(138,231)
Net Actuarial Gains Recognised in the Year	(675,120)	(4,705)
Net Cost Recognised in the Profit and Loss Account	617,323	1,790,395
Assumptions		
Discount Rate	8.25%	8.00%
Future Salary Increase	9.00%	9.00%
Attrition Rate	1% to 5%	1% to 5%
Mortality Table	LIC(1994-96) published table	LIC(1994-96) published table
Expected Rate of Return on Plan Assets	9.00%	9.00%

Notes:

1. The entire plan assets are managed by Life Insurance Corporation of India (LIC). The data on plan assets has not been furnished by the LIC.
2. The expected return on plan assets is as provided by an Independent Actuary appointed by the Company.
3. Discount rate is based on the prevailing market yields of Indian Government Bonds as at the Balance Sheet date for the estimated term of the obligation.

B. Compensated Absences

The key assumptions used in computation of provision for long term compensated absences as at March 31, 2010 are as given below:

Discount Rate (% p.a.)	8.25%
Future Salary Increase (% p.a.)	9.00%
Mortality Rate	LIC (1994-96) published table
Attrition (% p.a.)	1% to 5%

14. Segmental Reporting

The Company is primarily engaged in a single business segment of "Hydrocarbons and other incidental services". All the activities of the Company revolve around the main business. Further, the Company does not have any separate geographic segments other than India. Hence, there are no separate reportable segments as per AS-17 "Segmental Reporting".

Schedules Forming Part of the Accounts for the Year Ended March 31, 2010

SCHEDULE 16 — NOTES TO THE ACCOUNTS (Contd.)

15. Unincorporated Joint Venture Operations

The Company has entered into Production Sharing Contracts (PSC) for Unincorporated Joint Ventures (UJV) in respect of certain properties with the Government of India and some bodies corporate. Details of these UJVs are as follows:

Sl. No.	Unincorporated Joint Ventures (See Note 1 below)	Partners	Share (%)	
			As at March 31, 2010	As at March 31, 2009
	Licensed Production Sharing Contracts:			
1.	PY-1	Hindustan Oil Exploration Company Ltd.	100.00	100.00
2.	CY-OS/90-1 (PY-3)	Hardy Exploration & Production (India) Inc.	18.00	18.00
		Oil and Natural Gas Corporation Ltd.	40.00	40.00
		Hindustan Oil Exploration Company Ltd.	21.00	21.00
		Tata Petrodyne Ltd.	21.00	21.00
3.	Asjol	Hindustan Oil Exploration Company Ltd.	50.00	50.00
		Gujarat State Petroleum Corporation Ltd.	50.00	50.00
4.	North Balol	Hindustan Oil Exploration Company Ltd.	25.00	25.00
		Gujarat State Petroleum Corporation Ltd.	45.00	45.00
		Heramec Ltd.	30.00	30.00
5.	CB-ON/7 (Palej)	Exploration Area		
		Hindustan Oil Exploration Company Ltd.	50.00	50.00
		Gujarat State Petroleum Corporation Ltd.	50.00	50.00
		Development Area		
		Hindustan Oil Exploration Company Ltd.	35.00	35.00
		Gujarat State Petroleum Corporation Ltd.	35.00	35.00
		Oil and Natural Gas Corporation Ltd.	30.00	30.00
6.	CB-OS/1	Exploration Area		
		Oil and Natural Gas Corporation Ltd.	32.89	32.89
		Hindustan Oil Exploration Company Ltd.	57.11	57.11
		Tata Petrodyne Ltd.	10.00	10.00
		Development Area		
		Oil and Natural Gas Corporation Ltd.	55.26	55.26
		Hindustan Oil Exploration Company Ltd.	38.07	38.07
		Tata Petrodyne Ltd.	6.67	6.67
7.	GN-ON-90/3 (Pranhita Godavari) (See Note 2 below)	Hindustan Oil Exploration Company Ltd.	75.00	75.00
		Mafatlal Industries Limited	25.00	25.00
8.	AAP-ON-94/1	Hindustan Oil Exploration Company Ltd.	40.323	40.323
		Indian Oil Corporation Ltd.	43.548	43.548
		Oil India Ltd.	16.129	16.129
9.	RJ-ONN-2005/1 (See Note 3 below)	Hindustan Oil Exploration Company Ltd.	25.00	25.00
		Bharat Petro Resources Ltd.	25.00	25.00
		Jindal Petroleum Ltd. (See Note 4 below)	25.00	25.00
		IMC Ltd.	25.00	25.00
10.	RJ-ONN-2005/2 (See Note 3 below)	Oil India Limited	60.00	60.00
		Hindustan Oil Exploration Company Ltd.	20.00	20.00
		HPCL Mittal Energy Ltd.	20.00	20.00

Notes

- All the Unincorporated Joint Ventures are for the blocks awarded within the territorial limits of India.
- As discussed in Note 20(iv) below, the Contract Area is a subject matter of arbitration and the arbitration award is awaited. Mafatlal Industries Ltd. has defaulted in Cash Call Payment for the Unincorporated Joint Venture and there is an arbitration proceeding in this matter, which is pending as at March 31, 2010.
- The Production Sharing Contract (PSC) for these blocks have been signed on December 22, 2008. As per the terms of the PSC, the PSC is effective from the date of the Petroleum Exploration License (PEL), which has been received from the Government of Rajasthan on July 13, 2009.
- Jindal Petroleum Ltd. has not submitted Bank Guarantee and Performance Guarantee as required under the Production Sharing Contract (PSC) and thus has been declared as "Defaulting Party" by Management Committee as per the provisions of the PSC.

Schedules Forming Part of the Accounts for the Year Ended March 31, 2010

SCHEDULE 16 — NOTES TO THE ACCOUNTS (Contd.)

16. Transactions with ENI India Limited (one of the Promoter Group Companies)

ENI Group, the Promoter of the Company, has global expertise in terms of know-how and technology in upstream oil and gas sector. The Company has entered into a Petroleum Service Agreement (PSA) with M/s ENI India Limited, United Kingdom (ENI India), one of the Promoter Group Companies. As per the terms of the PSA, ENI India shall render petroleum operation related services on "cost basis" to the Company. Pursuant to the PSA, the Company has issued certain job orders for specific services during the year ended March 31, 2010 and accordingly, ENI India has rendered certain services to some of the Unincorporated Joint Ventures where the Company is the Operator. The details of Company's share of the cost of such services are as under:

Particulars	in Rupees
	Company's Share
Development Expenditure – PY-1	160,438,827
Field Operating Expenses – PY-1	16,258,135
Exploration Expenditure – AAP-ON-94/1 (Assam)	665,798

As regards the Job Orders pertaining to Development Expenditure of PY-1, the Company has accrued the charges for the services based on ENI India's invoices, as per Board's directive.

However, the payment to ENI India shall be made upon receiving:

- ENI India's statutory auditors certificate for "at cost" charge out rates;
- Certified timesheets from ENI India supporting the man-day efforts charged.

The Company is in the process of receiving the requisite documentation from ENI India to satisfy the above mentioned requirements. The Company expects that there should not be any material impact on the financial statements for the year ended March 31, 2010 on account of the above.

17. Related Party Disclosures

(i) The related parties of the Company as at March 31, 2010 and March 31, 2009 are as follows:

(A) Wholly Owned Subsidiary Company:

HOEC Bardahl India Limited

(B) Promoter Group:

1. ENI UK Holdings plc. (Wholly Owned Subsidiary of ENI S.p.A, Italy)
2. Burren Shakti Limited (Wholly Owned Indirect Subsidiary of ENI UK Holdings plc)
3. Burren Energy India Limited (Wholly Owned Indirect Subsidiary of ENI UK Holdings plc)

(C) Other Group Entities

1. ENI Coordination Center S.A., Belgium
2. ENI India Limited, United Kingdom
3. Banque ENI Belgium

(D) Unincorporated Joint Ventures:

As per details given in Note 15 above.

As stated in Item 6 of Significant Accounting Policies (Schedule 15), the financial statements of the Unincorporated Joint Ventures are incorporated in the Company's accounts to the extent of the Company's share. Hence, particulars of transactions with the Unincorporated Joint Ventures have not been separately disclosed.

(E) Key Management Personnel:

Mr. Luigi Ciarrocchi – Managing Director (w.e.f. September 30, 2008)
 Mr. Manish Maheshwari – Joint Managing Director
 Mr. Atul Gupta – Erstwhile Managing Director (upto August 21, 2008)

Note:

Related party relationships are as identified by the Management and relied upon by the Auditors.

Schedules Forming Part of the Accounts for the Year Ended March 31, 2010

SCHEDULE 16 — NOTES TO THE ACCOUNTS (Contd.)

(ii) The nature and volume of transactions of the Company during the year with the above parties were as follows:

in Rupees

Particulars	Wholly Owned Subsidiary Company	Promoter Group	Other Group Entities	Unincorporated Joint Ventures' Partners	Key Management Personnel
INCOME					
– Management Fee	0 (24,930,246)	0 (0)	0 (0)	0 (0)	0 (0)
– Warehousing Services	7,056,000 (1,764,000)	0 (0)	0 (0)	0 (0)	0 (0)
EXPENDITURE					
Field Operating Expenditure (See Note 16 above)	0 (0)	0 (0)	16,258,135 (0)	0 (0)	0 (0)
– Remuneration to Joint Managing Director (See Note 9(a) above)	0 (0)	0 (0)	0 (0)	0 (0)	20,018,546 (14,816,557)
– Sitting Fees to Erstwhile Managing Director (See Note 9(a) above)	0 (0)	0 (0)	0 (0)	0 (0)	0 (40,000)
– Recovery of Expenses	0 (0)	0 (0)	0 (0)	37,125,996 (37,781,411)	0 (0)
– Interest Paid	0 (0)	0 (0)	46,695,729 (0)	0 (0)	0 (0)
– Dividends Paid	0 (0)	0 (35,453,679)	0 (0)	0 (0)	0 (0)
– Bank Charges	0 (0)	0 (0)	48,297 (0)	0 (0)	0 (0)
OTHERS					
– Warehouse Deposit	6,000,000 (6,000,000)	0 (0)	0 (0)	0 (0)	0 (0)
LOAN					
– Unsecured Loan	0 (0)	0 (0)	5,697,500,000 (0)	0 (0)	0 (0)
CAPITAL EXPENDITURE					
– Exploration Expenditure (See Note 16 above)	0 (0)	0 (0)	665,798 (0)	0 (0)	0 (0)
– Development Expenditure (See Note 16 above)	0 (0)	0 (0)	160,438,827 (0)	0 (0)	0 (0)
AS AT YEAR END					
Amounts Receivable as at Year End	0 (24,786,332)	0 (0)	0 (0)	0 (0)	0 (0)
Net Amounts Payable as at Year End	6,000,000 (6,000,000)	0 (0)	5,867,375,356 (0)	0 (0)	0 (0)

Notes:

- Figures in brackets relate to the Previous Year.
- With respect to the previous year ended March 31, 2009, the particulars of transactions, if any, entered into between the Unincorporated Joint Ventures and the related parties mentioned in (i) above has not been given in the absence of necessary information in the audited accounts of the Unincorporated Joint Ventures. Also see Note 38 below.

Schedules Forming Part of the Accounts for the Year Ended March 31, 2010

SCHEDULE 16 — NOTES TO THE ACCOUNTS (Contd.)

18. Earnings Per Share (EPS)

The basic and diluted Earnings per Equity Share is calculated as stated below:

Particulars	2009-2010	2008-2009
Net Profit after Tax	Rs. 415,924,594	Rs. 535,664,257
Weighted Average Numbers of Equity Shares	130,493,289	130,493,289
Basic and Diluted Earnings Per Share (EPS)	Rs. 3.19	Rs. 4.10
Nominal Value per Share	Rs. 10	Rs. 10

Note:

Earnings per Share calculations are done in accordance with Accounting Standard 20 "Earnings per Share".

19. Taxation

(i) MAT Credit

Provision for Income Tax for the current year as well as the previous year has been computed based on Minimum Alternate Tax in accordance with Section 115JB of the Income Tax Act, 1961. Taking into consideration the future profitability and the taxable position in the subsequent years, the Company has recognised "MAT Credit Entitlement" to the extent of Rs. 108,000,000 (Previous Year Rs. 31,000,000) during the current year in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternate Tax under Income Tax Act, 1961 issued by the Institute of Chartered Accountants of India.

During the current year, the Company has reversed the MAT Credit recognised in the previous year to the extent of Rs. 3,637,552 based on the final return of income filed by the Company for the year 2008-2009.

(ii) Deferred Tax Asset (Net)

The net Deferred Tax Asset of Rs. 53,147,919 as at March 31, 2010 (Rs. 284,147,919 as at March 31, 2009) has arisen on account of the following:

in Rupees		
Particulars	As at March 31, 2010	As at March 31, 2009
Deferred Tax Asset		
Exploration Expenses	301,210,000	308,300,000
Doubtful Advances	5,170,000	5,290,000
Employee Related Costs	2,490,000	4,490,000
Unabsorbed Business Losses and Depreciation *	1,050,577,919	250,927,919
Sub total (A)	1,359,447,919	569,007,919
Deferred Tax Liability		
Depreciation on Fixed Assets	1,055,330,000	1,590,000
Depletion of Producing Properties	236,600,000	260,360,000
Site Restoration	13,540,000	17,070,000
Foreign Currency Monetary Item Translation Difference Account	830,000	5,840,000
Sub total (B)	1,306,300,000	284,860,000
Net Deferred Tax Asset (A – B)	53,147,919	284,147,919

* Recognised on the basis of proven reserves of the existing Unincorporated Joint Ventures

Schedules Forming Part of the Accounts for the Year Ended March 31, 2010

SCHEDULE 16 — NOTES TO THE ACCOUNTS (Contd.)

20. Commitments and Contingencies

in Rupees

Particulars	As at March 31, 2010	As at March 31, 2009
(i) Counter Guarantees on account of Bank Guarantees	71,824,538	12,998,995
(ii) Estimated amount of Contracts remaining to be Executed on Capital Account and Not Provided For: (Including Rs. Nil (As at March 31, 2009 – Rs. 156,922,500) in respect of a farm-in consideration for acquisition of participating right, in one of the Unincorporated Joint Ventures)	119,934,054	159,950,859
(iii) Claims against the Company Not Acknowledged as Debt (See Note (1) below)		
– Dispute with Contractors under Arbitration	3,245,248	3,286,632
– Income Tax Demands under Appeal (See Note (2) below)	894,400,144	511,787,766
(iv) The Government had encashed the Performance Bank Guarantee of Rs. 10,149,000 for PG Block abandoned by the consortium under the <i>force majeure</i> clause of the Production Sharing Contract (PSC). The Government has also raised an additional demand of Rs. 327,033,332 (As at March 31, 2009 – Rs. 304,725,187) (including interest). The Company has been advised that the said actions of the Government are not justified. The Company has initiated arbitration proceeding as per the provisions of the PSC in the matter. Pending the outcome of this, provision has been made in this regard to the extent of Rs. 10,149,000 (As at March 31, 2009 – Rs.10,149,000) only. (See Note (1) below)	327,033,332	304,725,187
(v) Service Tax Demand (pertaining to one Unincorporated Joint Venture) (See Note (1) below)	2,139,321	0
(iv) Hire Charges	See Note 21 below	

Notes:

- (1) The Company is contesting these claims and demands and the Management believes that the Company's position will quite likely be upheld in the appellate process/court of law.
- (2) The above excludes amount of Rs. 184,853,636 (As at March 31, 2009 – Rs. Nil) for which Appeal was decided in favour of the Company. However, the Order giving effect to the Order of the Commissioner of Income Tax (Appeals) is awaited.
- (3) For the current year ended March 31, 2010, with respect to Information relating to the Commitments and Contingencies in respect of PY-3 Unincorporated Joint Venture, where the Company is not the Operator, the particulars have not been furnished in the absence of the required information in the audited financial statements of the Unincorporated Joint Venture, which are prepared in accordance with the requirements of the Production Sharing Contract.
- (4) Other than the contingent liabilities disclosed in Note 21 below, information relating to the Commitments and Contingencies of the Unincorporated Joint Ventures for the year ended March 31, 2009 is not available in the audited accounts of the Unincorporated Joint Ventures. Also see Note 38 below.
- (5) The above does not include Interest claims amounting to Rs. Nil as at March 31, 2010 (Rs. 27,576 as at March 31, 2009) (to the extent quantifiable) pertaining to the Secured Loan for PY-1 Field, which is not as per the provisions of the Dollar Facility Agreement.

21. Hire Charges

- (i) In PY-3 Field operated by Hardy Exploration & Production (India) Inc., the Floating Production System ("FPS") was shutdown for a period of 33.47 days from November 26, 2008 to December 29, 2008. Accordingly, the invoice for the hire charges of FPS amounting to US\$ 3,290,718 for the above period has been disallowed by the Operator. The above disallowance is disputed by the Contractor and, therefore, the Company has treated its share amounting to US\$ 691,051, equivalent to Rs. 31,187,122, as a contingent liability in the books as at March 31, 2010 (US\$ 691,051, equivalent to Rs. 35,554,574, as at March 31, 2009).
- (ii) Similarly, the FPS was also shutdown from July 05, 2009 and recommenced production on January 24, 2010. However, the Contractor has claimed day rates for a period of 22.42 days from July 05, 2009 to July 27, 2009 amounting to US\$ 2,163,811 (Company's share US\$ 454,400, equivalent to Rs. 20,507,086) as at March 31, 2010, which has been considered as claims against the Company not acknowledged as debt. The Operator is in the process of discussing with the Contractor for withdrawal of the above claim.

The Company has relied on the Operators assessment that the above claims are not sustainable and hence, the Company is of the opinion that no provision is required to be made in the books on account of the same.

Schedules Forming Part of the Accounts for the Year Ended March 31, 2010

SCHEDULE 16 — NOTES TO THE ACCOUNTS (Contd.)

22. Provision for Site Restoration

In accordance with Accounting Standard 29, the movement in Provision for Site Restoration is as follows:

	in Rupees	
Provision for Site Restoration	2009-2010	2008-2009
Opening Balance	286,112,500	225,177,500
Add : Provision for the Year	546,210,000	1,400,000
Effects of Changes in Foreign Exchange Rates	(30,817,500)	59,535,000
Closing Balance	801,505,000	286,112,500

As per the terms of the Production Sharing Contracts this liability will arise at the time of abandonment of the respective fields.

23. Quantitative and Other Related Disclosures (See Notes below)

The Company is not a manufacturing company but holds participating interest in Unincorporated Joint Ventures engaged in prospecting, exploring and producing oil and gas. The information given below as required under items 4-C and 4-D of Part II of Schedule VI to the Companies Act, 1956 represents the Company's share in the Unincorporated Joint Ventures.

(i) Sales Turnover

Description	Unit	2009-2010		2008-2009	
		Quantity	Value (Rs.)	Quantity	Value (Rs.)
Crude Oil/Condensate Natural Gas	Bbl. M ³	172,922 135,863,102	663,628,096 794,124,692	228,279 4,040,474	808,344,860 23,066,940
Less: Profit Petroleum to Government of India			64,258,545		6,322,445
Net			1,393,494,243		825,089,355

(ii) Opening and Closing Stock of Goods Produced

Description	Unit	2009-2010		2008-2009	
		Quantity	Value (Rs.) @	Quantity	Value (Rs.) @
Opening Stock					
Crude Oil	Bbl.	19,175	49,587,439	16,335	72,024,219
Closing Stock					
Crude Oil/ Condensate Natural Gas	Bbl. M ³	27,360 256,000	99,517,154 1,443,386	19,175 0	49,587,439 0
Increase/(Decrease) in Stock of : *	Bbl.	8,185	49,929,715	2,840	(22,436,780)
Crude Oil/Condensate Natural Gas	M ³	256,000	1,443,386	0	0

* Excluding adjustment for Profit Petroleum to Government of India.

@ Inventory valuation of crude oil, condensate and natural gas is done at estimated Net Realisable Value less estimated selling cost, if any.

(iii) Licensed Capacity, Installed Capacity and Actual Production

Description	Unit	Capacity Per Annum		Actual Production 2009-2010@	Actual Production 2008-2009@
		Licensed	Installed		
Crude Oil	Bbl.	N.A.	N.A.	181,127	232,741
Gas	M ³	N.A.	N.A.	137,968,552	4,040,474

@ Includes loss/internal consumption of Crude Oil of 20 Bbl (Previous Year 1,622 Bbl) and Natural Gas of 1,849,450 M³ (Previous Year Nil).

Schedules Forming Part of the Accounts for the Year Ended March 31, 2010

SCHEDULE 16 — NOTES TO THE ACCOUNTS (Contd.)

(iv) Consumption of Stores and Spares (See Note 1 below)

Product	2009-2010	
	Value (Rs.)	%
Imported	0	0
Indigenous	4,432,921	100%

Note:

1. With respect to particulars relating to consumption of stores and spares for the current year ended March 31, 2010 in respect of PY-3 Unincorporated Joint Venture, where the Company is not the Operator, the particulars have not been furnished in the absence of the required information in the audited financial statements of the Unincorporated Joint Venture, which is prepared in accordance with the requirements of the Production Sharing Contract. The particulars relating to consumption of stores and spares for the previous year ended March 31, 2009 have not been given in the absence of the required information in the audited accounts of the respective Unincorporated Joint Ventures for the year ended March 31, 2009. Also see Note 38 below.

24. Break up of Foreign Exchange (Gain)/Loss dealt with in the Profit and Loss Account

Net Gain on Foreign exchange includes exchange (gain)/loss as per the following:

in Rupees

Particulars	2009-2010	2008-2009
Net Exchange Loss/(Gain) on Current Assets and Current Liabilities	30,771,349	(65,713,755)
Net Exchange Loss/(Gain) on Revaluation of Current Assets and Current Liabilities of the Joint Ventures		
PY-1	(96,305,010)	9,707,808
AAP-ON-94/1	(383,012)	4,096,967
CY-OSN-97/1	0	285,574
Palej	0	4,337
North Balol	0	1,047
Asjol	(9,572)	0
PY-3	566,678	6,586
Amortisation of Foreign Currency Monetary Item Translation Difference Account (See Note 27 below)	7,655,662	4,345,806
Realised Exchange (Gain)/ Loss on Foreign Currency Loans	(27,171,361)	10,248,123
Others	0	(35,080)
Total	(84,875,266)	(37,052,587)

Note:

With respect to the exchange differences for the previous year ended March 31, 2009 arising in respect of the Company's share of the assets and liabilities in two of the Unincorporated Joint Ventures, the required information is not available in the audited financial statements of the respective audited financial statements of the Unincorporated Joint Ventures which are prepared in accordance with the requirements of the Production Sharing Contract. Hence, such details of the foreign exchange differences have been included based on unaudited information obtained from the Operators of the respective Unincorporated Joint Ventures.

25. Recovery of Expenses

Recovery of expenses represents expenditure incurred by the Company for the UJVs where the Company is the Operator. Such costs are recovered from the respective UJVs as per the terms of the Production Sharing Contract.

Recovery of expenses also includes an amount of Rs. 57,969,229 (Previous Year Rs. 59,373,679) recovered as parent company overhead pursuant to the respective Production Sharing Contracts. The parent company overhead is being recovered by the Company from the UJVs to support and manage Petroleum Operations under the Production Sharing Contracts and for staff advice. The parent company overhead is calculated as an agreed percentage of total contract cost of each UJV as per the terms of the respective Production Sharing Contracts.

Schedules Forming Part of the Accounts for the Year Ended March 31, 2010

SCHEDULE 16 — NOTES TO THE ACCOUNTS (Contd.)

26. Stores, Spares, Capital Stock and Drilling Tangibles

Stores, Spares, Capital Stock and Drilling Tangibles as at March 31, 2010 include the Company's share of Rs. 1,635,375 (As at March 31, 2009 Rs. 3,156,384) towards inventories purchased by the Operator before March 31, 2004 in PY-3 block. Though the Operator has considered the aforesaid Stock as obsolete, the Company is of the opinion that the same will be recovered from the Operator and, hence, no provision is required to be made with respect to the same in the financial statements at this stage. This has been relied upon by the Auditors.

27. Changes in Accounting Policy (FY 2008-2009) – Accounting Standard 11 – The Effects of Changes in Foreign Exchange Rates

Upto March 31, 2007, the Company was following a policy of accounting for all foreign exchange differences in the Profit and Loss Account. Effective April 1, 2008, consequent to the exercise of the option available as per the new paragraph 46 of the Accounting Standard 11 – The Effects of Changes in Foreign Exchange Rates notified by the Ministry of Corporate Affairs vide Notification dated March 31, 2009 on Companies (Accounting Standards) Amendment Rules, 2009 (G.S.R. 225 (E) dated 31.3.2009), the Company had capitalised a net amount of Rs. 133,793,106 to fixed assets (Development Expenditure) and transferred a net amount of Rs. 17,179,351 to Foreign Currency Monetary Item Translation Difference Account, as of March 31, 2009. Had the Company not changed the Accounting Policy, the profit before tax for the year ended March 31, 2009 would have been lower by Rs. 173,117,256.

The details of the adjustment pursuant to the above are as under :

		in Rupees
Particulars		2008-2009
Amount debited to General Reserve as at April 1, 2008 (to the extent available and Net of Taxes)		3,383,000
Amount debited to Accumulated Profit and Loss Account as at April 1, 2008 (Net of Taxes)		13,139,573
Net Impact on Profit Before Tax for the year ended March 31, 2009		173,117,256

		in Rupees
Particulars	2009-2010	2008-2009
Exchange Differences capitalised to Fixed Assets (Development Expenditure) during the year	261,532,172	133,793,106
Closing Balance of Foreign Currency Monetary Item Translation Difference Account as at the end of the year to be amortised in subsequent periods	2,501,863	17,179,351
Amount of Net Amortisation of Foreign Currency Monetary Item Translation Difference Account charged to the Profit and Loss Account for the year	7,655,662	4,345,806

28. Exploration Expenditure

(i) CB-ON-7 Exploration Area

The Operator of the Unincorporated Joint Venture CB-ON-7 has sought extension for conducting additional exploration in certain areas of Block. While the additional work programme has been considered, the final regulatory consents are awaited. The exploration expenses amounting to Rs. 53,482,001 as at March 31, 2010 (Rs. 53,235,101 as at March 31, 2009) included under "Exploration Expenditure" (Schedule 5) will be appropriately dealt with based on final regulatory consents inline with the Company's accounting policy.

(ii) CB-OS-1 Exploration Area

The Operator has declared Commercial Discovery in CB-OS-1 Block and is pursuing with the authorities for necessary approvals. The exploration expenses amounting to Rs. 184,543,335 as at March 31, 2010 (Previous Year Rs. 184,543,335 as at March 31, 2009) included under "Exploration Expenditure" (Schedule 5) will be appropriately dealt with based on final regulatory consents inline with the Company's accounting policy.

29. CY-OSN-97/1 Accounts Closure

As per the terms of the Production Sharing Contract for CY-OSN-97/1 Block, if no Commercial Discovery is made in the Contract Area by end of the Exploration Period, the Contract Area shall be relinquished. In the absence of any discovery being declared by the Unincorporated Joint Venture at the end of the Exploration Period, the Contract Area CY-OSN-97/1 was relinquished on March 15, 2008. During the previous year ended March 31, 2009, the Company had settled its ongoing dispute with DIOG Limited which was a subject matter of arbitration initiated by DIOG Limited (Joint Venture Partner) before London Court of International Arbitration (LCIA). With the relinquishment of the Area and settlement of dispute with DIOG Limited, the accounts of the Joint Venture have been formally closed and the assets and liabilities of the Joint Venture had been consolidated 100% in the Company's accounts for the year ended March 31, 2009. Further, a net amount of Rs. 3,247,354 had been written back based on the audited accounts of the said Joint Venture and included as Miscellaneous Income during that year.

Schedules Forming Part of the Accounts for the Year Ended March 31, 2010

SCHEDULE 16 — NOTES TO THE ACCOUNTS (Contd.)

30. GAIL Arbitration

The Company has, as the Operator of PY-1 Field, executed a Tripartite Settlement Agreement with GAIL (India) Limited ("GAIL") and PPN Power Generating Company Private Limited ("PPN") *inter-alia* terminating the Natural Gas Sale and Purchase Agreement with PPN and settling the ongoing dispute with GAIL in relation to sale of natural gas. Further the Company has also signed Gas Sale Contract with GAIL for sale of natural gas produced from PY-1 Field. The Company has commenced production of natural gas from PY-1 Field during the year ended March 31, 2010. See Note 1 above.

31. Profit Petroleum

Profit Petroleum for the year ended March 31, 2010 includes an amount of Rs. 15,835,109 (Previous Year Rs. Nil) paid for the financial year 2008-2009 as submitted by the Operator of CB-ON-7.

Profit Petroleum for the year ended March 31, 2009 includes an amount of Rs. 4,803,040 paid for the financial year 2005-2006 as submitted by the Operator of PY-3.

32. Miscellaneous Income

Miscellaneous Income includes an amount of Rs. Nil (Previous Year Rs. 1,799,237) being the net gain on sale of Current Non Trade Investments.

33. Sales

- i) The Joint Venture Partners of Block CB-ON-7 have *inter-alia* agreed with Indian Oil Corporation Limited (IOC), the Buyer of Crude Oil from the said Block, for the final price of Crude Oil sold. The said price revision is applicable with retrospective effect from the commencement of the first sale to IOC since October 2005 from the said Block. Consequently, Sales of Crude Oil, Condensate and Natural Gas for the year ended March 31, 2010 includes an amount of Rs. 125,849,572 (Previous Year Rs. Nil) towards the said price revision. The Company has also made payment of Profit Petroleum to the Government of India for the above price revision accounting in accordance with the accounting policy of the Company as per the terms of the Production Sharing Contract.
- ii) Sales is net of an amount of Rs. Nil (Previous Year Rs. 406,863) adjusted for Reid Vapour Pressure specifications as per the terms of the Crude Oil Sale Agreement for PY-3 field pertaining to prior years as submitted by the Operator of PY-3.

34. Impairment

As of March 31, 2010 and March 31, 2009, the Company has reviewed the carrying amount of its assets for indications of impairment and based on such review, the Company has concluded that none of the assets of the Company has suffered impairment loss as at March 31, 2010 and March 31, 2009.

35. Particulars of Unhedged Foreign Currency Exposure (excluding Unincorporated Joint Ventures)

The Company is exposed to various financial risks, most of which relate to change in exchange rates. The Company hedges risks of the aforesaid nature using natural hedges. The particulars of Unhedged Foreign Currency Exposure of the Company as at March 31, 2010, are as under:

in Rupees

Particulars	Exposure as at March 31, 2010	Exposure as at March 31, 2009
Secured Loan	491,177,191	824,840,843
Unsecured Loan	5,697,500,000	0
Sundry Debtors	145,421,449	173,613,578
Loans and Advances	100,921,368	114,594,339
Sundry Creditors	18,702,426	242,526,429
Bank Account and Deposit	319,240,724	0

The Company proposes to take appropriate foreign exchange hedge options for defined US dollar liabilities, which are not covered by natural hedges.

36. Details of Oil and Gas Reserves

As at March 31, 2010, the internal estimates of the Management of Proved and Probable Reserves on working interest basis for the Company is 53.2 Million Barrel of Oil Equivalent (Previous Year 53.4 Million Barrel of Oil Equivalent). This has been relied upon by the Auditors, being a technical matter.

Schedules Forming Part of the Accounts for the Year Ended March 31, 2010

SCHEDULE 16 — NOTES TO THE ACCOUNTS (Contd.)

37. PY-1 Joint Venture

- (i) PY-1 Field has commenced commercial production during the year ended March 31, 2010, and a Site Restoration fund amounting to Rs. 14,026,000 (equivalent of US\$ 307,705) has been created with State Bank of India subsequently on May 15, 2010.
- (ii) Operator of PY-1 Field is in the process of seeking approval from the management committee in respect of certain development and production related services rendered by an affiliate of the Operator amounting to Rs. 160,438,827 and Rs. 16,258,135 (equivalent to US\$ 3,555,431 and US\$ 360,291) respectively during the year ended March 31, 2010. Also see Note 16 above.

38. Disclosure Notes relating to Unincorporated Joint Ventures for the Year Ended March 31, 2009 (based on the information subsequently obtained by the Company during the current year ended March 31, 2010, which were not available in the audited financial statements of the Unincorporated Joint Ventures for the previous year ended March 31, 2009).

With respect to information relating to dues to Micro, Small and Medium Enterprises, expenditure in foreign currency, earnings in foreign currency, CIF value of imports, related party disclosures, commitments and contingencies and quantitative and other related disclosures given below, the particulars in the case of PY-3 Unincorporated Joint Venture, where the Company is not the Operator, have not been furnished in the absence of the required information in the audited financial statements of the Unincorporated Joint Venture, which are prepared in accordance with the requirements of the respective Production Sharing Contracts.

(i) Micro Enterprises and Small Enterprises

in Rupees

Particulars	2008-2009
Principal amount due to suppliers under the MSMED Act as at year end	3,946,068
Interest accrued and due to suppliers under the MSMED Act on the above amount as at year end	0
Payment made to suppliers (other than interest) beyond the appointed day, during the year	0
Interest paid to suppliers under the MSMED Act (other than Section 16)	0
Interest paid to suppliers under the MSMED Act (Section 16)	0
Interest due and payable to suppliers under the MSMED Act for payments already made	0
Interest accrued and remaining unpaid to suppliers under the MSMED Act as at year end	0

(ii) Expenditure in Foreign Currency (on cash basis)

in Rupees

Particulars	2008-2009
Royalty, Know-how	0
Professional and Consultancy Fees	85,375,482
Interest	0
Travelling Expenses	3,815,258
Training & Development	0
Others	0

(iii) Earnings in Foreign Currency (on cash basis) Rs. Nil

(iv) CIF Value of Imports (on cash basis)

in Rupees

Particulars	2008-2009
Components and Spare Parts	176,223
Capital Goods	1,862,135,325

Schedules Forming Part of the Accounts for the Year Ended March 31, 2010

SCHEDULE 16 — NOTES TO THE ACCOUNTS (Contd.)

(v) Related Party Disclosures

No transactions have been entered into by the Unincorporated Joint Ventures and the related parties mentioned in Note 17(i) above for the year ended March 31, 2009.

(vi) Commitments and Contingencies

in Rupees

Particulars	As at March 31, 2009
Company's share of Capital Commitments of Unincorporated Joint Ventures	936,411,689

(vii) Quantitative and Other Related Disclosures

Consumption of Stores and Spares

Product	2008-2009	
	Value (Rs.)	%
Imported	176,223	50%
Indigenous	174,311	50%

39. Previous Year Figures

Previous year's figures have been regrouped wherever necessary to conform to the current year presentation.

Statement pursuant to Section 212 of the Companies Act, 1956, relating to Subsidiary

NAME OF THE SUBSIDIARY	HOEC BARDAHL INDIA LIMITED
1. The Financial year of the subsidiary ended on	March 31, 2010
2. (a) Number of Shares held by Hindustan Oil Exploration Company Limited (holding company) as on March 31, 2010	50,002 Equity Shares of Rs. 100/- each fully paid
(b) Extent of interest of the holding company at the end of the financial year of the subsidiary	100%
3. Date from which it became a subsidiary	March 30, 1992
4. The net aggregate amount of Profit/(Loss) and reserves of the subsidiary so far as it concerns the members of the holding company:	
(a) dealt with in the holding company's accounts	
(i) for the financial year of the subsidiary company	NIL*
(ii) for the previous financial year of the subsidiary since it became the holding company's subsidiary	NIL**
(b) not dealt with in the holding company's accounts:	
(i) for the financial year of the subsidiary	Rs. 24,393,872
(ii) for the previous financial years of the subsidiary since it became the holding company's subsidiary	Rs. 38,029,094

* The subsidiary has paid an amount of Rs. 7,056,000 (excluding Service Tax of Rs. 726,768) towards warehousing services to the holding company.

** The subsidiary has paid an amount of Rs. 24,930,247 (excluding Service Tax of Rs. 3,023,212) towards management fee and Rs. 1,764,000 (excluding Service Tax of Rs. 203,755) towards warehousing services to the holding company..

Balance Sheet Abstract and Company's General Business Profile

(I) Registration Details	
CIN	L11100GJ1996PLC029880
Registration No.	29880
State Code	04
Balance Sheet Date	31.03.2010
(II) Capital raised during the year	
	(Rs. in Thousand)
Public Issue	Nil
Rights Issue	Nil
Bonus Issue	Nil
Private Placement	Nil
(III) Position of Mobilisation and Deployment of Funds	
	(Rs. in Thousand)
Total Liabilities	19,068,003
Total Assets	19,068,003
Sources of Funds	
Paid-up Capital	1,305,093
Reserves and Surplus	9,711,476
Secured Loans	827,177
Unsecured Loans	5,697,500
Application of Funds	
Net Fixed Assets	16,701,775
Investments	29,131
Net Current Assets	754,690
Other Assets	55,650
Misc. Expenditure	NIL
Accumulated Losses	NIL
(IV) Performance of the Company	
	(Rs. in Thousand)
Turnover	1,588,900
Total Expenditure	938,138
Profit Before Tax	650,762
Profit After Tax	415,925
Earning Per Share in Rs.	3.19
(V) Generic Names of Three Principal Products/Services of the Company (as per monetary terms)	
Item Code No. (ITC Code)	27090000
Product Description	CRUDE OIL
Item Code No. (ITC Code)	27112100
Product Description	NATURAL GAS

BOARD OF DIRECTORS	Mr. Manish Maheshwari	<i>Chairman</i>	AUDITORS	M/s. H. R. Lalka & Company Chartered Accountants
	Mr. Sagar Mehta	<i>Director</i>		
	Mr. Sandeep Khamesra	<i>Director</i>	BANKERS	Axis Bank Limited HDFC Bank Limited
	Mr. Minesh Bhatt	<i>Director</i>		
	Mr. Vikash Jain (upto January 15, 2010)	<i>Director</i>		
	Mr. J. Joshva Martto (w.e.f. January 27, 2010)	<i>Director</i>		
SENIOR MANAGEMENT	Mr. Hashit Rawal	<i>Vice President – Operations</i>	REGISTERED OFFICE	‘HOEC House’ Tandalja Road, Vadodara – 390 020 (India)
			CORPORATE OFFICE	C-101, 1 st Floor, The Platinum, C. D. Barfiwala Marg, Juhu Lane, Andheri (W), Mumbai – 400 058. (India) Tel. No.: 022-26704415 / 26704155 Fax No.: 022-26704453 Email : info@hoecbardahl.com

DIRECTORS’ REPORT

TO THE MEMBERS OF HOEC BARDAHL INDIA LIMITED

Your Directors have pleasure in presenting before you the Annual Report and the Audited Statement of Accounts for the financial year ended on March 31, 2010.

FINANCIAL HIGHLIGHTS

	(Rs. million)	
	2009-2010	2008-2009
Net Sales	163.69	161.82
Less: Cost of Goods Sold	67.31	60.09
Gross Profit	96.38	101.73
Less: Operational Expenses	64.64	92.04
Add: Other Income	5.19	3.81
Profit before Depreciation, Provisions & Write Offs and Taxation	36.93	13.50
Less: Depreciation	0.50	0.46
Less: Provisions & Write Offs	0.02	0.32
Profit Before Taxation	36.41	12.72
Less: Provision for Current Taxation	11.66	3.52
Less: Provision for Deferred Taxation	0.38	(0.39)
Less: Provision for Fringe Benefit Tax	(0.02)	0.43
Profit After Tax	24.39	9.16
Add: Profit brought forward from previous year	36.03	26.87
Profit carried forward to Balance Sheet	60.42	36.03

OPERATIONS REVIEW

During the year, Net Sales registered nominal growth over previous year. However, Gross Profit decreased by 4% due to increased input material

cost and forex impact during the year under review. Net Profit increased by 14% due to lower operational expenses.

During the year, Company has paid Rs. 2.8 million to Hindustan Oil Exploration Company Limited (Holding Company) towards availing the Warehousing Services.

BUSINESS OVERVIEW

The year has been eventful for the Company with the automotive segment slowly coming out of recession and market holding a positive outlook for the additive business.

During the year, your Company received approvals from TATA Motors Ltd for the Antirust-Treatments and workshop consumables products. Our Car Care products range as well as the 2-wheeler additives range saw an encouraging growth during the year. We are continuing with our efforts for acquiring more OEM approvals/endorsements for our Additive & Car Care range of products.

AGREEMENT WITH BARDAHL MANUFACTURING CORPORATION

During the year, Company has renewed an agreement with Bardahl Manufacturing Corporation, USA for term upto November 2012.

DIVIDEND

The Board of Directors of the Company have not recommend any dividend for the year 2009-10.

FIXED DEPOSITS

Your Company has not accepted any fixed deposits and, as such, no amount of principal or interest was outstanding as at the balance sheet date.

DIRECTORS

During the year Mr. Vikash Jain ceased to be a Director. The Board places on record its appreciation for the guidance and valued contribution made by him.

The Board has appointed Mr. J. Joshva Martto as a Director in casual vacancy caused due to the resignation of Mr. Vikash Jain, effective from January 27, 2010 and if appointed, he will be liable to retire by rotation.

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Mr. Sandeep Khamesra and Mr. J. Josha Martto will retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

The Board recommends their re-appointment.

HUMAN RESOURCE

The Company's relationship with its employees and staff continued to be harmonious during the period under review.

PARTICULARS OF EMPLOYEES

The particulars of employees required to be furnished pursuant to Section 217(2A) of the Companies Act 1956, read with the Companies (Particulars of Employees) Rules, 1975 are annexed hereto and forms part of this report.

DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with the provisions of Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

- (i) that in the preparation of the annual accounts, for the financial year the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- (ii) that the directors have selected such accounting policies and applied them consistently unless otherwise stated and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year ended on that date;
- (iii) that the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that the directors have prepared the accounts on a 'going concern' basis.

COMPLIANCE CERTIFICATE

As per the requirements of Section 383A of the Companies Act, 1956, the Company has obtained a certificate from a Secretary in the whole time practice confirming that the Company has complied with all the provisions of the Companies Act, 1956. The certificate is attached herewith.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

Since the Company has no manufacturing facility, the requirements of 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 are not applicable.

FOREIGN EXCHANGE EARNINGS AND OUTGO

- (a) Activities relating to exports, initiatives taken to increase exports, development of new export market for products and services, and export plans. : Nil
- (b) Total foreign exchange used and earned

Rs. million		
Particulars	2009-2010	2008-2009
A. Foreign Exchange Earnings	Nil	Nil
B. Foreign Exchange used Import of Raw Material	41.2	34.9

AUDITORS

The Statutory Auditors of the Company, M/s. H. R. Lalka & Co., Chartered Accountants, will retire at the forthcoming Annual General Meeting and being eligible have offered themselves for re-appointment. The Board recommends the appointment of M/s. S. R. Batliboi & Co., Chartered Accountants, as Joint Statutory Auditors of the Company, who being eligible have given consent to be appointed alongwith M/s. H. R. Lalka & Co. Chartered Accountants from the conclusion of the ensuing Annual General Meeting until the conclusion of the next Annual General Meeting.

ACKNOWLEDGEMENTS

Directors are pleased to place on record their appreciation for the efforts and commitment of all the employees. Directors would also like to thank Hyundai Motor India Limited, Tata Motors Limited, Honda Sael Cars India Limited, TVS Motor Company Limited, Bajaj Auto Limited, Hindustan Oil Exploration Company Limited, Distributors, Dealers, Customers, Bankers and Bardahl Manufacturing Corporation for their continued support.

On behalf of the Board of Directors

Place : Chennai
Date : May 24, 2010

Manish Maheshwari
Chairman

ANNEXURE TO THE DIRECTORS' REPORT

Statement of particulars of employees pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended March 31, 2010.

Name	Designation	Remuneration received	Nature of employment	Nature of duties of the employee	Qualifications of the employee	Experience of the employee (in years)	Date of commencement of employment	Age	The last designation & employment held by such employee before joining the Company	The number of equity shares held by the employee	The percentage of equity shares held by the employee	Period of employment during the financial year	
Mr. Hashit Rawal	Vice President-Operations	Rs. 33,71,054	Permanent	Over all management of the Company under the superintendence of the Board	B.Com. P.G.D.B.M.	30 years	2-Apr-01	56 years	Deputy Manager (Marketing) – Bajaj Tempo Limited	Nil	NA	1-Apr-09	31-Mar-10

Note: Gross remuneration as above includes salary, allowances, Company's contribution to Provident Fund & Superannuation Fund, Gratuity paid (but excludes Company's contribution to Gratuity Fund), reimbursement of medical expenses, leave travel assistance and monetary value of perquisites calculated in accordance with the provisions of the Income Tax Act, 1961 and the Rules there-under.

ANNEXURE TO DIRECTORS' REPORT

Corporate Identity Number (CIN): U11100GJ1988PLC011536
Nominal Capital Rs. 1,00,00,000/-

To
The Members
HOEC Bardahl India Limited

I have examined the registers, records, books, forms and papers of **HOEC Bardahl India Limited** ("the Company") as required to be maintained under the Companies Act, 1956, ("the Act") and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on **March 31, 2010** ("financial year"). In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the Company, its officers and agents, I certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers as stated in Annexure 'A' to this certificate as per the provisions of the Companies Act, 1956 and the rules made thereunder and entries therein have been duly recorded.
2. The Company has duly filed the forms and returns as stated in Annexure 'B' to this certificate with the Registrar of Companies generally within the time prescribed under the Companies Act, 1956 and the rules made thereunder. However, no forms or returns were required to be filed with the Regional Director, Central Government, Company Law Board or other authorities.
3. The Company, being a public limited company, the restriction clauses as provided in Section 3(1)(iii) of the Companies Act, 1956 is not applicable.
4. The Board of Directors duly met four (4) times on June 05, 2009, September 29, 2009, November 03, 2009 and January 23, 2010 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 Company has not closed its Register of Members during the financial year under review.
6. The Annual General Meeting for the financial year ended on March 31, 2009 was held on September 29, 2009 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
7. No Extraordinary General Meeting was held during the financial year.
8. The Company had not advanced any loans to its directors or persons or firms or companies referred to under Section 295 of the Companies Act, 1956.
9. The Company had not entered into any contracts to which the provisions of Section 297 of the Companies Act, 1956 applies.
10. The Company has been availing warehousing services provided by its Holding Company w.e.f. January 1, 2009 on renewable basis. The same has been renewed by the Holding Company on the same terms and conditions. The said transactions have been entered into the register maintained under Section 301 of the Companies Act, 1956.
11. The provisions of Section 314 of the Companies Act, 1956 have not been attracted and therefore no approvals were required to be taken.
12. The Company has not issued any duplicate share certificates during the financial year under review.
13. The Company has:
 - (i) Delivered all the certificates on lodgment thereof for transfer, if any, in accordance with the provisions of the Companies Act, 1956. The Company has received one request for transfer during the year.
 - (ii) Duly complied with the requirements of Section 217 of the Companies Act, 1956.
14. The Board of Directors of the Company is duly constituted and the appointment of directors has been duly made.
15. The Company's paid up capital being less than the prescribed Rs. 5 crores, it is not required to appoint a Managing Director/ Whole-Time Director/Manager and accordingly the provisions of Section 269 of the Companies Act, 1956 to that extent, are not applicable.
16. The Company has not appointed any sole-selling agents during the financial year under review.
17. During the said financial year, no approvals have been required from the specified authorities under the Companies Act, 1956.
18. The Directors have disclosed their interest in other firms/ companies to the Board of Directors pursuant to the provisions of the Companies Act, 1956 and the rules made thereunder.
19. The Company has not issued any shares, debentures or other securities during the financial year.
20. The Company has not bought back any shares during the financial year.
21. The Company has not issued any redeemable preference shares/ debentures.
22. During the year under review, the Company has not declared rights shares & bonus shares and hence the question of keeping in abeyance right to dividend, rights shares and bonus shares pending registration of transfer of shares does not arise.
23. The Company has not invited/accepted any deposits including any unsecured loans falling within the purview of Section 58A of the Companies Act, 1956, during the financial year.

24. The Company has not made any borrowing during the financial year ended March 31, 2010.
25. The Company has not made any loans or advances or given guarantees or provided securities to other bodies corporate and consequently no entries have been made in the register kept for the purpose.
26. The Company has not altered the provisions of the Memorandum with respect to situation of the Company's registered office from one state to another during the year under scrutiny.
27. The Company has not altered the provisions of the Memorandum with respect to the objects of the Company during the year under scrutiny.
28. The Company has not altered the provisions of the Memorandum with respect to name of the Company during the year under scrutiny.
29. The Company has not altered the provisions of the Memorandum with respect to share capital of the Company during the year under scrutiny.
30. The Company has not altered its Articles of Association during the financial year.
31. There was no prosecution initiated against or show cause notices received by the Company during the financial year, for offences under the Companies Act, 1956.
32. The provisions of Section 417(1) of the Companies Act, 1956 is not applicable.
33. The Company has deposited both employees' and employer's contribution to Provident Fund with prescribed authorities pursuant to Section 418 of the Act.

KANU M. GANDHI

Place : Vadodara
 Date : May 24, 2010

Practising Company Secretary
 CP No. 3089

ANNEXURE - A**Registers as maintained by the Company**

1. Register of Members u/s 150 of the Companies Act, 1956.
2. Register of Transfers.
3. Register of Directors u/s 303.
4. Register of Directors' shareholding u/s 307.
5. Register of Contracts, Companies and Firms in which Directors of the Company are interested u/s 297, 299, 301 and 301(3).
6. Minutes of the Annual General Meeting/Extraordinary General Meeting and Board Meetings u/s 193 along with the Attendance Register.

ANNEXURE - B**Forms and Returns as filed by the Company during the financial year ended March 31, 2009.**

1. Form No. 23AC and 23ACA (Balance sheet as at March 31, 2009 and Profit & Loss Account for the year ending March 31, 2009) was filed with Ministry of Corporate Affairs on October 21, 2009.
2. Form 20B (Annual Return) for the financial year was filed on November 19, 2009.
3. Form 66 (Compliance Certificate) was filed with Ministry of Corporate Affairs on October 09, 2009.
4. Form 32 in respect of resignation of Mr. Vikash Jain, Director filed on December 31, 2009.
5. Appointment of Mr. J. Joshva Martto as director in casual vacancy caused due to the resignation of Mr. Vikash Jain filed on May 24, 2010.

KANU M. GANDHI

Place : Vadodara
 Date : May 24, 2010

Practising Company Secretary
 CP No. 3089

AUDITOR'S REPORT

To the members of **HOEC BARDAHL INDIA LIMITED**

1. We have audited the attached Balance Sheet of HOEC BARDAHL INDIA LIMITED ("The Company"), as at 31st March, 2010 and also the Profit and Loss Account and the Cash Flow statement for the year on that date, both 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.
2. 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 misstatements. An audit includes an 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 the Management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraph 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of audit;
 - (b) 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 those books;
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the Books of Account;
 - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - (e) On the basis of the written representations received from the directors and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in

conformity with the accounting principles generally accepted in India:

- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010,
- (ii) in the case of the Profit and Loss Account, of the Profit for the year ended on that date, and
- (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For H. R. LALKA & CO.
Chartered Accountants

Hiren Lalka
Proprietor

Place : Mumbai
Date : May 24, 2010

Membership No. 040242
Firm Registration No.: 105574W

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF THE AUDITORS REPORT ON THE ACCOUNTS OF HOEC BARDAHL INDIA LIMITED

1. In respect of its fixed assets
 - (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets;
 - (b) The Fixed Assets have been physically verified by the management. In our opinion the frequency of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies have been noticed on such verification.
 - (c) Fixed assets have being disposed off during the year, in our opinion do not constitute a substantial part of the fixed assets of the Company and such disposal has in our opinion not affected the going concern status of the Company.
2. In respect of its inventories
 - (a) The inventories except goods in transit have been physically verified by the management during the year at reasonable intervals. In respect of inventory lying with third parties and not physically verified, confirmations have been obtained.
 - (b) The procedures of physical verification of the inventory followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
 - (c) The Company is maintaining proper records of inventory. The discrepancies noticed on physical verification between physical stock and book records were not material and have been adequately dealt with in the books of account.

3. The Company has neither granted nor taken any loan secured or unsecured, to or from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956;

4. In our opinion and according to the information and explanation given to us, having regard to the explanation that certain items purchased are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there is an adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and for the sale of goods. There were no transactions in respect of sale of services. During the course of our audit, we have not observed any major weakness in internal control system.

5. (a) In our opinion and according to the information and explanations given to us, the particulars of arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that Section.

(b) In our opinion and according to the information and explanation given to us, the transaction made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Company's Act, 1956, and exceeding the value of Rs. Five Lakhs have been made at prices, which are reasonable having regard to the prevailing market prices at the relevant time.

6. The Company has not accepted any deposits from the public within the meaning of Section 58A, 58AA of the Act and the rules framed there under.

7. In our opinion, the internal audit functions carried out during the year by an external entity appointed by the Management have been commensurate with the size of the Company and nature of its business.

8. We are informed that the Central Government has not prescribed the maintenance of cost records under Section 209 (1)(d) of the Companies Act, 1956.

9. In respect of statutory dues:

(a) According to the information and explanation given to us, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Income tax, Sales tax, Value Added Tax, Customs Duty, Central Excise, Municipal Cess and other material statutory dues with appropriate authorities.

According to the information and explanations given to us, there are no undisputed amounts payable in respect of such statutory dues, which have remained outstanding as at 31st March, 2010 for a period more than six months from the date they became payable.

(b) According to information and explanation given to us the details of disputed dues which are not deposited as on March 31, 2010 are as follows:

Nature of Statue	Nature of Dues	Amount (Rs.)	Forum where dispute is pending
Fringe Benefit Tax	Disallowance of relief	523,345/-	Commissioner of Income Tax
Customs Act, 1962	Classification of Chapter	540,464/-	Appellate Tribunal

10. The Company does not have any accumulated losses as at the end of the financial year. The Company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.

11. In our opinion and according to the information and explanation given to us, the Company has not obtained any borrowings from any banks or financial institutions or by way of Debentures.

12. In our opinion, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures or other securities.

13. The provisions of any Special Statute applicable to Chit Fund, Nidhi or Mutual Benefit Fund / Societies are not applicable to the Company.

14. In our opinion and according to the information and explanation given to us, the Company is not a dealer or trader in shares, securities, debentures or other investments and hence the requirements of Para 4 (xiv) are not applicable to the Company.

15. In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks and financial institutions.

16. The Company has not obtained any term loans.

17. According to the information and explanation given to us, and on an overall examination of the Balance Sheet of the Company, in our opinion, there are no funds raised on a short-term basis, which has been used for long term purposes and vice versa.

18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956 during the year.

19. The Company has not issued any debentures.

20. The Company has not raised any money by way of Public issues during the year.

21. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud, on or by the Company, was noticed or reported during the year.

For H. R. LALKA & CO.
Chartered Accountants

Hiren Lalka
Proprietor

Place : Mumbai
Date : May 24, 2010

Membership No. 040242
Firm Registration No.: 105574W

Balance Sheet as at March 31,

		in Rupees	
	Schedule	2010	2009
FUNDS EMPLOYED			
SHAREHOLDERS' FUNDS			
Share Capital	1	5,000,200	5,000,200
Reserves & Surplus	2	62,422,966	38,029,094
		67,423,166	43,029,294
APPLICATION OF FUNDS			
FIXED ASSETS	3		
Gross Block		4,924,196	4,343,405
Less: Depreciation		2,507,256	2,108,743
NET BLOCK		2,416,940	2,234,662
INVESTMENTS	4	44,891,213	46,766,609
DEFERRED TAX ASSETS (Refer Note 7 of Schedule 16)		1,362,983	1,743,058
CURRENT ASSETS, LOANS & ADVANCES	5		
Inventories		17,577,843	20,886,176
Sundry Debtors		15,367,037	7,863,453
Cash & Bank Balances		1,335,360	4,062,816
Loans & Advances		14,962,028	19,596,262
Total		49,242,268	52,408,707
Less: CURRENT LIABILITIES AND PROVISIONS	6		
Current Liabilities		28,595,038	57,462,947
Provisions		1,895,200	2,660,795
Total		30,490,238	60,123,742
NET CURRENT ASSETS		18,752,030	(7,715,035)
		67,423,166	43,029,294
Accounting Policies	15		
Notes Forming Part of Accounts	16		
Schedule referred to above form part of the Balance Sheet			

In terms of our report of even date attached.

For H. R. LALKA & CO.
Chartered AccountantsHiren Lalka
(Proprietor)
Membership No. 040242
Firm Registration No. : 105574WPlace : Mumbai
Date : May 24, 2010

On behalf of the Board of Directors

Manish Maheshwari
ChairmanSandeep Khamesra }
Minesh Bhatt } DirectorsPlace : Chennai
Date : May 24, 2010

Profit and Loss Account for the year ended March 31,

		in Rupees	
	Schedule	2010	2009
INCOME			
Sales (Gross) (Refer Note 8 of Schedule 15)		178,067,628	184,368,988
Less: Excise		14,373,000	22,549,970
Net Sales		163,694,628	161,819,018
Other Income	7	5,189,007	3,808,769
		168,883,635	165,627,787
EXPENDITURE AND CHARGES			
Cost of goods for resale	8	67,315,114	60,089,755
Staff Expenses	9	15,754,554	14,838,767
Establishment Expenses	10	9,454,024	6,681,227
Management & Professional Fees		404,392	25,764,211
Administrative Expenses	11	1,804,618	2,786,008
Marketing & Selling Expenses	12	36,992,125	41,724,394
Provisions and Write offs	13	22,499	318,052
Interest and Finance Charges	14	229,125	245,752
Depreciation and Amortisation	3	498,322	460,994
		132,474,773	152,909,160
Profit for the year before tax		36,408,862	12,718,627
Less: Taxation for the year – Income Tax		(11,658,598)	(3,520,163)
[Includes Rs. 58,598 (Previous Year: Rs. 149,837) in respect of Prior Years]			
Deferred Tax		(380,075)	389,189
Fringe Benefit Tax		23,683	(430,000)
[Includes Rs. 23,683 (Previous Year: Rs. NIL) in respect of Prior Years]			
Profit for the year after tax		24,393,872	9,157,653
Add: Profit brought forward		36,029,094	26,871,441
Balance carried to Balance sheet		60,422,966	36,029,094
Earnings Per Share of Rs. 100 Face Value (Basic and Diluted) (Refer Note 9 of Schedule 16)		Rs. 487.86	Rs. 183.15
Schedule referred to above form part of Profit and Loss Account			

In terms of our report of even date attached.

For H. R. LALKA & CO.
Chartered AccountantsHiren Lalka
(Proprietor)
Membership No. 040242
Firm Registration No. : 105574WPlace : Mumbai
Date : May 24, 2010

On behalf of the Board of Directors

Manish Maheshwari
ChairmanSandeep Khamesra }
Minesh Bhatt } DirectorsPlace : Chennai
Date : May 24, 2010

Cash Flow Statement for the year ended March 31,

	in Rupees	
	2010	2009
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax	36,408,862	12,718,627
Adjustments for:		
Depreciation and Amortisation	498,322	460,994
Interest and Finance Charges	229,125	245,752
Provision for Doubtful Debts (Net)	(373,623)	318,052
Discard of assets	41,925	67,540
Provision for Compensated Absences & Gratuity (Net)	(1,227,995)	433,647
Interest Income	(510,236)	(2,199)
Dividend Income	(1,605,303)	(3,157,006)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	33,461,077	11,085,407
Adjustment for:		
(Increase) / Decrease in Trade Debtors and Other Receivables	(2,039,230)	(8,333,404)
(Increase) / Decrease in Inventories	3,308,333	(5,237,838)
Increase / (Decrease) in Payables	(28,867,909)	6,772,204
CASH FROM OPERATIONS	5,862,271	4,286,369
Taxes paid (Net)	(11,629,012)	(5,293,927)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(5,766,741)	(1,007,558)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(730,249)	(1,270,779)
Sale of fixed assets	7,724	0
Interest Received	510,236	2,199
Dividend Received	1,605,303	3,157,006
NET CASH RAISED FROM INVESTING ACTIVITIES	1,393,014	1,888,426
C. CASH FLOW FROM FINANCING ACTIVITIES		
Interest and Finance Charges	(229,125)	(245,752)
NET CASH (USED IN) FINANCING ACTIVITIES	(229,125)	(245,752)
NET (DECREASE) / INCREASE IN CASH OR CASH EQUIVALENTS	(4,602,852)	635,116
Cash Equivalents:		
Opening Balance	50,829,425	50,194,309
Closing Balance	46,226,573	50,829,425
	(4,602,852)	635,116
Cash & Bank Balance (As per Schedule 5)	1,335,360	4,062,816
Current Investments (As per Schedule 4)	44,891,213	46,766,609
Total Cash and Cash Equivalents at the Year End	46,226,573	50,829,425

In terms of our report of even date attached.

For H. R. LALKA & CO.
Chartered AccountantsHiren Lalka
(Proprietor)
Membership No. 040242
Firm Registration No. : 105574WPlace : Mumbai
Date : May 24, 2010

On behalf of the Board of Directors

Manish Maheshwari
ChairmanSandeep Khamesra }
Minesh Bhatt } DirectorsPlace : Chennai
Date : May 24, 2010

Schedules to the Balance Sheet as at March 31,

	in Rupees	
	2010	2009
SCHEDULE 1		
SHARE CAPITAL		
AUTHORISED		
100,000 Equity Shares of Rs. 100 each	10,000,000	10,000,000
ISSUED, SUBSCRIBED AND FULLY PAID-UP		
50,002 Equity Shares of Rs.100 each (All the Shares are held by Hindustan Oil Exploration Company Limited, the Holding Company, & its nominees)	5,000,200	5,000,200
	5,000,200	5,000,200
SCHEDULE 2		
RESERVES AND SURPLUS		
General Reserve	2,000,000	2,000,000
Balance in Profit and Loss Account	60,422,966	36,029,094
Total	62,422,966	38,029,094

SCHEDULE 3										
FIXED ASSETS										
	in Rupees									
	GROSS BLOCK			DEPRECIATION				NET BLOCK		
Name of the Assets	As at March 31, 2009	Additions	Deductions	As at March 31, 2010	As at March 31, 2009	For the Year	Deductions	As at March 31, 2010	As at March 31, 2010	As at March 31, 2009
Freehold Land	935,601	240,000	0	1,175,601	0	0	0	0	1,175,601	935,601
Office Equipments	345,576	127,861	45,031	428,406	220,871	105,154	24,383	301,642	126,764	124,705
Computers	501,649	198,390	68,427	631,612	322,804	148,481	62,395	408,890	222,722	178,845
Office Furniture	662,008	0	0	662,008	350,662	56,357	0	407,019	254,989	311,346
Plant & Machinery	559,514	35,000	36,000	558,514	301,524	37,558	13,031	326,051	232,463	257,990
Dies & Moulds	459,885	0	0	459,885	338,990	36,268	0	375,258	84,627	120,895
Electrical Equipment	24,337	0	0	24,337	24,337	0	0	24,337	0	0
Vehicles	620,835	0	0	620,835	409,155	54,804	0	463,959	156,876	211,680
Intangible Assets - Software	0	128,998	0	128,998	0	12,900	0	12,900	116,098	0
Improvement to Lease Hold Premises	234,000	0	0	234,000	140,400	46,800	0	187,200	46,800	93,600
TOTAL	4,343,405	730,249	149,458	4,924,196	2,108,743	498,322	99,809	2,507,256	2,416,940	2,234,662
PREVIOUS YEAR	3,248,406	1,270,779	175,780	4,343,405	1,755,989	460,994	108,240	2,108,743	2,234,662	1,492,417

	in Rupees	
	2010	2009
SCHEDULE 4		
INVESTMENTS		
CURRENT		
UNQUOTED (NON TRADE)		
Investment in Mutual Funds (Refer note 3 of Schedule 16 for details of mutual funds purchased and sold during the year)		
3,654,658.283 (Previous Year 3,835,547.402) Units of Rs. 10 each of HDFC Liquid Fund - Daily Dividend Plan	38,872,407	40,796,416
50,785.619 (Previous Year 503,754.217) Units of Rs. 100 each of Prudential ICICI Liquid Fund - Daily Dividend Plan	6,018,806	5,970,193
	44,891,213	46,766,609
Aggregate Cost of Unquoted Investments	44,891,213	46,766,609
SCHEDULE 5		
CURRENT ASSETS, LOANS AND ADVANCES		
INVENTORIES		
Materials unpacked (Refer Note 11 of Schedule 16)	6,101,698	3,364,302
Materials packed (Refer Note 11 of Schedule 16)	8,113,772	9,626,839
Packing Material	1,553,104	1,407,641
GOODS IN TRANSIT	1,809,269	6,487,394
	17,577,843	20,886,176

(Contd.)

Schedules to the Balance Sheet as at March 31,

(SCHEDULE 5 Contd.)

		in Rupees	
		2010	2009
SUNDRY DEBTORS			
Secured, considered good			
Due for more than six months	0		0
Others	1,198,247		1,577,948
Unsecured, considered good			
Due for more than six months	196,437		16,686
Others	13,972,353		6,268,819
Unsecured, Considered Doubtful	1,646,896		2,020,519
	17,013,933		9,883,972
Less: Provision for doubtful debts	1,646,896		2,020,519
		15,367,037	7,863,453
CASH & BANK BALANCES			
Cash on hand	15,150		24,892
Bank Balance With Scheduled Banks			
Current Accounts	1,320,210		4,037,924
		1,335,360	4,062,816
LOANS AND ADVANCES			
(Unsecured, considered good)			
Advances recoverable in cash or in kind or for value to be received	1,289,663		5,303,439
Security Deposits	1,008,400		1,308,900
Security Deposit to Holding Company (Refer Note 8 of Schedule 16)	6,000,000		6,000,000
[Maximum amount due during the year Rs. 6,000,000 (Previous Year Rs. 6,000,000)]			
Cenvat Input Credit	124,683		901,138
Advance Income Tax	6,528,059		6,080,785
[Net of Provision for Taxation of Rs. 15,351,483 (Previous Year Rs. 11,995,000)]			
Advance Fringe Benefit Tax	11,223		2,000
[Net of Provision for Taxation of Rs. 1,486,317 (Previous Year Rs. 1,510,000)]			
		14,962,028	19,596,262
		49,242,268	52,408,707
SCHEDULE 6			
CURRENT LIABILITIES & PROVISIONS			
CURRENT LIABILITIES			
Sundry Creditors (Refer Note 4 of Schedule 16)			
– Outstanding Dues to Micro Small and Medium Enterprises		492,933	7,146
– Outstanding Dues to other than Micro Small and Medium Enterprises		18,411,142	23,331,409
Hindustan Oil Exploration Company Limited (Holding Company)			
(Refer Note 8 of Schedule 16)		0	24,786,332
Deposits		2,824,979	1,755,842
Other Liabilities		6,865,984	7,582,218
(A)		28,595,038	57,462,947
PROVISIONS			
Provision for Compensated Absences & Gratuity		1,387,800	2,615,795
Provision for Taxation		507,400	0
[Net of Advance Tax of Rs. 15,990,380 (Previous Year Rs. 17,397,780)]			
Provision for Fringe Benefit Tax		0	45,000
[Net of Advance Tax of Rs. 1,467,540 (Previous Year Rs. 1,467,000)]			
(B)		1,895,200	2,660,795
Total (A+B)		30,490,238	60,123,742

Schedules to the Profit & Loss Account for the year ended March 31,

		in Rupees	
		2010	2009
SCHEDULE 7			
OTHER INCOME			
Interest Income (Gross) (Refer Note 6 of Schedule 16)		510,236	2,199
[Tax deducted at source Rs. NIL (Previous Year Rs. NIL)]			
Excess Provision written back		1,324,695	2,730
Dividend from Current Investments – Non Trade Investments		1,605,303	3,157,006
Gain on foreign exchange fluctuation (Net) (Refer Note 12 of Schedule 16)		693,412	0
Miscellaneous Income		1,055,361	646,834
		5,189,007	3,808,769

Schedules to the Profit & Loss Account for the year ended March 31,

		in Rupees	
		2010	2009
SCHEDULE 8			
COST OF GOODS FOR RESALE:			
MATERIALS PACKED & UNPACKED			
Opening stock	12,991,141		8,272,246
Add: Purchases	49,953,474		45,860,041
Sub-Total	62,944,615		54,132,287
Less: Closing Stock	14,215,470		12,991,141
Less: Cost of Samples & Replacements	500,616		463,818
		48,228,529	40,677,328
PACKING MATERIALS			
Opening stock	1,407,641		1,433,574
Add: Purchases	13,381,254		13,226,521
Sub-Total	14,788,895		14,660,095
Less: Closing Stock	1,553,104		1,407,641
		13,235,791	13,252,454
Repacking Expenses		4,319,111	4,203,014
Excise Duty		844,032	1,276,682
Municipal Cess Tax		687,651	680,277
		67,315,114	60,089,755
SCHEDULE 9			
STAFF EXPENSES			
Salaries		12,308,397	10,235,814
Performance Bonus		593,441	2,382,000
Contribution to Provident and Other Funds		1,387,630	1,095,804
Welfare Expenses [including Compensated Absences Rs. 927,170 (Previous Year Rs. 611,264)]		1,465,086	1,125,149
		15,754,554	14,838,767
SCHEDULE 10			
ESTABLISHMENT EXPENSES			
Rent		1,789,334	4,336,870
Warehousing Services		7,056,000	1,764,000
Repairs and Maintenance		96,535	151,198
General Office Expenses		280,618	259,198
Electricity		168,515	169,961
Rates and Taxes		63,022	0
		9,454,024	6,681,227
SCHEDULE 11			
ADMINISTRATIVE EXPENSES			
Auditor's Remuneration			
Audit Fees	70,000		70,000
Other Matters	5,400		7,300
Reimbursement of Expenses	23,904		23,509
		99,304	100,809
Books and Periodicals		1,167	2,251
Computer Expenses		37,037	25,971
Loss on foreign exchange fluctuation (Net) (Refer Note 12 of Schedule 16)		0	849,422
Insurance		9,367	11,916
Travelling & Conveyance		314,559	354,872
Postage and Telephone		261,648	312,768
Printing and Stationery		132,280	209,173
Loss on sale/discard of assets		41,925	67,540
Miscellaneous Expenses		907,331	851,286
		1,804,618	2,786,008

Schedules to the Profit & Loss Account for the year ended March 31,

		in Rupees	
		2010	2009
SCHEDULE 12			
MARKETING & SELLING EXPENSES			
Marketing & Distribution Expenses			
Incentives	6,440,248		6,385,522
Product Promotion Expenses	12,288,814		14,820,947
Advertisement	129,000		158,557
Rebates and Discounts	12,502,496		14,153,464
Sales Promotion	2,238,485		2,557,491
Samples & Replacement	536,381		489,159
Others	354,184		724,618
		34,489,608	39,289,758
Selling Expenses			
Commission	212,089		393,713
Field Staff Expenses	2,290,428		2,040,923
		2,502,517	2,434,636
		36,992,125	41,724,394
SCHEDULE 13			
PROVISIONS AND WRITE OFFS			
Provision for doubtful debts (Net)		22,499	318,052
		22,499	318,052
SCHEDULE 14			
INTEREST AND FINANCE CHARGES			
Distributors Deposits		108,904	85,366
Bank Charges		120,221	159,271
Others		0	1,115
		229,125	245,752

Schedules Forming Part of the Accounts for the Year Ended March 31, 2010

SCHEDULE 15

SIGNIFICANT ACCOUNTING POLICIES

- Accounting Convention**
The accounts have been prepared under the historical cost convention on the basis of going concern and comply in all material aspects with the generally accepted accounting principles in India, with the Accounting Standards notified by the Government of India/Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI) as applicable and relevant provisions of the Companies Act, 1956.
- Use of Estimates**
The preparation of the financial statements, in conformity with the generally accepted accounting principles requires estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liability at the date of the financial statements and the results of operations during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.
- Fixed Assets**
Fixed Assets are stated at cost less accumulated depreciation and impairment loss, if any. Cost includes all expenses incurred for acquisition of assets. (Net of Cenvat, Value Added Tax, wherever applicable)
- Depreciation**
 - Depreciation has been provided on written down value method at the rates and the manner prescribed in schedule XIV to the Companies Act, 1956.
 - In case of additions during the year, depreciation is provided for the full year irrespective of the date of installation and no depreciation is provided in the year of sale/disposal.
 - Improvements to lease hold premises are amortised over the remaining primary lease period.
 - Computer software is amortised over their licence period or 10 years, whichever is lower.
 - Assets individually costing less than Rs. 5,000/- are fully depreciated in the year of acquisition.
- Impairment of Assets**
An asset is treated as impaired when the carrying cost of asset exceeds its recoverable value. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. The impairment loss recognised in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.
- Investments**
Long term investments are stated at cost. Provision is made for diminution in the value of long term investments, if such decline is other than temporary. Current investments are carried at cost or fair value, whichever is lower.
- Inventories**
Inventories are valued at the lower of cost and net realisable value, whichever is lower. Cost is ascertained on a specific identification basis. Cost of Unpacked material includes Freight, Customs duty, Insurance, Clearing Charges and is net of Excise Duty. Cost of Packed Materials includes materials, repacking cost and Excise duty wherever applicable. Obsolescence of inventory is determined on the material consumption pattern/specific review and is accordingly provided for.

Schedules Forming Part of the Accounts for the Year Ended March 31, 2010

SCHEDULE 15 — SIGNIFICANT ACCOUNTING POLICIES (Contd.)

8. Revenue Recognition

Sales of goods are recognised on shipment or dispatch to customers. Sales are stated exclusive of Value Added Tax, Central Sales Tax and are net of Sales return and Trade Discount. Excise duty deducted from turnover (gross) is the amounts that are included in the amount of turnover (gross) and not the entire amount of liability that arose during the year.

Interest on income tax refunds are recognised as and when there is no uncertainty in the determination/receipt of the amount, on grounds of prudence.

Dividend income is recognised when the right to receive the dividend is unconditional.

9. Retirement and Other Benefits

(a) Defined Contribution Plan:

Contributions towards Employees Provident Fund are made to the Employees Provident Fund Scheme in accordance with the statutory provisions.

(b) Defined Benefit Plan:

Funded Plan: The Company has Defined Benefit Plan for post employment benefits in the form of Gratuity for all employees administered through trust, funded with Life Insurance Corporation of India.

Liability for the above Defined Benefit Plans is provided on the basis of actuarial valuation, as at the Balance Sheet date, carried out by independent actuary. The actuarial method used for measuring the liability is the Projected Unit Credit Method.

(c) Other Employee Benefits:

Short term compensated absences is recognised based on the eligible leave at credit on the Balance Sheet date and is estimated based on the terms of the employment contract. Long term compensated absences are provided based on actuarial valuation. The actuarial valuation is done as per projected unit credit method.

10. Foreign Currency Transactions

Foreign Currency Transaction are accounted at the exchange rates ruling on the date of transactions. Foreign currency monetary items, excluding long term foreign currency monetary items, as at the Balance Sheet date are restated at the closing exchange rates. Exchange differences arising on actual payments/realisations and year-end restatements are dealt with in the Profit and Loss Account. Exchange differences, both realised and unrealised, arising on reporting of long term foreign currency monetary items (as defined in the Accounting Standard – 11 notified by the Government of India) relating to the acquisition of a depreciable capital asset are added to or deducted from the cost of the asset and in other cases unrealised exchange differences are accumulated in a "Foreign Currency Monetary Item Translation Difference Account" in the Company's Balance Sheet and amortized over the balance period of such long term asset/liability but not beyond 31st March, 2011, by recognition as income or expense in each of such periods.

11. Leases

Assets taken on lease under which all risks and rewards of ownership are effectively retained by the lesser are classified as operating lease. Lease payments under operating leases are recognised as expenses on straight line basis.

12. Taxation

Tax expense comprises of current tax and deferred tax.

Current Tax : Current tax is the amount of tax payable on the taxable income for the year and is provided with reference to the provisions of the Income Tax Act, 1961.

Deferred Tax : Deferred Taxes are recognised for future tax consequence attributable to timing differences, being the difference between taxable income and accounting income measured at relevant enacted tax rates and in the case of deferred tax assets, on consideration of prudence, are recognised and carried forward to the extent of reasonable certainty/virtual certainty, as the case may be.

13. Provisions and Contingencies

A provision is recognised when an enterprise has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made.

Provisions are not discontinued to its present value and are determined based on management estimate required to settle the obligation at each Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current management estimates.

Product warranty expenses will be accounted as and when the warranty claims are preferred.

SCHEDULE 16

NOTES FORMING PART OF THE ACCOUNTS

1. Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for, net of advances, Rs. NIL (Previous year – Rs. NIL)

2. Contingent Liabilities

Claims against the Company not acknowledged as debt:

in Rupees

	Year ended March 31,	
	2010	2009
Income tax demand where the matter is in appeal	129,924	723,468
Fringe Benefit Tax Demand where the matter is in appeal	523,345	523,345
Custom demand where the matter is in appeal	540,464	540,464

3. Investments

Details of units in Mutual Funds purchased and sold during the year

Name of the Funds	2010		2009	
	No. of units purchased including accumulated	No. of units sold	No. of units purchased including accumulated	No. of units sold
HDFC Liquid Fund – Daily Dividend Plan	1,446,173.047	1,627,062.166	1,277,645.665	1,203,414.689
Prudential ICICI Liquid Fund – Daily Dividend Plan	364,709.899	364,299.702	4,815,250.144	4,750,598.803

Schedules Forming Part of the Accounts for the Year Ended March 31, 2010

SCHEDULE 16 — NOTES FORMING PART OF THE ACCOUNTS (Contd.)

4. Disclosure under Micro Small and Medium enterprises Development Act, 2006

The details of amounts outstanding are as under:

in Rupees

	Year ended March 31,	
	2010	2009
1. Principal amount due and remaining unpaid	492,933	7,146
2. Interest due on above	0	0
3. Interest paid on all delayed payments under the MSMED Act	0	0
4. Payments made beyond the respective due date	308,736	0
5. Interest due and payable for the period of delay	0	0
6. Interest accrued and remaining unpaid	0	0
7. Amount of further interest remaining due and payable in succeeding year	0	0

The above information and that given in Schedule 6 has been determined to the extent such parties have been identified by the Management based on the enquiries made with the vendors. This has been relied upon by the auditors.

5. Employees Benefits

The Company's obligation towards the Gratuity Fund is a Defined Benefit Plan. Details of Actuarial Valuation as at March 31, 2010.

in Rupees

Particulars	As at March 31,	
	2010	2009
Projected Benefit Obligation as at Beginning of the Year	1,613,595	1,231,648
Service Cost	107,702	156,526
Interest Cost	129,088	92,374
Actuarial Losses/(Gains)	479,990	233,427
Benefits paid	(41,871)	(100,380)
Projected Benefit Obligation at the End of the Year	22,88,504	1,613,595
Change in Plan Assets		
Fair value of plan assets as at the Beginning of the year	1,012,734	648,094
Expected Return on Plan Assets	111,725	70,869
Employers Contributions	499,182	379,051
Benefits paid	(41,871)	(100,380)
Actuarial Gains/(Losses)	23,609	15,100
Fair Value of Plan Assets as at the End of the Year	1,605,379	1,012,734
Amount Recognised in the Balance sheet		
Present Value of Obligations as at the End of the Year	2,288,504	1,613,595
Fair Value of Plan Assets as at the End of the Year	1,605,379	1,012,734
Liability Recognised in the Balance Sheet	683,125	600,861
Cost of Defined Benefit Plan for the Year		
Current Service Cost	107,702	156,526
Interest on Obligation	129,088	92,374
Expected Return on Plan Assets	(111,725)	(70,869)
Net Actuarial Losses (Gains) Recognised in the Year	456,381	218,327
Net Cost recognized in the Profit and Loss Account	581,446	396,358
Assumptions		
Discount Rate	8.00%	7.50%
Future Salary Increase (%)	6.50%	6.50%
Attrition Rate	1% to 5%	1% to 5%
Mortality	LIC 94-96	LIC 94-96
Expected Rate of Return on Plan Assets	9.00%	9.00%

Notes :

- The entire plan assets are managed by Life Insurance Corporation of India (LIC). The data on plan assets has not been furnished by LIC.
- The expected return on plan assets is as furnished by an independent Actuary appointed by the Company.
- The estimates of future salary increase takes into account inflation, likely increments, promotions and other relevant factors.
- Discount Rate is based on the prevailing market yields of Indian Government Bonds as at the Balance Sheet date for the estimated term of the obligation.

6. Interest Income

Interest Income includes interest on:

in Rupees

Particulars	Year Ended March 31,	
	2010	2009
Staff Loans	4,364	2,135
Interest on Income Tax refund	505,872	64
Total	510,236	2,199

Schedules Forming Part of the Accounts for the Year Ended March 31, 2010

SCHEDULE 16 — NOTES FORMING PART OF THE ACCOUNTS (Contd.)

7. Deferred Tax Asset

Deferred tax assets arising due to timing differences has been arrived as follows:

in Rupees

Particulars	Year ended March 31,		
	2009	Current year Charge	2010
Deferred Tax Assets			
Provision for Doubtful Debts	686,774	(126,994)	559,780
Compensated Absences & Gratuity	719,437	(258,902)	460,535
Depreciation on Fixed Assets	231,478	33,013	264,491
Others	105,369	(27,192)	78,177
Sub-Total (A)	1,743,058	380,075	1,362,983
Deferred Tax Liability (B)	0	0	0
Net Deferred Tax Assets (A–B)	1,743,058	(380,075)	1,362,983

8. Related Party Disclosures

As per the Accounting Standard on 'Related Party Disclosures' (AS 18) issued by the Institute of Chartered Accountants of India, the related parties of the Company are as follows :

Holding Company : Hindustan Oil Exploration Company Limited

The Nature and volume of transactions of the Company during the year with the above party are as follows :

Particulars	For the year ended March 31,	
	2010	2009
Expenditure		
Warehousing Services	7056,000	1,764,000
Management Fees	0	24,930,247
Deposit		
Security Deposit	6,000,000	6,000,000
As at Year End		
Net Amount Payable as at Year End	0	23,383,441

Note : Related party relationships are as identified by the Management and relied upon by the Auditors.

9. Earnings Per Share (EPS)

The components of basic and diluted earnings per share are as follows:

Particulars	For the year ended March 31,	
	2010	2009
Net Profit After Tax (Rs.)	24,393,872	9,157,653
Weighted average number of Equity Shares	50,002	50,002
Nominal Value of Equity Shares (Rs.)	100	100
Basic and Diluted Earnings Per Share (Rs.)	487.86	183.15

Note : Earning Per Share calculations are done in accordance with Accounting Standard 20 "Earnings Per Share".

10. Segment Reporting

The business of the Company falls under a single segment i.e. Automotive and related components, hence segment information as per Accounting Standard AS-17 is not required to be disclosed. The Company is catering only to the need of the domestic market as such there is no reportable Geographical Segments.

11. Additional Information pursuant to provisions of paragraph 3 & 4 of part II of Schedule VI of the Companies Act, 1956.

(A) The Company's business activity is classified as a "Deemed Manufacturer" under the provision of section 2(f)(iii) of Central Excise Act 1944; however the main activity of the Company is Trading of Fuel & Oil Additives, Car Care Products, Grease and Spares.

(B) Sales, purchases and inventories in relation to Trading Activity as per below:

Particulars	Unit		Opening	Purchase	Turnover	Closing
Additives	Litres	Qty.	51,907	333,370	322,473	64,290
		Value Rs.	11,483,913	46,920,767	157,850,318	12,204,964
		Qty.	(50,924)	(334,212)	(334,548)	(51,907)
		Value Rs.	(8,100,636)	(43,562,005)	(158,895,679)	(11,483,913)
Car Care	Litres	Qty.	4,055	15,835	16,138	3,720
		Value Rs.	1,240,852	2,182,108	4,179,394	1,743,350
		Qty.	(773)	(10,347)	(6,839)	(4,055)
		Value Rs.	(104,914)	(1,761,692)	(2,271,299)	(1,240,852)
Car Care	Nos.	Qty.	0	13,130	11,127	1,997
		Value Rs.	0	778,780	1,340,666	120,423
	Nos.	Qty.	(0)	(0)	(0)	(0)
		Value Rs.	(0)	(0)	(0)	(0)
Grease	Kgs.	Qty.	419	0	0	0
		Value Rs.	202	0	0	0
		Qty.	(419)	(0)	(0)	(419)
		Value Rs.	(202)	(0)	(0)	(202)
Cream	Nos.	Qty.	550	480	544	467
		Value Rs.	100,245	71,819	222,300	70,302
		Qty.	(482)	(1,440)	(1,372)	(550)
		Value Rs.	(63,581)	(238,015)	(544,631)	(100,245)

Schedules Forming Part of the Accounts for the Year Ended March 31, 2010

SCHEDULE 16 — NOTES FORMING PART OF THE ACCOUNTS (Contd.)

Particulars	Unit		Opening	Purchase	Turnover	Closing
Spares	Nos.	Qty.	97	0	51	46
		Value Rs.	165,929	0	101,950	76,431
		Qty.	(9)	(170)	(82)	(97)
		Value Rs.	(2,913)	(298,329)	(107,409)	(165,929)
Total Value Rs.			12,991,141	49,953,474	163,694,628	14,215,470
(Previous Year)			(8,272,246)	(45,860,041)	(161,819,018)	(12,991,141)

Note:

- (i) Quantities of closing stock of goods mentioned above are after adjustments of excess/shortage upon physical stock counts, normal wastages during repacking process.
(ii) Figures of the brackets indicate those of the Previous Year.

(C) Value of Imports on CIF basis in respect of:

in Rupees

	Current Year	Previous Year
(i) Materials	36,712,965	39,210,335
(ii) Components & Spare parts	Nil	Nil
(iii) Capital goods	Nil	Nil
(D) Expenditure in foreign currency:		
(i) Business Travelling	Nil	Nil
(ii) Others	Nil	Nil
(E) The amount remitted in foreign currency during the year on account of dividends	Nil	Nil
(F) Earnings in foreign exchange	Nil	Nil

12. Foreign Currency Transaction

Effective April 1, 2008, the Company has exercised the option available in Para 46 of the Accounting Standard 11 notified by the Ministry of Corporate Affairs. Since the Company does not have any Long Term Foreign Currency Monetary Item, there is no impact on Assets, Liabilities, incomes and expenses, and consequently there is no impact on the financial statements for the year.

13. Figures of the previous year have been regrouped and rearranged wherever necessary.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE		
I.	Registration Details	
	CIN	U11100GJ1988PLC011536
	Registration No.	11536
	State Code	04
	Balance Sheet Date	31.03.2010
II.	Capital Raised During The Year	
	Public Issue	NIL
	Rights Issue	NIL
	Bonus Issue	NIL
	Private Placement	NIL
III.	Position of Mobilisation and Deployment of Funds	(In Rupees)
	Total Liabilities	97,913,404
	Total Assets	97,913,404
	Sources of Funds	
	Paid-up Capital	5,000,200
	Reserves & Surplus	62,422,966
	Secured Loans	NIL
	Unsecured Loans	NIL
	Application of Funds	
	Net Fixed Assets	2,416,940
	Investments	44,891,213
	Net Current Assets	18,752,030
	Miscellaneous Expenditure	NIL
	Accumulated Losses	NIL
IV.	Performance of Company	(In Rupees)
	Turnover	168,883,635
	Total Expenditure	132,474,773
	Profit Before Tax	36,408,862
	Profit After Tax	24,393,872
V.	Generic Names of Three Principal Products/Services of Company (as per monetary terms)	
	Item Code No. (ITC Code)	38112900
	Product Description	Oil Additives
	Item Code No. (ITC Code)	38112900
	Product Description	Fuel Additives
	Item Code No. (ITC Code)	32082000
	Product Description	Car Care Products

AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF HINDUSTAN OIL EXPLORATION COMPANY LIMITED

1. We have audited the attached Consolidated Balance Sheet of **HINDUSTAN OIL EXPLORATION COMPANY LIMITED** ("the Company") and its subsidiary ("the Group") as at March 31, 2010, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement of the Group for the year ended on that date, both annexed thereto. These Consolidated Financial Statements are the responsibility of the Company's Management and have been prepared on the basis of the separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.
2. We conducted our audit in accordance with the 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. Without qualifying our opinion, we draw attention to the following:
 - (a) The Accounts have been drawn up in accordance with the statement of Significant Accounting Policies (Schedule 17). Accounting Policy 4 relating to "Successful Efforts Method", the treatment of exploration and development costs and the estimates of proved developed hydrocarbon reserves and Accounting Policy 5 relating to "Site Restoration" are significant to the oil and gas exploration and production industry.
 - (b) Categorisation of the wells as exploratory, development or producing and the depletion of producing property on the basis of proved developed hydrocarbon reserves and expensing of the estimated site restoration liability on the basis of proved hydrocarbon reserves are made according to technical evaluation of the Management, on which we have placed reliance.
 - (c) As stated in Accounting Policy 7 of the statement of Significant Accounting Policies (Schedule 17), the financial statements of the unincorporated joint ventures are prepared in accordance with the requirements prescribed by the respective Production Sharing Contracts of the unincorporated joint ventures. Hence, certain adjustments/disclosures required under the mandatory accounting standards, the Companies Act, 1956 and pronouncements of the Institute of Chartered Accountants of India have been made in these accounts to the extent of the information available with the Company.
 - (d) As stated in Note 16 of Schedule 18 of the Accounts, an amount of Rs. 894,400,144 representing Income Tax demands under appeal as at March 31, 2010 in respect of the Company has been disclosed as claims against the Company not acknowledged as debt. In the opinion of the Management, no provision is required to be made in the financial statements with respect to the same.
4. The accounts for the year ended March 31, 2010 include assets aggregating Rs. 16,276,333,000, liabilities aggregating Rs. 490,497,454, income aggregating Rs. 148,719 and expenditure aggregating Rs. 195,085,051 relating to the Company's share in nine unincorporated joint ventures, which have been audited by other auditors, whose reports have been furnished to us and our opinion, in so far as it relates to the amounts and other financial information included in respect of these unincorporated joint ventures, is based solely on their reports.
5. In the case of one of the unincorporated joint ventures of the Company, PY-1, the auditors of the said unincorporated joint venture have given an emphasis of matter paragraph in respect of creation of site restoration fund subsequent to the year end (See Note 31 of Schedule 18 of the Accounts) and approval of the Management Committee pending for certain transactions with an affiliate of the Company (See paragraph 6 below and Note 31 of Schedule 18 of the Accounts).
6. *As stated in Note 12 of Schedule 18 of the Accounts, an amount of Rs. 160,438,827 has been accrued and accounted for by the Company during the year as Development Expenditure, being the Company's share of the cost of services rendered by M/s ENI India Limited, United Kingdom ("ENI India") to one of the unincorporated joint ventures (PY-1) where the Company is the Operator, subject to the Company receiving the required documentation as stipulated by the Board before making the payment, which the Company is in the process of obtaining. Pending receipt of the same, we are unable to comment on the aforesaid transaction accounted by the Company. Also see paragraph 5 above.*
7. We did not audit the financial statements of the subsidiary, HOEC Bardahl India Limited, whose financial statements reflect net total assets of Rs. 67,423,166 as at March 31, 2010, total revenues of Rs. 168,883,635 and net decrease in cash flows amounting to Rs. 4,602,852 for the year ended on that date as considered in the Consolidated Financial Statements. These financial statements and other financial information of the subsidiary have been audited by another auditor whose report has been furnished to us and our opinion, in so far as it relates to the amounts included in respect of the subsidiary, is based solely on the report of the other auditor.
8. We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 (Consolidated Financial Statements), as notified under the Companies (Accounting Standards) Rules, 2006.
9. Based on our audit and on consideration of the separate report of the other auditor on the individual financial statements of the Subsidiary and to the best of our information and according to the explanations given to us, in our opinion, the Consolidated Financial Statements, read with our comments in paragraphs 3,4,5 and 7 above and *subject to our comments in paragraph 6 above*, give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2010;
 - (ii) in the case of the Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date; and
 - (iii) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For Deloitte Haskins & Sells
Chartered Accountants
(Registration No. 008072S)

Sriraman Parthasarathy
Partner
(Membership No. 206834)

Place : New Delhi
Date : May 29, 2010

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2010

				in Rupees	
	Schedule		As at March 31, 2010	As at March 31, 2009	
SOURCES OF FUNDS					
SHAREHOLDERS' FUNDS					
Share Capital	1		1,305,093,005		1,305,093,005
Reserves and Surplus	2		9,773,899,000		9,333,580,534
LOAN FUNDS					
Secured Loans	3		827,177,191		1,304,840,843
Unsecured Loans	4		5,697,500,000		0
			<u>17,603,669,196</u>		<u>11,943,514,382</u>
APPLICATION OF FUNDS					
FIXED ASSETS					
Gross Block	5	17,894,975,026		2,401,310,686	
Less: Depreciation, Depletion and Amortisation		<u>1,844,956,374</u>		<u>1,363,205,485</u>	
Net Block		16,050,018,652		1,038,105,201	
Capital Work in Progress		<u>654,173,695</u>		<u>10,255,489,079</u>	
			16,704,192,347		11,293,594,280
INVESTMENTS					
FOREIGN CURRENCY MONETARY ITEM TRANSLATION DIFFERENCE ACCOUNT (See Note 21 of Schedule 18)	6		69,022,488		156,952,225
DEFERRED TAX ASSET (NET) (See Note 15(ii) of Schedule 18)			2,501,863		17,179,351
CURRENT ASSETS, LOANS AND ADVANCES	7				
a. Inventories		450,062,404		683,800,479	
b. Sundry Debtors		427,692,979		192,991,427	
c. Cash and Bank Balances		801,117,836		2,766,779,486	
d. Other Current Assets		2,182,492		3,596,085	
e. Loans and Advances		<u>643,633,133</u>		<u>605,371,374</u>	
		2,324,688,844		4,252,538,851	
Less: CURRENT LIABILITIES AND PROVISIONS	8				
a. Current Liabilities		702,325,049		3,720,490,245	
b. Provisions		<u>848,922,199</u>		<u>342,151,057</u>	
		1,551,247,248		4,062,641,302	
NET CURRENT ASSETS			<u>773,441,596</u>		<u>189,897,549</u>
			<u>17,603,669,196</u>		<u>11,943,514,382</u>
Significant Accounting Policies	17				
Notes to the Consolidated Accounts	18				
Schedules referred to above form an integral part of the Consolidated Balance Sheet.					

In terms of our report of even date attached.

For Deloitte Haskins & Sells
Chartered Accountants
(Registration No. 008072S)Sriraman Parthasarathy
Partner
Membership No: 206834Place : New Delhi
Date : May 29, 2010

On behalf of the Board of Directors

R. Vasudevan
ChairmanManish Maheshwari
Joint Managing DirectorSanjay Tiwari
Chief Legal Counsel and Company SecretaryPlace : New Delhi
Date : May 29, 2010

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

in Rupees

	Schedule	Year ended March 31, 2010	Year ended March 31, 2009
INCOME			
Sales and Services	9	1,557,188,871	986,908,373
Increase/(Decrease) in Stock of Crude Oil, Condensate and Natural Gas	10	49,718,432	(22,436,780)
Other Income	11	143,820,684	465,325,270
		1,750,727,987	1,429,796,863
EXPENDITURE AND CHARGES			
Field Operating Expenses	12	390,912,539	430,057,407
Cost of Goods for Resale	13	67,315,114	60,089,755
Corporate Expenses (Net)	14	15,209,938	27,910,710
Depreciation/Amortisation of Fixed Assets	5	6,525,118	8,770,349
Depletion of Producing Properties	5	465,923,122	109,875,745
Marketing & Selling Expenses	15	36,992,125	41,724,394
Provisions and Write Offs		22,499	318,052
Interest and Finance Charges	16	80,656,524	104,017,567
		1,063,556,979	782,763,979
PROFIT BEFORE TAX		687,171,008	647,032,884
Provision for Current Income Tax [Including Rs. 58,598 (Previous Year Rs. 1,499,837 for Prior Years)]		119,658,598	35,870,163
Provision for Deferred Tax (See Note 15(ii) of Schedule 18)		231,380,075	94,610,811
Provision for Wealth Tax		200,000	200,000
Provision for Fringe Benefit Tax [Net of Writeback of Rs. 23,683 (Previous Year Rs. Nil)]		(23,683)	2,530,000
MAT Credit Entitlement (Net of MAT Credit Adjustment pertaining to Prior Years) (See Note 15(i) of Schedule 18)		(104,362,448)	(31,000,000)
PROFIT AFTER TAX		440,318,466	544,821,910
Profit Brought Forward		1,490,059,061	958,376,724
Less: Transitional Adjustment (See Note 21 of Schedule 18)		0	(13,139,573)
PROFIT AVAILABLE FOR APPROPRIATION		1,930,377,527	1,490,059,061
Balance Carried to Balance Sheet		1,930,377,527	1,490,059,061
		1,930,377,527	1,490,059,061
Earning per Share of Rs. 10 Face Value (Basic and Diluted) (See Note 14 of Schedule 18)		Rs. 3.37	Rs. 4.18
Significant Accounting Policies	17		
Notes to the Consolidated Accounts	18		
Schedules referred to above form an integral part of the Consolidated Profit and Loss Account.			

In terms of our report of even date attached.

For Deloitte Haskins & Sells
Chartered Accountants
(Registration No. 008072S)

Sriraman Parthasarathy
Partner
Membership No: 206834

Place : New Delhi
Date : May 29, 2010

On behalf of the Board of Directors

R. Vasudevan
Chairman

Manish Maheshwari
Joint Managing Director

Sanjay Tiwari
Chief Legal Counsel and Company Secretary

Place : New Delhi
Date : May 29, 2010

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2010

Particulars	in Rupees	
	Year ended March 31, 2010	Year ended March 31, 2009
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax	687,171,008	647,032,884
Adjustments for:		
Compensated Absences	(736,759)	733,647
Depreciation, Depletion and Amortisation	472,448,240	118,646,094
Dividend/Interest Income	(44,004,187)	(422,508,915)
Provisions and Write Offs	22,499	318,052
Loss on Sale of/Discarded Assets (Net)	41,925	483,889
Excess Liabilities/Provisions Written Back	(13,015,269)	2,730
Amortisation of Foreign Currency Monetary Item Translation Difference Account	7,655,662	4,345,806
Unrealized Exchange Loss	14,312,711	4,338,596
Interest and Finance Charges	80,656,524	104,017,567
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	1,204,552,354	457,410,350
Adjustments for:		
Trade and Other Receivables (including Site Restoration Deposits)	(111,256,389)	(16,969,293)
Inventories	233,738,075	(429,936,783)
Payables	(3,003,563,770)	2,691,179,965
CASH (USED IN) / FROM OPERATIONS	(1,676,529,730)	2,701,684,239
Taxes Paid (Net)	(196,465,163)	(52,417,429)
NET CASH (USED IN) / FROM OPERATING ACTIVITIES	(1,872,994,893)	2,649,266,810
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(5,596,641)	(71,923,815)
Proceeds from Sale of Fixed Assets	17,272	127,232
Insurance Claim Received	0	7,768,846
Development Expenditure *	(5,544,516,948)	(6,522,761,396)
Exploration Expenditure	(70,477,412)	(152,377,373)
Dividend/Interest Received	45,417,780	426,307,365
NET CASH USED IN INVESTING ACTIVITIES	(5,575,155,949)	(6,312,859,141)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Secured Loans Repaid – Long Term	(410,534,837)	(349,159,505)
Unsecured Loans Taken – Long Term	5,898,925,184	0
Interest and Finance Charges Paid *	(89,310,699)	(179,611,305)
Dividend Paid (including Dividend Tax)	0	(152,670,623)
NET CASH FROM / (USED IN) FINANCING ACTIVITIES	5,399,079,648	(681,441,433)
NET DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	(2,049,071,194)	(4,345,033,764)
Cash, Cash Equivalents:		
Opening Balance	2,645,716,329	6,990,750,093
Closing Balance	596,645,135	2,645,716,329
	(2,049,071,194)	(4,345,033,764)
Cash and Bank Balance as per Schedule 7	801,117,836	2,766,779,486
Current Investments as per Schedule 6	68,973,445	156,903,182
Adjustment for Unpaid Dividend Account and Share Application Money Account	(5,612,647)	(7,198,804)
Adjustment for Site Restoration Deposit (See Note 6 of Schedule 18)	(227,273,440)	(214,966,840)
Adjustment for Lien Marked Deposits/Accounts (See Note 6 of Schedule 18)	(40,560,059)	(55,800,695)
Total Cash and Cash Equivalents as at Year End	596,645,135	2,645,716,329
* Interest and Finance Charges Paid includes and Development Expenditure excludes Borrowing Cost capitalised amounting to Rs. 8,654,175 (Previous Year: Rs. 75,593,734).		
Schedules 1 to 18 form an integral part of the Consolidated Accounts.		

In terms of our report of even date attached.

For Deloitte Haskins & Sells
Chartered Accountants
(Registration No. 008072S)

Sriraman Parthasarathy
Partner
Membership No: 206834

Place : New Delhi
Date : May 29, 2010

On behalf of the Board of Directors

R. Vasudevan
Chairman

Manish Maheshwari
Joint Managing Director

Sanjay Tiwari
Chief Legal Counsel and Company Secretary

Place : New Delhi
Date : May 29, 2010

Schedules Forming Part of the Consolidated Balance Sheet as at March 31, 2010

	in Rupees	
	As at March 31, 2010	As at March 31, 2009
SCHEDULE 1		
SHARE CAPITAL		
(See Note 5 of Schedule 18)		
AUTHORISED		
200,000,000 Equity Shares of Rs. 10 each	2,000,000,000	2,000,000,000
ISSUED		
130,563,363 Equity Shares of Rs. 10 each	1,305,633,630	1,305,633,630
SUBSCRIBED AND FULLY PAID-UP		
130,493,289 Equity Shares of Rs. 10 each fully paid	1,304,932,890	1,304,932,890
Add: Amount Paid-up on Shares Forfeited	160,115	160,115
	1,305,093,005	1,305,093,005
SCHEDULE 2		
RESERVES AND SURPLUS		
Securities Premium Account	7,841,521,473	7,841,521,473
General Reserve		
Opening Balance	2,000,000	5,383,000
Transitional Adjustment (See Note 21 of Schedule 18)	0	(3,383,000)
Closing Balance	2,000,000	2,000,000
Balance in Profit and Loss Account	1,930,377,527	1,490,059,061
	9,773,899,000	9,333,580,534
SCHEDULE 3		
SECURED LOANS		
(See Note 3 of Schedule 18)		
Loans from Banks		
Foreign Currency Term Loan	491,177,191	787,931,076
Rupee Term Loans	336,000,000	480,000,000
Loan from Financial Institution		
Foreign Currency Term Loan	0	36,909,767
	827,177,191	1,304,840,843
SCHEDULE 4		
UNSECURED LOANS		
(See Note 4 of Schedule 18)		
Other Loans – From Others		
Loan From ENI Coordination Center S. A., Belgium	5,697,500,000	0
	5,697,500,000	0

Schedules Forming Part of the Consolidated Balance Sheet as at March 31, 2010

SCHEDULE 5

FIXED ASSETS

Type of the Assets	GROSS BLOCK			DEPRECIATION, DEPLETION and AMORTISATION			NET BLOCK	
	As at April 01, 2009	Addition/Adjustments	Deductions/Adjustments	As at March 31, 2010	For the Year	Deductions/Adjustments	As at March 31, 2010	As at March 31, 2009
Producing Properties	2,062,767,216	15,488,267,388#	0 & 17,551,034,604	1,160,696,783	465,923,122	0	1,626,619,905	15,924,414,699
OTHER FIXED ASSETS:								902,070,433
Land-Freehold	23,919,422	240,000	0	24,159,422	0	0	0	23,919,422
Buildings	107,072,105	0	0	107,072,105	3,976,018	0	31,527,727	79,520,396
Office Equipments	23,222,489	402,221	45,031	23,579,679	1,279,914	24,383	16,182,250	8,295,770
Computers	14,006,440	862,067	110,023	14,758,484	1,083,215	98,600	13,133,662	1,857,393
Office Furniture	16,164,206	68,500	0	16,232,706	12,922,481	599,153	13,521,634	3,241,725
Improvements to Leasehold Premises	8,266,485	0	0	8,266,485	46,800	0	8,219,685	93,600
Plant & Machinery	108,716,477	3,124,797	44,635	111,796,639	92,841,615	17,509	99,996,956	15,874,862
Vehicles	8,947,041	0	0	8,947,041	7,066,888	486,772	7,553,660	1,880,153
Intangible Assets – Software	28,228,805	899,056	0	29,127,861	26,877,358	1,323,537	28,200,895	1,351,447
Total (A)	2,401,310,686	15,493,864,029	199,689	17,894,975,026	1,363,205,485	140,492	1,844,956,374	16,050,018,652@
Previous Year	1,616,019,983	795,347,032#	10,056,329&	2,401,310,686	1,234,655,394	1,676,361	1,363,205,485	1,038,105,201@
Capital Work in Progress								381,364,589@
Development Expenditure	9,639,957,699	5,291,638,951\$	14,922,382,119	9,214,531	0	0	0	9,214,531
Exploration Expenditure	615,531,380	70,537,916	41,110,132	644,959,164	0	0	0	644,959,164
(See Note 22 of Schedule 18)								615,531,380
Total (B)	10,255,489,079	5,362,176,867	14,963,492,251	654,173,695	0	0	0	10,255,489,079
Previous Year	4,021,871,328	6,896,105,967\$	662,488,216	10,255,489,079	0	0	0	10,255,489,079
GRAND TOTAL (A + B)	12,656,799,765	20,856,040,896	14,963,691,940	18,549,148,721	1,363,205,485	140,492	1,844,956,374	16,704,192,347
Previous Year	5,637,891,311	7,691,452,999	672,544,545	12,656,799,765	1,234,655,394	1,676,361	1,363,205,485	11,293,594,280
Fixed Assets include the Group's share in Joint Venture Assets								4,403,235,917
– Current Year	12,469,976,580	20,854,446,609	14,963,542,482	18,360,880,707	1,285,716,018	475,366,263	40,683	1,761,041,598
– Previous Year	5,516,678,300	7,624,832,406	671,534,126	12,469,976,580	1,165,376,264	121,456,103	1,116,349	1,285,716,018
								11,184,260,562
								4,351,302,036

* including Rs. 9,382,637 (Previous Year: Rs. 8,534,997) charged to Producing Properties and Rs. Nil (Previous Year Rs. 3,028,357) charged to Development Expenditure and Rs. 60,504 (Previous Year: Rs. 17,004) charged to Exploration Expenditure.

@ including Rs. 21,122,860 (Previous Year: Rs. 16,559,177) of Other Fixed Assets considered for depletion of Producing Properties.

Additions/Adjustments to Producing Properties include (See Note 18 of Schedule 18):

- decrease in undiscounted estimated future Site Restoration cost of Rs. 30,817,500 (Previous Year increase of Rs. 59,535,000) on account of change in foreign exchange rates.
- increase in Site Restoration cost of Rs. 546,210,000 (Previous Year Rs. 1,400,000).

& Deductions to producing properties represents insurance claim received for PD-3 well in PY-3 block amounting to Rs. Nil (Previous Year Rs. 7,768,846).

\$ Additions to Capital Work in Progress includes:

- Borrowing Cost Rs. 8,654,175 (Previous Year Rs. 75,593,734) capitalised as Development Expenditure.
- Net foreign exchange gain of Rs. 261,532,172 (Previous Year exchange loss of Rs. 133,793,106) capitalised as Development Expenditure. (See Note 21 of Schedule 18).

Schedules Forming Part of the Consolidated Balance Sheet as at March 31, 2010

in Rupees

	As at March 31, 2010	As at March 31, 2009
SCHEDULE 6		
INVESTMENTS (FULLY PAID) – At Cost		
LONG TERM		
QUOTED (TRADE)		
318 Equity Shares of Rs. 10 each of Reliance Industries Limited	25,975	25,975
318 Equity Shares of Rs. 5 each of Reliance Communication Ventures Limited	19,332	19,332
318 Equity Shares of Rs. 5 each of Reliance Natural Resources Limited	350	350
23 Equity Shares of Rs. 10 each of Reliance Energy Limited	3,219	3,219
15 Equity Shares of Rs. 10 each of Reliance Capital Limited	166	166
UNQUOTED (NON TRADE)		
100,000 Equity Shares of Rs. 10 each of Gujarat Securities Limited	1,000,000	1,000,000
CURRENT		
UNQUOTED (NON TRADE)		
UNITS OF MUTUAL FUNDS	68,973,445	156,903,182
	70,022,487	157,952,224
Less: Provision for Diminution in Value of Investments	999,999	999,999
	69,022,488	156,952,225
Aggregate Cost of Quoted Investments	49,042	49,042
Market Value of Quoted Investments	445,773	571,319
Aggregate Cost of Unquoted Investments	69,973,445	157,903,182
SCHEDULE 7		
CURRENT ASSETS, LOANS AND ADVANCES		
(A) INVENTORIES		
Crude Oil, Condensate and Natural Gas	100,960,540	49,587,439
Stores, Spares, Capital Stock and Drilling Tangibles (See Note 20 of Schedule 18)	331,524,021	613,326,864
Goods in Transit	1,809,269	6,487,394
Materials Unpacked	6,101,698	3,364,302
Materials Packed	8,113,772	9,626,839
Packing Material	1,553,104	1,407,641
	450,062,404	683,800,479
(B) SUNDRY DEBTORS		
Outstanding for a Period More Than Six Months		
Considered Good	196,437	38,396,792
Considered Doubtful	1,646,896	2,020,519
Others		
Considered Good	427,496,542	154,594,635
	429,339,875	195,011,946
Less: Provision for Doubtful Debts	1,646,896	2,020,519
	427,692,979	192,991,427

Schedules Forming Part of the Consolidated Balance Sheet as at March 31, 2010

	in Rupees	
	As at March 31, 2010	As at March 31, 2009
SCHEDULE 7 (Contd.)		
CURRENT ASSETS, LOANS AND ADVANCES (Contd.)		
(C) CASH AND BANK BALANCES		
Cash on Hand	18,588	28,258
Balances with Scheduled Banks		
Current Accounts (See Note 6 (a) of Schedule 18)	26,630,206	55,988,087
Unclaimed/Unpaid Dividend Accounts	5,172,671	6,725,124
Unclaimed/Unpaid Share Application Money	439,976	473,680
Deposit Accounts (See Notes 5 and 6 (b) of Schedule 18)	744,474,999	2,642,890,982
Balances with Non-Scheduled Bank		
Current Account	24,381,396	60,673,355
	801,117,836	2,766,779,486
(D) OTHER CURRENT ASSETS		
Interest Accrued on Bank Deposits	2,182,492	3,596,085
	2,182,492	3,596,085
(E) LOANS AND ADVANCES (See Note 1 below)		
Advances Recoverable in Cash or in Kind or for Value to be Received (See Note 2 below)	269,554,230	403,933,107
CENVAT/Service Tax Input Credit	1,082,473	1,549,934
MAT Credit Entitlement (See Note 15 (i) of Schedule 18)	135,362,448	31,000,000
Advance Income Tax [Net of Provision for Taxation of Rs. 431,314,979 (Previous Year Rs. 141,958,496)]	251,944,239	183,207,813
Advance Fringe Benefit Tax [Net of Provision for Taxation of Rs. 7,386,317 (Previous Year Rs. 7,410,000)]	1,246,599	1,237,376
	659,189,989	620,928,230
Less: Provision for Doubtful Advances (See Notes 1 & 2 below)	15,556,856	15,556,856
	643,633,133	605,371,374
TOTAL (A+B+C+D+E)	2,324,688,844	4,252,538,851
Notes:		
1. Of the above:		
Unsecured, Considered Good	643,633,133	605,371,374
Unsecured, Considered Doubtful (See Note 2(a) below)	15,556,856	15,556,856
	659,189,989	620,928,230
2. Advances Recoverable in Cash or in Kind or for Value to be Received includes:		
a. Capital Advance Rs. 1,354,621 (Previous Year Rs. 1,354,621) for which a provision of Rs. 1,354,621 (Previous Year Rs. 1,354,621) has been made.		
b. Unamortised Borrowing Cost of Rs. 15,413,163 (Previous Year Rs. 19,884,941)		
c. Advance Profit Petroleum Payment made to Government of India Rs. 100,921,368 (Previous Year Rs. 114,594,339).		

Schedules Forming Part of the Consolidated Balance Sheet as at March 31, 2010

	in Rupees	
	As at March 31, 2010	As at March 31, 2009
SCHEDULE 8		
CURRENT LIABILITIES AND PROVISIONS		
(A) CURRENT LIABILITIES		
Sundry Creditors		
– Outstanding Dues to Micro Enterprises and Small Enterprises	685,958	7,146
– Outstanding Dues to Creditors other than Micro Enterprises and Small Enterprises (See Notes 2 below)	615,038,592	3,538,984,347
Unclaimed / Unpaid Dividend (See Note 1 below)	5,172,671	6,725,124
Unclaimed / Unpaid Application Money (See Note 1 below)	439,976	473,680
Other Liabilities	80,987,852	174,299,948
	702,325,049	3,720,490,245
(B) PROVISIONS		
Provision for Compensated Absences	4,078,175	4,814,934
Provision for Site Restoration (Refer Note 18 of Schedule 18)	801,505,000	286,112,500
Provision for Taxation		
– Income Tax [Net of Advance Tax of Rs. 497,774,146 (Previous Year Rs. 668,754,162)]	42,723,634	50,643,618
– Wealth Tax [Net of Advance Tax of Rs. 599,926 (Previous Year Rs. 480,311)]	438,074	357,689
– Fringe Benefit Tax [Net of Advance Tax of Rs. 3,920,224 (Previous Year Rs. 3,889,684)]	177,316	222,316
	848,922,199	342,151,057
TOTAL (A) + (B)	1,551,247,248	4,062,641,302
Notes:		
1. There are no amounts due and outstanding, to be credited to the Investor Education and Protection Fund.		
2. Includes Deposits received by HOEC Bardahl India Limited, the Wholly Owned Subsidiary Rs. 2,824,979 (Previous Year Rs. 1,755,842).		

Schedules Forming Part of the Consolidated Profit and Loss Account for the Year Ended March 31, 2010

	in Rupees	
	Year ended March 31, 2010	Year ended March 31, 2009
SCHEDULE 9		
SALES (See Note 27 of Schedule 18)		
Sale of Crude Oil, Condensate and Natural Gas	1,457,752,788	831,411,800
Less: Profit Petroleum to Government of India (See Note 25 of Schedule 18)	64,258,545	6,322,445
	1,393,494,243	825,089,355
Gross Sale of Oil Additives	178,067,628	184,368,988
Less: Excise Duty	14,373,000	22,549,970
Net Sale of Oil Additives	163,694,628	161,819,018
	1,557,188,871	986,908,373
SCHEDULE 10		
INCREASE/(DECREASE) IN STOCK OF CRUDE OIL, CONDENSATE AND NATURAL GAS		
Increase/(Decrease) in Gross Stock of Crude Oil, Condensate and Natural Gas	51,373,101	(22,436,780)
Less: Profit Petroleum to Government of India (See Note 25 of Schedule 18)	1,654,669	0
	49,718,432	(22,436,780)

Schedules Forming Part of the Consolidated Profit and Loss Account for the Year Ended March 31, 2010

	in Rupees	
	Year ended March 31, 2010	Year ended March 31, 2009
SCHEDULE 11		
OTHER INCOME		
Interest Income (Gross) on Bank Deposits [Tax Deducted at Source Rs. 1,307,640 (Previous Year Rs. 2,860,251)]	22,264,794	24,996,550
Dividend from Long Term – Trade Investments	4,647	4,134
Dividend from Current – Non Trade Investments	21,734,746	397,508,231
Gain on Foreign Exchange Fluctuation (Net) (See Note 21 of Schedule 18)	85,568,678	36,203,165
Excess Liabilities/Provisions Written Back (See Notes 8 and 9 of Schedule 18)	13,015,269	2,730
Miscellaneous Income (See Notes 23 and 26 of Schedule 18)	1,232,550	6,610,460
	143,820,684	465,325,270
SCHEDULE 12		
FIELD OPERATING EXPENSES		
Hire Charges (See Note 17 of Schedule 18)	171,313,467	379,941,808
Insurance	19,108,645	2,703,219
Fuel, Water and Others	6,643,891	12,716,654
Production Expenses	113,001,777	22,905,921
Royalty, Cess & Other Duties	68,618,105	1,985,516
Other Expenses	12,226,654	9,804,289
	390,912,539	430,057,407
SCHEDULE 13		
COST OF GOODS FOR RESALE		
Materials Packed & Unpacked		
Opening Stock	12,991,141	8,272,246
Add: Purchases	49,953,474	45,860,041
	62,944,615	54,132,287
Less: Closing Stock	14,215,470	12,991,141
Less: Cost of Samples & Replacements	500,616	463,818
	48,228,529	40,677,328
Packing Materials		
Opening Stock	1,407,641	1,433,574
Add: Purchases	13,381,254	13,226,521
	14,788,895	14,660,095
Less: Closing Stock	1,553,104	1,407,641
	13,235,791	13,252,454
Repacking Expenses	4,319,111	4,203,014
Excise Duty	844,032	1,276,682
Municipal Cess Tax	687,651	680,277
	67,315,114	60,089,755

Schedules Forming Part of the Consolidated Profit and Loss Account for the Year Ended March 31, 2010

	in Rupees	
	Year ended March 31, 2010	Year ended March 31, 2009
SCHEDULE 14		
CORPORATE EXPENSES (NET)		
(A) STAFF EXPENSES		
Salaries, Allowances and Bonus (See Notes 7 (a) and 8 of Schedule 18)	101,396,602	92,361,389
Contribution to Provident and Other Funds (See Notes 7 (a) and 9 (A) of Schedule 18)	9,969,034	9,658,508
Welfare Expenses	3,145,083	3,353,411
	114,510,719	105,373,308
(B) ESTABLISHMENT EXPENSES		
Office and Guest House Rent	11,420,565	14,116,259
Electricity	2,102,395	2,140,931
Rates and Taxes	514,385	396,241
Repairs and Maintenance – Others	12,033,565	10,960,822
General Office Expenses	763,416	806,717
	26,834,326	28,420,970
(C) OTHER EXPENSES		
Travelling and Conveyance	5,112,562	6,940,648
Communication Expenses	3,661,012	5,456,599
Printing and Stationery	2,505,362	2,620,058
Legal and Professional Expenses (See Note below)	34,455,677	41,201,141
Insurance	215,929	202,396
Directors' Sitting Fees and Commission (See Note 7(b) of Schedule 18)	6,170,000	205,000
Auditors' Remuneration (including for Subsidiary) (See Note below)		
As Statutory Auditors	1,520,000	1,320,000
For Tax Audit	150,000	150,000
For Other Matters	400,400	37,300
For Reimbursement of Expenses	108,763	60,258
Service Tax	0	0
[Net of Service Tax Input Credit of Rs. 214,225 (Previous Year Rs. 154,088)]		
	2,179,163	1,567,558
Loss on Sale of / Discarded Assets (Net)	41,925	483,889
Miscellaneous Expenses	8,124,032	8,303,319
	62,465,662	66,980,608
(D) TOTAL CORPORATE EXPENSES (A+B+C)	203,810,707	200,774,886
(E) LESS: RECOVERY OF EXPENSES (See Note 19 of Schedule 18)	188,600,769	172,864,176
	15,209,938	27,910,710

Note:

Auditors' Remuneration for the current year excludes and Legal and Professional Expenses includes Rs. 1,400,000 (Previous Year Rs. 1,225,000) (Excluding Service Tax) paid/payable towards tax matters to a firm in which some partners of the audit firm are partners.

Schedules Forming Part of the Consolidated Profit and Loss Account for the Year Ended March 31, 2010

	in Rupees	
	Year ended March 31, 2010	Year ended March 31, 2009
SCHEDULE 15		
MARKETING & SELLING EXPENSES		
MARKETING & DISTRIBUTION EXPENSES		
Incentives	6,440,248	6,385,522
Product Promotion Expenses	12,288,814	14,820,947
Advertisement	129,000	158,557
Rebates and Discounts	12,502,496	14,153,464
Sales Promotion	2,238,485	2,557,491
Samples & Replacement	536,381	489,159
Others	354,184	724,618
	34,489,608	39,289,758
SELLING EXPENSES		
Commission	212,089	393,713
Field Staff Expenses	2,290,428	2,040,923
	2,502,517	2,434,636
	36,992,125	41,724,394
SCHEDULE 16		
INTEREST AND FINANCE CHARGES		
Interest on Fixed Loans	75,943,045	56,802,638
Bank Charges and Commission	1,199,481	466,942
Other Finance Charges	3,513,998	46,747,987
	80,656,524	104,017,567

Notes:

1. The above excludes Interest and Finance Charges capitalised during the year to Development Expenditure Rs. 8,654,175 (Previous Year Rs. 75,593,734) in accordance with Accounting Standard 16 – Borrowing Costs.
2. Other Finance Charges include exchange difference arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs covered under Accounting Standard 16 (AS 16) – Borrowing Costs amounting to Rs. Nil (Previous Year Rs. 5,112,247).

Schedules Forming Part of the Consolidated Accounts for the Year Ended March 31, 2010

SCHEDULE 17

SIGNIFICANT ACCOUNTING POLICIES

1. Accounting Convention

The financial statements of the Company and its wholly owned subsidiary ("the Group") have been prepared under the historical cost convention in accordance with the generally accepted accounting principles in India including relevant provisions of the Companies Act, 1956 and accounting standards notified by the Government of India, as applicable.

2. Use of Estimates

The preparation of the financial statements requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period like depletion of producing properties, estimate of site restoration liability, expensing of the estimated site restoration liability, provision for employee benefits, useful lives of fixed assets, provision for doubtful debts and advances, provision for tax, recognition of MAT Credit, recognition of deferred tax asset etc. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results may vary from these estimates. Any revisions to accounting estimates are recognised prospectively.

3. Basis of Consolidation

The financial statements of the Group have been consolidated on a line by line basis after eliminating all significant intra-group transactions in accordance with the Accounting Standard 21 'Consolidated Financial Statements'.

4. Exploration and Development Costs

The Company generally follows the "Successful Efforts Method" of accounting for its exploration and production activities as explained below:

- (i) Cost of exploratory wells, including survey costs, is expensed in the year when the well is determined to be dry/abandoned or is transferred to the producing properties on attainment of commercial production.
- (ii) Cost of all appraisal programmes related to a Discovery are initially capitalised as "Capital Work in Progress". If a Discovery is determined to be commercial pursuant to the appraisal programme, all appraisal costs, including the cost of unsuccessful appraisal wells, if any, are capitalised on attainment of commercial production. If at the end of the appraisal programme, the Discovery is relinquished, then all appraisal costs related to Discovery are charged to Profit and Loss Account.
- (iii) Cost of temporary occupation of land, successful exploratory wells, appraisal wells, development wells and all related development costs, including depreciation on support equipment and facilities, are considered as development expenditure. These expenses are capitalised as producing properties on attainment of commercial production.
- (iv) Producing properties, including the cost incurred on dry/abandoned wells in development areas, are depleted using "Unit of Production" method based on estimated proved developed reserves. Any changes in Reserves and/or Cost are dealt with prospectively from the beginning of the year of such change. Hydrocarbon reserves are estimated and/or approved by the Management Committees of the Unincorporated Joint Ventures, which follow the International Reservoir Engineering Principles.
- (v) If the Company/Unincorporated Joint Venture were to relinquish a block or part thereof, the accumulated acquisition and exploration costs carried in the books related to the block or part thereof, as the case may be, are written off as a charge to the Profit and Loss Account in the year of relinquishment.

Explanatory Note

1. All exploration costs including acquisition of geological and geophysical seismic information, license, depreciation on support equipment and facilities and acquisition costs are initially capitalized as "Capital Work in Progress – Exploration Expenditure", until such time as either the exploration well(s) in the first drilling campaign is determined to be successful, at which point the costs are transferred to "Producing Properties", or it is unsuccessful in which case such costs are written off consistent with para 2 below.
2. Exploration costs associated with drilling, testing and equipping exploratory well(s) are initially capitalized as "Capital Work in Progress – Exploration Expenditure" and retained in Capital Work in Progress – Exploration Expenditure so long as:
 - (a) such well has found potential commercial reserves; or
 - (b) such well test result is inconclusive and is subject to further exploration or appraisal activity like acquisition of seismic, or re-entry of such well, or drilling of additional exploratory/step out well in the area of interest, such activity to be carried out no later than 2 years from the date of completion of such well testing;
 - until such time as such costs are transferred to "Producing Properties" on attainment of commercial production;
 - or
 - else charged to the Profit and Loss Account.

Management makes quarterly assessment of the amounts included in "Capital Work in Progress – Exploration Expenditure" to determine whether capitalization is appropriate and can continue. Exploration well(s) capitalized beyond 2 years are subject to additional judgment as to whether facts and circumstances have changed and therefore the conditions described in 2(a) and (b) no longer apply.

Schedules Forming Part of the Consolidated Accounts for the Year Ended March 31, 2010

SCHEDULE 17 — SIGNIFICANT ACCOUNTING POLICIES (Contd.)

5. Site Restoration

Estimated future liability relating to dismantling and abandoning producing well sites and facilities is recognised when the installation of the production facilities is completed based on the estimated future expenditure determined by the Management in accordance with the local conditions and requirements. The corresponding amount is added to the cost of the producing property and is expensed in proportion to the production for the year and the remaining estimated proved reserves of hydrocarbons based on latest technical assessment available with the Company. Any change in the value of the estimated liability is reflected as an adjustment to the provision and the corresponding producing property.

6. Impairment

At each Balance Sheet date, the Group reviews the carrying amount of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss.

Where the impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but not exceeding the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior accounting periods.

7. Unincorporated Joint Ventures

The financial statements of the Group reflect the Company's share of assets, liabilities, income and expenditure of the Joint Venture operations which are accounted on the basis of available information in the audited financial statements of the Unincorporated Joint Ventures on line by line basis with similar items in the Group's accounts to the extent of the participating interest of the Company as per the various "Production Sharing Contracts". The financial statements of the Unincorporated Joint Ventures are prepared by the respective Operators in accordance with the requirements prescribed by the respective Production Sharing Contracts of the Unincorporated Joint Ventures. Hence, in respect of these Unincorporated Joint Ventures, certain adjustments/disclosures required under the mandatory Accounting Standards as notified by the Government of India, the Companies Act, 1956 and other pronouncements of The Institute of Chartered Accountants of India have been made in the financial statements of the Group only to the extent of information available with the Company. Such information may pertain to transactions with related parties, details of commitments and contingencies, information relating to valuation of stores, spares, capital stock and drilling tangibles, information relating to foreign exchange differences, particulars of unhedged foreign currency exposure of the respective Unincorporated Joint Ventures, details of leases and details relating to fixed assets.

8. Fixed Assets

Fixed assets are stated at cost inclusive of all incidental expenses. In the case of the Subsidiary, Cost is calculated net of Cenvat, Value Added tax, wherever applicable.

9. Depreciation

- (i) Depreciation is provided on the "Written Down Value" method at the rates specified in Schedule XIV of the Companies Act, 1956.
- (ii) In the case of additions during the year, depreciation is provided for the full year irrespective of the date of installation and no depreciation is provided in the year of sale/disposal.
- (iii) Improvements to Leasehold premises are amortised over the remaining primary lease period.
- (iv) Computer software is amortised over their respective license periods or 10 years, whichever is lower.
- (v) Assets individually costing less than or equal to Rs. 5,000 are fully depreciated in the year of acquisition.
- (vi) Depreciation is accelerated on fixed assets, based on their condition, usability etc. as per the estimates of the Management, wherever necessary.

10. Investments

Investments are capitalised at cost plus brokerage and stamp charges. Long-term investments are valued at cost. Provision is made for diminution, other than temporary, in the value of long-term investments. Current investments are valued at the lower of cost and fair value on individual scrip basis.

11. Inventories

- (i) Closing stock of crude oil, condensate and natural gas in saleable condition is valued at estimated Net Realisable Value less estimated selling costs.
- (ii) Stores, spares, capital stock and drilling tangibles are valued at cost on FIFO/weighted average basis, as applicable or estimated net realisable value, whichever is lower.
- (iii) Inventory of Oil additives are valued at lower of Cost or Net Realisable Value. Cost is identified on a specific identification basis. Cost of unpacked materials includes freight, customs duty, insurance, clearing charges and is net of excise duty. Cost of packed materials includes materials and repacking cost and excise duty wherever applicable. Obsolescence of inventory is determined on the material consumption pattern/specific review and is accordingly provided for.

Schedules Forming Part of the Consolidated Accounts for the Year Ended March 31, 2010

SCHEDULE 17 — SIGNIFICANT ACCOUNTING POLICIES (Contd.)

12. Miscellaneous Expenditure

Share issue expenses are either debited to the Profit and Loss Account or adjusted against the securities premium account in accordance with Section 78 of the Companies Act, 1956, based on Management's decision.

13. Revenue Recognition

- (i) Revenue from the sale of crude oil, condensate and natural gas, net of Government's share of Profit Petroleum (calculated as per the provisions of the respective Production Sharing Contracts), where applicable, and Value Added Tax, is recognised on transfer of custody.
- (ii) Sale is recorded at the invoiced price, which is subject to the approval of the Government of India, Ministry of Petroleum & Natural Gas (MOP&NG). The difference between the invoiced price and the final approved price, if any, is adjusted in the year in which the aforesaid approval is received. Also see Note 27(i) of Schedule 18.
- (iii) Sales of Oil Additives are recognised on shipment or dispatch to customers. Such sales are stated exclusive of Value Added Tax, Central Sales tax and are net of Sales return and Trade Discount. Excise duty deducted from gross turnover (gross) is the amount that is included in the amount of gross turnover.
- (iv) Delayed payment charges, interest on delayed payments and interest on income tax refunds are recognised as and when there is no uncertainty in the determination/receipt of the amount, on grounds of prudence.

14. Employee Benefits

(a) Defined Contribution Plan

- (i) Provident Fund: Contributions towards Employees' Provident Fund are made by the Group to the Employees Provident Fund Scheme in accordance with the statutory provisions.
- (ii) Superannuation: The Company contributes a sum equivalent to 15% of eligible employees basic salary to a Superannuation Fund administered by trustees. The Company has no liability for future Superannuation Fund benefits other than its annual contribution and recognizes such contributions as an expense in the year of incurrence.

(b) Defined Benefit Plan

The Group makes annual contribution to a Gratuity Fund administered by trustees and managed by the Life Insurance Corporation of India. The Group accounts its liability for future gratuity benefits based on actuarial valuation, as at the Balance Sheet date, determined every year by an Actuary appointed by the Group using the Projected Unit Credit method. Actuarial gains/losses are recognised in the Profit and Loss Account. Obligation under the defined benefit plan is measured at the present value of estimated future cash flows. The estimate of future salary increase takes into account inflation, likely increments, promotions and other relevant factors.

(c) Compensated Absences

The liability for long term compensated absences carried forward on the balance sheet date is provided for based on actuarial valuation done by an independent actuary using the Projected Unit Credit method at the end of each accounting period. Short term compensated absences is recognized based on the eligible leave at credit on the Balance Sheet date and is estimated based on the terms of the employment contract.

(d) Other Employee Benefits

Other employee benefits, including allowances, incentives etc. are recognised based on the terms of the employment contract.

15. Borrowing Cost

Eligible borrowing cost specifically identified to the acquisition, construction or production of qualifying assets are capitalized as part of such asset. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. Other borrowing costs are charged to the Profit and Loss Account.

16. Foreign Currency Transactions

Foreign currency transactions are accounted at the exchange rates ruling on the date of the transactions. Foreign currency monetary items as at the Balance Sheet date, are restated at the closing exchange rates. Exchange differences arising on actual payments/realisations and year-end restatements of foreign currency monetary items, excluding long term foreign currency monetary items (see below), are dealt with in the Profit and Loss Account.

Exchange differences, both realised and unrealised, arising on reporting of long term foreign currency monetary items (as defined in the Accounting Standard – 11 notified by the Government of India) relating to the acquisition of a depreciable capital asset are added to/deducted from the cost of the asset and in other cases unrealised exchange differences are accumulated in a "Foreign Currency Monetary Item Translation Difference Account" in the Company's Balance Sheet and is amortized over the balance period of such long term asset/liability but not beyond March 31, 2011, by recognition as income or expense in each of such periods.

Also See Note 21 of Schedule 18.

Schedules Forming Part of the Consolidated Accounts for the Year Ended March 31, 2010

SCHEDULE 17 — SIGNIFICANT ACCOUNTING POLICIES (Contd.)

17. Taxation

Income Tax: Current tax is the amount of tax payable on the taxable income for the year and is provided with reference to the provisions of the Income Tax Act, 1961.

Deferred Tax: Deferred tax is recognised, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax asset is recognised when there is a reasonable certainty of future taxable income except for deferred tax assets in respect of unabsorbed loss or depreciation where it is recognised only if there is a virtual certainty with convincing evidence.

MAT Credit: Minimum Alternate Tax (MAT) Credit is recognised as an asset only when and to the extent there is convincing evidence that the Company/its Wholly Owned Subsidiary (as applicable) will pay normal income tax during the specified period in accordance with the Guidance Note on "Accounting for Credit Available in respect of Minimum Alternate Tax under Income Tax Act, 1961". In the year in which the MAT Credit becomes eligible to be recognised as an asset, the said asset is created by way of a credit to the Profit and Loss Account and shown as MAT Credit Entitlement. The Group reviews the same at each Balance Sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that the Group will pay normal income tax during the specified period.

18. Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised only when the Group has present or legal obligations as a result of past events for which it is probable that an outflow of economic benefit will be required to settle the transaction and when a reliable estimate of the amount of obligation can be made. Contingent liability is disclosed for (i) possible obligations which will be confirmed only by future events not wholly within the control of the Group or (ii) present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made. Contingent assets are not recognised in the financial statements since this may result in the recognition of income that may never be realised.

SCHEDULE 18

NOTES TO THE CONSOLIDATED ACCOUNTS

1. Consolidated Financial Statements

The Group's consolidated financial statements include the financial statements of Hindustan Oil Exploration Company Limited ("the Company") and those of HOEC Bardahl India Limited, a wholly owned subsidiary, incorporated in India.

2. Commencement of Production from PY-1

During the current year ended March 31, 2010, the Company has commenced production of Natural Gas and Condensate from PY-1 Field. The Natural Gas from PY-1 Field is supplied to GAIL (India) Limited ("GAIL") pursuant to the Gas Sales Agreement entered into between the Company and GAIL dated September 18, 2009. Pursuant to the Production Sharing Contract for the PY-1 Field, Chennai Petroleum Corporation Limited (CPCL) is designated as the Government nominee for purchasing the Condensate produced from the field.

3. Secured Loans (Foreign Currency and Rupee Term Loans)

(a) The term loans from State Bank of India, Axis Bank and HDFC Bank amounting to Rs. 479,900,983 as at March 31, 2010 (Rs. 712,047,320 as at March 31, 2009), are secured by way of charge on the Company's Participating Interest in PY-3 and Palej Fields, first charge on the Company's share of Crude Oil Receivables from PY-3 and Palej Fields and charge on the Debt Service Reserve Account. See Note 6 below.

(b) The term loans from Axis Bank amounting to Rs. 347,276,208 as at March 31, 2010 [(Rs. 592,793,523 as at March 31, 2009) from Axis Bank, Bank of India, Canara Bank, Export-Import Bank of India, Indian Overseas Bank, Syndicate Bank, The Federal Bank Limited and Union Bank of India] are secured by way of charge on all movable properties pertaining to PY-1 Gas Project, the Company's Participating Interest in PY-1 Field and on the PY-1 Trust and Retention Accounts. See Note 6 below.

During the year ended March 31, 2010, the Company has repaid the loans taken from Bank of India, Canara Bank, Export Import Bank of India, Indian Overseas Bank, Syndicate Bank, The Federal Bank Limited and Union Bank of India.

4. Unsecured Loan from ENI Coordination Center S.A, Belgium

Pursuant to the Loan Agreement entered into by the Company with ENI Coordination Center S.A, Belgium dated February 6, 2009, the Company has availed an Unsecured Loan amounting to USD 125,000,000 (Equivalent Rs. 5,697,500,000 as at March 31, 2010) during the year ended March 31, 2010 for the purpose of *inter-alia* financing the development capital expenditure in PY-1 and general corporate purposes.

Schedules Forming Part of the Consolidated Accounts for the Year Ended March 31, 2010

SCHEDULE 18 — NOTES TO THE CONSOLIDATED ACCOUNTS (Contd.)

5. Rights Issue of Equity Shares

On January 24, 2008, an allotment of 52,180,621 Equity Shares of Rs. 10 each was made consequent to the Rights Issue of 52,217,720 Equity Shares of Rs. 10 each at a premium of Rs. 107 per Share to the then existing Shareholders of the Company in the ratio of Two Equity Shares for every Three Equity Shares held aggregating to Rs. 6,105,132,657. In terms of Clause No. 6.13.2.28 of SEBI (Disclosure and Investor Protection) Guidelines, 2000, as amended, the details of the utilisation of the proceeds of the Rights Issue are as under:

in Rupees

Block	Defined Programme	Utilisation up to March 31, 2010	Utilisation up to March 31, 2009
PY-1	Contribution towards Cash Calls for Development of Basement Gas Reservoir in PY-1 Field	5,682,477,915	3,546,064,141
PY-3 (CY-OS-90/1)	Contribution towards Cash Calls for Phase III Drilling Programme	387,350,353	341,404,559
Rights Issue Expenses	Rights Issue Expenses (Net)	15,304,389	15,304,389
General Corporate Purpose (See Note below)	Contribution towards Exploration Expenditure in Block AAP-ON-94/1 (Assam)	20,000,000	0
	Total	6,105,132,657	3,902,773,089

Note:

In accordance with the Rights Issue Letter of Offer, the Board of Directors, at their meeting held on April 23, 2009, approved the use of funds allocated as General Corporate Expenses towards Exploration Expenses and Repayment of Loan. Pursuant to the same, the Company has utilised Rs. 20,000,000 towards Exploration Expenditure in the Assam Block. The Rights Issue Proceeds have been fully utilised towards the objects stated in the Letter of Offer as certified by Monitoring Agency.

The balance amount of Rs. Nil (Rs. 2,202,359,568 as at March 31, 2009) has been invested in the following forms of investments:

in Rupees

Form of Investment	Amount as at March 31, 2010	Amount as at March 31, 2009	Schedule Reference
Bank Deposits	0	2,202,359,568	Cash and Bank Balances – Schedule 7(C)
Total	0	2,202,359,568	

6. Bank Balances – Scheduled Banks

- Current Accounts with Scheduled Banks include Lien Marked Accounts Rs. 1,261,453 as at March 31, 2010 (Rs. 3,025,946 as at March 31, 2009). See Note 3 above.
- Deposits with Scheduled Banks include:
 - Lien Marked Deposits Rs. 39,298,606 as at March 31, 2010 (Rs. 52,774,749 as at March 31, 2009). See Note 3 above.
 - Deposits amounting to Rs. 227,273,440 as at March 31, 2010 (Rs. 214,966,840 as at March 31, 2009) placed as “Site Restoration Fund” under Section 33ABA of the Income Tax Act, 1961.

7. Managerial Remuneration

a. Details of Managerial Remuneration Paid to Executive Director(s) of the Company

in Rupees

Particulars	2009-2010	2008-2009
Basic Pay	7,020,000	5,400,000
Allowances	8,564,871	6,592,222
Perquisites and Bonus (See Note 3 below)	2,538,275	1,366,335
Contribution to Provident and Superannuation Funds	1,895,400	1,458,000
Total (See Notes 1, 2 and 4 below)	20,018,546	14,816,557

Notes:

- The above Managerial Remuneration does not include an amount of Rs. Nil (Previous Year Rs. 40,000) paid to the erstwhile Managing Director as sitting fee for attending Board/Committee meetings. The erstwhile Managing Director and the current Managing Director of the Company did not/does not draw any other remuneration from the Company.
- The above Managerial Remuneration does not include the cost of 4,895 Employee Stock Options granted during the year 2009-2010 for the year 2008-2009 (4,498 Employee Stock Options granted during the year 2008-2009 for the year 2007-2008), pursuant to LTIP Scheme 2005. See Note 8 below.

Schedules Forming Part of the Consolidated Accounts for the Year Ended March 31, 2010

SCHEDULE 18 — NOTES TO THE CONSOLIDATED ACCOUNTS (Contd.)

3. In computing the above Managerial Remuneration, perquisites have been valued in terms of actual expenditure incurred by the Company in providing the benefits or notional amount as per Income Tax Rules has been added, where the actual amount of expenditure cannot be ascertained.
4. As per the practice followed by the Company, gratuity and eligible compensated absences is payable at the time of retirement/separation and, hence, gratuity and compensated absences are included in the remuneration of the year in which they are payable. Similarly, annual variable pay and long term incentive benefits are included in the remuneration of the year in which they are awarded.

b. Details of Managerial Remuneration Paid to Non-Executive Directors of the Company

in Rupees		
Particulars	2009-2010	2008-2009
Sitting Fees	170,000	165,000
Commission	6,000,000	0

Note:

In addition, 5,550 Employee Stock Options were granted during the year 2009-2010, to the Independent Director(s) of the Company for the year 2008-2009 (9,274 Employee Stock Options granted during the year 2008-2009 for the year 2007-2008), pursuant to LTIP scheme 2005. See Note 8 below.

8. Long Term Incentive Plan, Scheme 2005

Under the HOEC Limited Employee Stock Option Scheme – 2005 (ESOS Scheme) approved by the Shareholders, and as amended from time to time, the Board had on January 27, 2010 approved grant of 16,828 options (Previous Year 17,613 options approved on July 28, 2008) to the eligible Employees and eligible Directors at Nil exercise price as part of the Long Term Incentive Plan (LTIP). In terms of the ESOS Scheme, the options would vest at the third anniversary of the end of the financial year for which the grant corresponds to. For the financial year 2009-2010, an aggregate amount of Rs. 16,200,000 (Previous Year Rs. 20,900,000) has been provided towards performance bonus and stock options as per the LTIP Scheme 2005. During the year, the Company has written back excess provision towards cash and ESOS (deferred bonus) made during the prior years amounting to Rs. 8,813,666 based on the approval/ratification of the Board of Directors of the Company, at its meeting held on April 30, 2010.

Method Used for Accounting for Share Based Payment Plan:

Under the LTIP Scheme 2005, the eligible employees are granted options in the succeeding year after adoption of the Annual Audited Accounts for the given year. The Company charges the entire amount provided towards performance bonus and stock options to the Profit and Loss Account in the year for which the grant corresponds to. Any upward variation in the market price/acquisition price of the ESOS stocks, as may be applicable, as on the date of Balance Sheet, is charged to the Profit and Loss Account for the period as per LTIP.

Particulars	Number of Shares Arising Out of Options	
	2009-2010	2008-2009
Outstanding at the beginning of the year	32,682	15,069
Granted during the year (See Note below)	16,828	17,613
Forfeited/lapsed during the year	0	0
Exercised during the year	15,069	0
Outstanding at the end of the year	34,441	32,682
– Vested	0	0
– Yet to Vest	34,441	32,682

Note:

The number of options granted during the year is net of 12,215 options (Previous Year Nil) originally granted to a grantee, who has declined to accept the grant of options.

Fair Value Methodology

The fair value of the options granted under LTIP Scheme 2005 approximates the intrinsic value of the options on the date of the grant and hence, the proforma disclosures as required by the Guidance Note on Employee Share Based Payments have not been disclosed.

Schedules Forming Part of the Consolidated Accounts for the Year Ended March 31, 2010

SCHEDULE 18 — NOTES TO THE CONSOLIDATED ACCOUNTS (Contd.)

9. Employee Benefits

A. Gratuity

The Group's Obligation towards the Gratuity Fund is a Defined Benefit Plan. During the current year, the Company has reversed the excess Projected Benefit Obligation amounting to Rs. 2,876,908, as at April 1, 2009 based on the gratuity scheme applicable to the Company.

Details of Actuarial Valuation are given below:

	in Rupees	
Particulars	2009-2010	2008-2009
Projected Benefit Obligation as at the Beginning of the Year	9,924,725	7,928,531
Reversal of Excess Liability	(2,876,908)	0
Service Cost	1,194,946	1,554,106
Interest Cost	577,411	628,125
Actuarial (Gains)/Losses	(169,499)	264,343
Benefits Paid	(41,871)	(450,380)
Projected Benefit Obligation at the End of the Year	8,608,804	9,924,725
Change in Plan Assets		
Fair Value of Plan Assets as at the Beginning of the Year	3,216,749	1,689,742
Expected Returns on Plan Assets	354,849	209,100
Employer's Contribution	1,493,899	1,717,566
Benefits Paid	(41,871)	(450,380)
Actuarial Gains	49,240	50,721
Fair Value of Plan Assets as at the End of the Year	5,072,866	3,216,749
Amount Recognised in the Balance Sheet		
Present Value of Obligations as at the End of the Year	8,608,804	9,924,725
Fair Value of Plan Assets as at the End of the Year	5,072,866	3,216,749
Liability Recognised in the Balance Sheet	3,535,938	6,707,976
Cost of the Defined Benefit Plan for the Year		
Current Service Cost	1,194,946	1,554,106
Interest on Obligation	577,411	628,125
Expected Return on Plan Assets	(354,849)	(209,100)
Net Actuarial (Gains)/Losses	(218,739)	213,622
Net Cost Recognised in the Profit and Loss Account	1,198,769	2,186,753
Assumptions		
Discount Rate	8.00%-8.25%	7.50%-8.00%
Future Salary Increase (%)	6.50%-9.00%	6.50%-9.00%
Attrition Rate	1% to 5%	1% to 5%
Mortality Table	LIC (1994-96) published table	
Expected Rate of Return on Plan Assets	9.00%	9.00%

Notes:

1. The entire plan assets are managed by Life Insurance Corporation of India (LIC). The data on plan assets has not been furnished by the LIC.
2. The expected return on plan assets is as provided by an Independent Actuary appointed by the Group.
3. Discount rate is based on the prevailing market yields of Indian Government Bonds as at the Balance Sheet date for the estimated term of the obligation.

Schedules Forming Part of the Consolidated Accounts for the Year Ended March 31, 2010

SCHEDULE 18 — NOTES TO THE CONSOLIDATED ACCOUNTS (Contd.)

B. Compensated Absences

In the case of the Company, the key assumptions used in computation of provision for long term compensated absences as at March 31, 2010 are as given below:

Discount Rate (% p.a.)	8.25%
Future Salary Increase (% p.a.)	9.00%
Mortality Rate	LIC (1994-96) published table
Attrition (% p.a.)	1% to 5%

10. Segmental Reporting

Segment reporting in terms of Accounting Standard 17 is as under:

		in Rupees	
Particulars	2009-2010	2008-2009	
1 Segment Revenue			
— Hydro Carbon	1,547,011,704	872,363,034	
— Oil Additives	166,768,096	161,619,160	
— Inter-Company Elimination	(7,056,000)	(26,694,246)	
— Unallocated	44,004,187	422,508,915	
Gross Sales/Income from Operations	1,750,727,987	1,429,796,863	
2 Segment Results			
— Hydro Carbon	608,873,498	214,964,547	
— Oil Additives	34,293,323	9,559,422	
— Unallocated	44,004,187	422,508,915	
Total Profit before Tax	687,171,008	647,032,884	
3 Segment Assets			
— Hydro Carbon	17,847,980,052	12,656,548,351	
— Oil Additives	43,185,973	41,172,052	
— Unallocated	1,263,750,419	3,308,435,281	
Total Assets	19,154,916,444	16,006,155,684	
4 Segment Liabilities			
— Hydro Carbon	(1,483,925,386)	(3,982,125,269)	
— Oil Additives	(29,982,838)	(60,078,742)	
— Unallocated	(6,562,016,215)	(1,325,278,134)	
Total Liabilities	(8,075,924,439)	(5,367,482,145)	
5 Addition in Tangible & Intangible Fixed Assets			
— Hydro Carbon	5,891,818,396	7,027,694,030	
— Oil Additives	730,249	335,178	
— Unallocated	0	0	
Total Addition in Tangible & Intangible Fixed Assets	5,892,548,645	7,028,029,208	
6 Depreciation, Depletion and Amortisation			
— Hydro Carbon	471,949,918	118,185,100	
— Oil Additives	498,322	460,994	
— Unallocated	0	0	
Total Depreciation, Depletion and Amortisation	472,448,240	118,646,094	
7 Non-Cash Expenses other than Depreciation and/Amortisation			
— Hydro Carbon	0	0	
— Oil Additives	22,499	318,052	
— Unallocated	0	0	
Non-Cash Expenses other than Depreciation and/Amortisation	22,499	318,052	

Note:

The Group's operations are carried out only in India and the Group does not have any geographical segments other than India.

Schedules Forming Part of the Consolidated Accounts for the Year Ended March 31, 2010

SCHEDULE 18 — NOTES TO THE CONSOLIDATED ACCOUNTS (Contd.)

11. Unincorporated Joint Venture Operations

The Company has entered into Production Sharing Contracts (PSC) for Unincorporated Joint Ventures (UJV) in respect of certain properties with the Government of India and some bodies corporate. Details of these UJVs are as follows:

Sl. No.	Unincorporated Joint Ventures (See Note 1 below)	Partners	Share (%)	
			As at March 31, 2010	As at March 31, 2009
Licensed Production Sharing Contracts:				
1	PY-1	Hindustan Oil Exploration Company Ltd.	100.00	100.00
2	CY-OS/90-1 (PY-3)	Hardy Exploration & Production (India) Inc.	18.00	18.00
		Oil and Natural Gas Corporation Ltd.	40.00	40.00
		Hindustan Oil Exploration Company Ltd.	21.00	21.00
		Tata Petrodyne Ltd.	21.00	21.00
3	Asjol	Hindustan Oil Exploration Company Ltd.	50.00	50.00
		Gujarat State Petroleum Corporation Ltd.	50.00	50.00
4	North Balol	Hindustan Oil Exploration Company Ltd.	25.00	25.00
		Gujarat State Petroleum Corporation Ltd.	45.00	45.00
		Heramec Ltd.	30.00	30.00
5	CB-ON/7 (Palej)	Exploration Area		
		Hindustan Oil Exploration Company Ltd.	50.00	50.00
		Gujarat State Petroleum Corporation Ltd.	50.00	50.00
		Development Area		
		Hindustan Oil Exploration Company Ltd.	35.00	35.00
		Gujarat State Petroleum Corporation Ltd.	35.00	35.00
6	CB-OS/1	Oil and Natural Gas Corporation Ltd.	30.00	30.00
		Exploration Area		
		Oil and Natural Gas Corporation Ltd.	32.89	32.89
		Hindustan Oil Exploration Company Ltd.	57.11	57.11
		Tata Petrodyne Ltd.	10.00	10.00
		Development Area		
		Oil and Natural Gas Corporation Ltd.	55.26	55.26
		Hindustan Oil Exploration Company Ltd.	38.07	38.07
7	GN-ON-90/3 (Pranhita Godavari) (See Note 2 below)	Tata Petrodyne Ltd.	6.67	6.67
		Hindustan Oil Exploration Company Ltd.	75.00	75.00
		Mafatlal Industries Ltd.	25.00	25.00
8	AAP-ON-94/1	Hindustan Oil Exploration Company Ltd.	40.323	40.323
		Indian Oil Corporation Ltd.	43.548	43.548
		Oil India Ltd.	16.129	16.129
9	RJ-ONN-2005/1 (See Note 3 below)	Hindustan Oil Exploration Company Ltd.	25.00	25.00
		Bharat Petro Resources Ltd.	25.00	25.00
		Jindal Petroleum Ltd. (See Note 4 below)	25.00	25.00
		IMC Ltd.	25.00	25.00
10	RJ-ONN-2005/2 (See Note 3 below)	Oil India Limited	60.00	60.00
		Hindustan Oil Exploration Company Ltd.	20.00	20.00
		HPCL Mittal Energy Ltd.	20.00	20.00

Notes:

- All the Unincorporated Joint Ventures are for the blocks awarded within the territorial limits of India.
- As discussed in Note 16(iv) below, the Contract Area is a subject matter of arbitration and the arbitration award is awaited. Mafatlal Industries Ltd. has defaulted in Cash Call Payment for the Unincorporated Joint Venture and there is an arbitration proceeding in this matter, which is pending as at March 31, 2010.
- The Production Sharing Contract (PSC) for these blocks have been signed on December 22, 2008. As per the terms of the PSC, the PSC is effective from the date of the Petroleum Exploration License (PEL), which has been received from the Government of Rajasthan on July 13, 2009.
- Jindal Petroleum Ltd. has not submitted Bank Guarantee and Performance Guarantee as required under the Production Sharing Contract (PSC) and thus has been declared as "Defaulting Party" by Management Committee as per the provisions of the PSC.

Schedules Forming Part of the Consolidated Accounts for the Year Ended March 31, 2010

SCHEDULE 18 — NOTES TO THE CONSOLIDATED ACCOUNTS (Contd.)

12. Transactions with ENI India Limited (One of the Promoter Group companies)

ENI Group, the Promoter of the Company, has global expertise in terms of know-how and technology in upstream oil and gas sector. The Company has entered into a Petroleum Service Agreement (PSA) with M/s. ENI India Limited, United Kingdom (ENI India), one of the Promoter Group Companies. As per the terms of the PSA, ENI India shall render petroleum operation related services on "cost basis" to the Company. Pursuant to the PSA, the Company has issued certain job orders for specific services during the year ended March 31, 2010 and accordingly, ENI India has rendered certain services to some of the Unincorporated Joint Ventures where the Company is the Operator. The details of Company's share of the cost of such services are as under:

in Rupees	
Particulars	Company's Share
Development Expenditure – PY-1	160,438,827
Field Operating Expenses – PY-1	16,258,135
Exploration Expenditure – AAP-ON-94/1 (Assam)	665,798

As regards the Job Orders pertaining to Development Expenditure of PY-1, the Company has accrued the charges for the services based on ENI India's invoices, as per Board's directive.

However, the payment to ENI India shall be made upon receiving:

- ENI India's statutory auditors certificate for "at cost" charge out rates;
- Certified timesheets from ENI India supporting the man-day efforts charged.

The Company is in the process of receiving the requisite documentation from ENI India to satisfy the above mentioned requirements. The Company expects that there should not be any material impact on the financial statements for the year ended March 31, 2010 on account of the above.

13. Related Party Disclosures

(i) The related parties of the Group as at March 31, 2010 and as at March 31, 2009 are as follows:

(A) Promoter Group:

1. ENI UK Holding plc (Wholly Owned Subsidiary of ENI S.p.A, Italy)
2. Burren Shakti Limited (Wholly Owned Indirect Subsidiary of ENI UK Holding plc)
3. Burren Energy India Ltd. (Wholly Owned Indirect Subsidiary of ENI UK Holding plc)

(B) Other Group Entities:

1. ENI Coordination Center S.A., Belgium
2. ENI India Limited, United Kingdom
3. Banque ENI Belgium

(C) Unincorporated Joint Partners:

As per details given in Note 11 above.

As stated in Item 7 of Significant Accounting Policies (Schedule 17), the financial statements of the Unincorporated Joint Ventures are incorporated in the Group's accounts to the extent of the Group's share. Hence, particulars of transactions with the Unincorporated Joint Ventures have not been separately disclosed.

(D) Key Management Personnel:

1. Mr. Luigi Ciarrocchi – Managing Director (w.e.f. September 30, 2008)
2. Mr. Manish Maheshwari – Joint Managing Director
3. Mr. Atul Gupta – Erstwhile Managing Director (upto August 21, 2008)

Notes:

Related party relationships are as identified by the Management and relied upon by the Auditors.

Schedules Forming Part of the Consolidated Accounts for the Year Ended March 31, 2010

SCHEDULE 18 — NOTES TO THE CONSOLIDATED ACCOUNTS (Contd.)

(ii) The nature and volume of transactions of the Group during the year with the above parties were as follows:

in Rupees				
Particulars	Promoter Group	Other Group Entities	Unincorporated Joint Ventures' Partners	Key Management Personnel
EXPENDITURE				
Field Operating Expenditure (See Note 12 above)	0 (0)	16,258,135 (0)	0 (0)	0 (0)
– Remuneration to Joint Managing Director (See Note 7(a) above)	0 (0)	0 (0)	0 (0)	20,018,546 (14,816,557)
– Sitting Fees to erstwhile Managing Director (See Note 7(a) above)	0 (0)	0 (0)	0 (0)	0 (40,000)
– Recovery of Expenses	0 (0)	0 (0)	37,125,996 (37,781,411)	0 (0)
– Interest Paid	0 (0)	46,695,729 (0)	0 (0)	0 (0)
– Dividends Paid	0 (35,453,679)	0 (0)	0 (0)	0 (0)
– Bank Charges	0 (0)	48,297 (0)	0 (0)	0 (0)
LOAN				
Unsecured Loan	0 (0)	5,697,500,000 (0)	0 (0)	0 (0)
CAPITAL EXPENDITURE				
– Exploration Expenditure (See Note 12 above)	0 (0)	665,798 (0)	0 (0)	0 (0)
– Development Expenditure (See Note 12 above)	0 (0)	160,438,827 (0)	0 (0)	0 (0)
AS AT YEAR END				
Net Amounts Payable as at Year End	0 (0)	5,867,375,356 (0)	0 (0)	0 (0)

Notes:

- Figures in brackets relate to the Previous Year.
- With respect to the previous year ended March 31, 2009, the particulars of transactions, if any, entered into between the Unincorporated Joint Ventures and the related parties mentioned in (i) above has not been given in the absence of necessary information in the audited accounts of the Unincorporated Joint Ventures. Also see Note 32 below.

14. Earnings Per Share (EPS)

The basic and diluted Earnings per Equity Share is calculated as stated below:

Particulars	2009-2010	2008-2009
Net Profit after Tax	Rs. 440,318,466	Rs. 544,821,910
Weighted Average Number of Equity Shares	130,493,289	130,493,289
Basic/Diluted Earnings per Share (EPS)	Rs 3.37	Rs. 4.18
Nominal Value per Share	Rs. 10	Rs. 10

Note:

Earnings per Share calculations are done in accordance with Accounting Standard 20 "Earnings per Share".

Schedules Forming Part of the Consolidated Accounts for the Year Ended March 31, 2010

SCHEDULE 18 — NOTES TO THE CONSOLIDATED ACCOUNTS (Contd.)

15. Taxation

(i) MAT Credit

Provision for Income Tax for the current year as well as the previous year has been computed based on Minimum Alternate Tax in accordance with Section 115JB of the Income Tax Act, 1961. Taking into consideration the future profitability and the taxable position in the subsequent years, the Company has recognised "MAT Credit Entitlement" to the extent of Rs. 108,000,000 (Previous Year Rs. 31,000,000) during the current year in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternate Tax under Income Tax Act, 1961" issued by the Institute of Chartered Accountants of India.

During the current year, the Company has reversed the MAT Credit recognised in the previous year to the extent of Rs. 3,637,552 based on the final return of income filed by the Company for the year 2008-2009.

(ii) Deferred Tax Asset (Net)

The net Deferred Tax Asset of Rs. 54,510,902 (Previous Year Rs. 285,890,977) as at March 31, 2010 has arisen on account of the following:

	in Rupees	
Particulars	2009-2010	2008-2009
Deferred Tax Asset		
Exploration Expenses	301,210,000	308,300,000
Doubtful Debts/Advances	5,729,780	5,976,774
Employee Related Costs	2,950,535	5,209,437
Unabsorbed Business Losses and Depreciation*	1,050,577,919	250,927,919
Others	78,177	105,369
Sub total (A)	1,360,546,411	570,519,499
Deferred Tax Liability		
Depreciation on Fixed Assets	1,055,065,509	1,358,522
Site Restoration	13,540,000	17,070,000
Depletion of Producing Properties	236,600,000	260,360,000
Foreign Currency Monetary Item Translation Difference Account	830,000	5,840,000
Sub total (B)	1,306,035,509	284,628,522
Net Deferred Tax Asset (A – B)	54,510,902	285,890,977

* Recognised on the basis of proven reserves of the existing Unincorporated Joint Ventures.

16. Commitments and Contingencies

	in Rupees	
Particulars	2009-2010	2008-2009
(i) Counter Guarantees on account of Bank Guarantees	71,824,538	12,998,995
(ii) Estimated amount of Contracts remaining to be Executed on Capital Account and Not Provided For:		
(Including Rs. Nil (As at March 31, 2009 – Rs. 156,922,500) in respect of a farm-in consideration for acquisition of participating right, in one of the Unincorporated Joint Ventures)	119,934,054	159,950,859
(iii) Claims against the Group Not Acknowledged as Debt (See Note (1) below)		
— Dispute with Contractors under Arbitration	3,245,248	3,286,632
— Income Tax Demands under Appeal (See Note (2) below)	894,530,068	512,511,234
— Fringe Benefit Tax Demand where the matter is in appeal	523,345	523,345
— Customs Demand where the matter is in appeal	540,464	540,464

Schedules Forming Part of the Consolidated Accounts for the Year Ended March 31, 2010

SCHEDULE 18 — NOTES TO THE CONSOLIDATED ACCOUNTS (Contd.)

Particulars	2009-2010	2008-2009
(iv) The Government had encashed the Performance Bank Guarantee of Rs. 10,149,000 for PG Block abandoned by the consortium under the <i>force majeure</i> clause of the Production Sharing Contract (PSC). The Government has also raised an additional demand of Rs. 327,033,332 (As at March 31, 2009 – Rs. 304,725,187) (including interest). The Company has been advised that the said actions of the Government are not justified. The Company has initiated arbitration proceeding as per the provisions of the PSC in the matter. Pending the outcome of this, provision has been made in this regard to the extent of Rs. 10,149,000 (As at March 31, 2009 - Rs. 10,149,000) only. (See Note (1) below)	327,033,332	304,725,187
(v) Service Tax Demand (pertaining to one Unincorporated Joint Venture) (See Note (1) below)	2,139,321	0
(vi) Hire Charges	See Note 17 below	

Notes:

- (1) The Group is contesting these claims and demands and the Management believes that the Group's position will quite likely be upheld in the appellate process/court of law.
- (2) The above excludes amount of Rs. 184,853,636 (As at March 31, 2009 – Rs. Nil) for which Appeal was decided in favour of the Company. However, the Order giving effect to the Order of the Commissioner of Income Tax (Appeals) is awaited.
- (3) For the current year ended March 31, 2010, with respect to Information relating to the Commitments and Contingencies in respect of PY-3 Unincorporated Joint Venture, where the Company is not the Operator, the particulars have not been furnished in the absence of the required information in the audited financial statements of the Unincorporated Joint Venture, which are prepared in accordance with the requirements of the Production Sharing Contract.
- (4) Other than the contingent liabilities disclosed in Note 17 below, information relating to the Commitments and Contingencies of the Unincorporated Joint Ventures for the year ended March 31, 2009 is not available in the audited accounts of the Unincorporated Joint Ventures.
- (5) The above does not include Interest claims amounting to Rs. Nil as at March 31, 2010 (Rs. 27,576 as at March 31, 2009) (to the extent quantifiable) pertaining to the Secured Loan for PY-1 Field, which is not as per the provisions of the Dollar Facility Agreement.

17. Hire Charges

- (i) In PY-3 Field operated by Hardy Exploration & Production (India) Inc., the Floating Production System ("FPS") was shutdown for a period of 33.47 days from November 26, 2008 to December 29, 2008. Accordingly, the invoice for the hire charges of FPS amounting to US\$ 3,290,718 for the above period has been disallowed by the Operator. The above disallowance is disputed by the Contractor and, therefore, the Company has treated its share amounting to US\$ 691,051, equivalent to Rs. 31,187,122, as a contingent liability in the books as at March 31, 2010 (US\$ 691,051, equivalent to Rs. 35,554,574, as at March 31, 2009).
- (ii) Similarly, the FPS was also shutdown from July 05, 2009 and recommenced production on January 24, 2010. However, the Contractor has claimed day rates for a period of 22.42 days from July 05, 2009 to July 27, 2009 amounting to US\$ 2,163,811 (Company's share US\$ 454,400, equivalent to Rs. 20,507,086) as at March 31, 2010, which has been considered as claims against the Company not acknowledged as debt. The Operator is in the process of discussing with the Contractor for withdrawal of the above claim.

The Company has relied on the Operators assessment that the above claims are not sustainable and hence, the Company is of the opinion that no provision is required to be made in the books on account of the same.

18. Provision for Site Restoration

In accordance with Accounting Standard 29, the movement in Provision for Site Restoration is as follows:

	in Rupees	
Provision for Site Restoration	2009-2010	2008-2009
Opening Balance	286,112,500	225,177,500
Add: Provision for the Year	546,210,000	1,400,000
Effects of Changes in Foreign Exchange Rates	(30,817,500)	59,535,000
Closing Balance	801,505,000	286,112,500

As per the terms of the Production Sharing Contracts this liability will arise at the time of abandonment of the respective fields.

Schedules Forming Part of the Consolidated Accounts for the Year Ended March 31, 2010

SCHEDULE 18 — NOTES TO THE CONSOLIDATED ACCOUNTS (Contd.)

19. Recovery of Expenses

Recovery of expenses represents expenditure incurred by the Company for the UJVs where the Company is the Operator. Such costs are recovered from the respective UJVs as per the terms of the Production Sharing Contract.

Recovery of expenses also includes an amount of Rs. 57,969,229 (Previous Year Rs. 59,373,679) recovered as parent company overhead pursuant to the respective Production Sharing Contracts. The parent company overhead is being recovered by the Company from the UJVs to support and manage Petroleum Operations under the Production Sharing Contracts and for staff advice. The parent company overhead is calculated as an agreed percentage of total contract cost of each UJV as per the terms of the respective Production Sharing Contracts.

20. Stores, Spares, Capital Stock and Drilling Tangibles

Stores, Spares, Capital Stock and Drilling Tangibles as at March 31, 2010 include the Company's share of Rs. 1,635,375 (As at March 31, 2009 Rs. 3,156,384) towards inventories purchased by the Operator before March 31, 2004 in PY-3 block. Though the Operator has considered the aforesaid Stock as obsolete, the Company is of the opinion that the same will be recovered from the Operator and, hence, no provision is required to be made with respect to the same in the financial statements at this stage. This has been relied upon by the Auditors.

21. Changes in Accounting Policy (FY 2008-2009) – Accounting Standard 11 – The Effects of Changes in Foreign Exchange Rates

Upto March 31, 2007, the Group was following a policy of accounting for all foreign exchange differences in the Profit and Loss Account. Effective April 1, 2008, consequent to the exercise of the option available as per the new paragraph 46 of the Accounting Standard 11 – The Effects of Changes in Foreign Exchange Rates notified by the Ministry of Corporate Affairs vide Notification dated March 31, 2009 on Companies (Accounting Standards) Amendment Rules, 2009 (G.S.R. 225 (E) dated 31.3.2009), the Group had capitalised a net amount of Rs. 133,793,106 to fixed assets (Development Expenditure) and transferred a net amount of Rs. 17,179,351 to Foreign Currency Monetary Item Translation Difference Account, as of March 31, 2009. Had the Group not changed the Accounting Policy, the profit before tax for the year ended March 31, 2009 would have been lower by Rs. 173,117,256.

The details of the adjustment pursuant to the above are as under:

		in Rupees
Particulars		2008-2009
Amount debited to General Reserve as at April 1, 2008 (to the extent available and Net of Taxes)		3,383,000
Amount debited to Accumulated Profit and Loss Account as at April 1, 2008 (Net of Taxes)		13,139,573
Net Impact on Profit Before Tax for the year ended March 31, 2009		173,117,256

			in Rupees
Particulars	2009-2010		2008-2009
Exchange Differences capitalised to Fixed Assets (Development Expenditure) during the year	261,532,172		133,793,106
Closing Balance of Foreign Currency Monetary Item Translation Difference Account as at the end of the year to be amortised in subsequent periods	2,501,863		17,179,351
Amount of Net Amortisation of Foreign Currency Monetary Item Translation Difference Account charged to the Profit and Loss Account for the year	7,655,662		4,345,806

22. Exploration Expenditure

(i) CB-ON-07 Exploration Area

The Operator of the Unincorporated Joint Venture CB-ON-7 has sought extension for conducting additional exploration in certain areas of Block. While the additional work programme has been considered, the final regulatory consents are awaited. The exploration expenses amounting to Rs. 53,482,001 as at March 31, 2010 (Rs. 53,235,101 as at March 31, 2009) included under "Exploration Expenditure" (Schedule 5) will be appropriately dealt with based on final regulatory consents inline with the Group's accounting policy.

(ii) CB-OS-1 Exploration Area

The Operator has declared Commercial Discovery in CB-OS-1 Block and is pursuing with the authorities for necessary approvals. The exploration expenses amounting to Rs. 184,543,335 as at March 31, 2010 (Previous Year Rs. 184,543,335 as at March 31, 2009) included under "Exploration Expenditure" (Schedule 5) will be appropriately dealt with based on final regulatory consents inline with the Group's accounting policy.

Schedules Forming Part of the Consolidated Accounts for the Year Ended March 31, 2010

SCHEDULE 18 — NOTES TO THE CONSOLIDATED ACCOUNTS (Contd.)

23. CY-OSN-97/1 Accounts Closure

As per the terms of the Production Sharing Contract for CY-OSN-97/1 Block, if no Commercial Discovery is made in the Contract Area by end of the Exploration Period, the Contract Area shall be relinquished. In the absence of any discovery being declared by the Unincorporated Joint Venture at the end of the Exploration Period, the Contract Area CY-OSN-97/1 was relinquished on March 15, 2008. During the previous year ended March 31, 2009, the Company had settled its ongoing dispute with DIOG Limited which was a subject matter of arbitration initiated by DIOG Limited (Joint Venture Partner) before London Court of International Arbitration (LCIA). With the relinquishment of the Area and settlement of dispute with DIOG Limited, the accounts of the Joint Venture have been formally closed and the assets and liabilities of the Joint Venture had been consolidated 100% in the Group's accounts for the year ended March 31, 2009. Further, a net amount of Rs. 3,247,354 had been written back based on the audited accounts of the said Joint Venture and included as Miscellaneous Income during that year.

24. GAIL Arbitration

The Company has, as the Operator of PY-1 Field, executed a Tripartite Settlement Agreement with GAIL (India) Limited ("GAIL") and PPN Power Generating Company Private Limited ("PPN") *inter-alia* terminating the Natural Gas Sale and Purchase Agreement with PPN and settling the ongoing dispute with GAIL in relation to sale of natural gas. Further the Company has also signed Gas Sale Contract with GAIL for sale of natural gas produced from PY-1 Field. The Company has commenced production of natural gas from PY-1 Field during the year ended March 31, 2010. See Note 2 above.

25. Profit Petroleum

Profit Petroleum for the year ended March 31, 2010 includes an amount of Rs. 15,835,109 (Previous Year Rs. Nil) paid for the financial year 2008-2009 as submitted by the Operator of CB-ON-7.

Profit Petroleum for the year ended March 31, 2009 includes an amount of Rs. 4,803,040 paid for the financial year 2005-2006 as submitted by the Operator of PY-3.

26. Miscellaneous Income

Miscellaneous Income includes an amount of Rs. Nil (Previous Year Rs. 1,799,237) being the net gain on sale of Current Non-Trade Investments.

27. Sales

- (i) The Joint Venture Partners of Block CB-ON-7 have *inter-alia* agreed with Indian Oil Corporation Limited (IOC), the Buyer of Crude Oil from the said Block, for the final price of Crude Oil sold. The said price revision is applicable with retrospective effect from the commencement of the first sale to IOC since October 2005 from the said Block. Consequently, Sales of Crude Oil, Condensate and Natural Gas for the year ended March 31, 2010 includes an amount of Rs. 125,849,572 (Previous Year Rs. Nil) towards the said price revision. The Company has also made payment of Profit Petroleum to the Government of India for the above price revision in accordance with the accounting policy of the Group as per the terms of the Production Sharing Contract.
- (ii) Sales is net of an amount of Rs. Nil (Previous Year Rs. 406,863) adjusted for Reid Vapour Pressure specifications as per the terms of the Crude Oil Sale Agreement for PY-3 field pertaining to prior years as submitted by the Operator of PY-3.

28. Impairment

As of March 31, 2010 and March 31, 2009, the Group has reviewed the carrying amount of its assets for indications of impairment and based on such review, the Group has concluded that none of the assets of the Group has suffered impairment loss as at March 31, 2010 and March 31, 2009.

29. Particulars of Unhedged Foreign Currency Exposure (excluding Unincorporated Joint Ventures)

The Group is exposed to various financial risks, most of which relate to change in exchange rates. The Group hedges risks of the aforesaid nature using natural hedges. The particulars of Unhedged Foreign Currency Exposure of the Group as at March 31, 2010, are as under:

in Rupees

Particulars	Exposure as at March 31, 2010	Exposure as at March 31, 2009
Secured Loans	491,177,191	824,840,843
Unsecured Loans	5,697,500,000	0
Sundry Debtors	145,421,449	173,613,578
Loans and Advances	100,921,368	114,594,339
Sundry Creditors	18,702,426	249,013,823
Bank Account and Deposit	319,240,724	0

The Group proposes to take appropriate foreign exchange hedge options for defined US dollar liabilities, which are not covered by natural hedges.

Schedules Forming Part of the Consolidated Accounts for the Year Ended March 31, 2010

SCHEDULE 18 — NOTES TO THE CONSOLIDATED ACCOUNTS (Contd.)

30. Details of Oil and Gas Reserves

As at March 31, 2010, the internal estimates of the Management of Proved and Probable Reserves on working interest basis for the Company is 53.2 Million Barrel of Oil Equivalent (Previous Year 53.4 Million Barrel of Oil Equivalent). This has been relied upon by the Auditors, being a technical matter.

31. PY-1 Joint Venture

- (i) PY-1 Field has commenced commercial production during the year ended March 31, 2010, and a Site Restoration fund amounting to Rs. 14,026,000 (equivalent of US\$ 307,705) has been created with State Bank of India subsequently on May 15, 2010.
- (ii) Operator of PY-1 Field is in the process of seeking approval from the management committee in respect of certain development and production related services rendered by an affiliate of the Operator amounting to Rs. 160,438,827 and Rs. 16,258,135 (equivalent to US\$ 3,555,431 and US\$ 360,291) respectively during the year ended March 31, 2010. Also see Note 12 above.

32. Disclosure Notes relating to Unincorporated Joint Ventures for the Year Ended March 31, 2009 (based on the information subsequently obtained by the Company during the current year ended March 31, 2010, which were not available in the audited financial statements of the Unincorporated Joint Ventures for the previous year ended March 31, 2009).

With respect to information relating to related party disclosures and commitments and contingencies given below, the particulars in the case of PY-3 Unincorporated Joint Venture where the Company is not the Operator, have not been furnished in the absence of the required information in the audited financial statements of the Unincorporated Joint Venture, which are prepared in accordance with the requirements of the respective Production Sharing Contracts.

(i) Related Party Disclosures

No transactions have been entered into by the Unincorporated Joint Ventures and the related parties mentioned in Note 13(i) above for the year ended March 31, 2009.

(ii) Commitments and Contingencies

		in Rupees
		As at March 31, 2009
Particulars		
Company's share of Capital Commitments of Unincorporated Joint Ventures		936,411,689

33. Previous Year Figures

Previous year's figures have been regrouped wherever necessary to conform to the current year presentation.

GLOSSARY

2D Seismic	-	Two Dimensional Seismic
3D Seismic	-	Three Dimensional Seismic
2P/P+P Reserves	-	Proven and Probable Reserves
		Proven Reserves are those quantities of petroleum which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under current economic conditions, operating methods, and government regulations. If probabilistic methods are used, there should be at least 90% probability that the quantities actually recovered will equal or exceed the estimate.
		Probable Reserves are those unproved reserves which analysis of geological and engineering data suggests are more likely than not to be recoverable. In this context, when probabilistic methods are used, there should be at least a 50% probability that the quantities actually recovered will equal or exceed the sum of estimated proven plus probable reserves.
bbl	-	barrel
boe	-	barrels of oil equivalent
bopd	-	barrels of oil per day
boepd	-	barrels of oil equivalent per day
CDR	-	Commercial Discovery Report
CRZ	-	Coastal Regulation Zone
CSR	-	Corporate Social Responsibility
DP	-	Depository Participant
Development well	-	A well drilled within the proved area of an oil and/or natural gas reservoir to the depth of a stratigraphic horizon known to be productive.
DGH	-	Directorate General of Hydrocarbons
ECB	-	External Commercial Borrowing
ECC	-	Eni Coordination Center S.A.
ERP	-	Emergency Response Plan
Exploratory well	-	A well drilled to find oil and/or gas in an unproved area, to find a new reservoir in an existing field or to extend a known reservoir.
E&P	-	Exploration and Production
G&G	-	Geological & Geophysical
GDP	-	Gross Domestic Product
GHG	-	Green House Gas
GSPCL	-	Gujarat State Petroleum Corporation Ltd.
HAZID	-	Hazard Identification (Risk Analysis)
HAZOP	-	Hazard and Operability Analysis
HEPI	-	Hardy Exploration and Production (India) Inc.
HOEC	-	Hindustan Oil Exploration Company Limited
HSEC	-	Health, Safety, Environment & Corporate Social Responsibility
JOA	-	Joint Operating Agreement
JSA	-	Job Safety Awareness
JV	-	Joint Venture
KPI	-	Key Performance Indicator
LTI	-	Loss Time Incident
LTIP	-	Long Term Incentive Plan
MAT	-	Minimum Alternate Tax
mmbue	-	Million barrels of oil equivalent
mmbtu	-	Million british thermal unit
mmscfd	-	Million standard cubic feet per day
mmscm	-	Million standard cubic meters
ML	-	Mining Lease
MSMED	-	Micro Small & Medium Enterprises Development Act, 2006
NELP	-	New Exploration Licensing Policy
OEM	-	Original Equipment Manufacturer
OGP	-	International Association of Oil & Gas Producers
ONGC	-	Oil & Natural Gas Corporation Limited
PI	-	Participating Interest
PMC	-	Project Management Consultant
PSC	-	Production Sharing Contract
Revenue	-	Sales+Increase/(Decrease) in stock of crude oil+Other Income
scmd	-	standard cubic meters per day
scm	-	standard cubic meters
SEBI	-	Securities and Exchange Board of India
SEM	-	Successful Efforts Method
SIMOP	-	Simultaneous Operations
USD \$	-	United States Dollar
Working interest basis	-	Field Production x Participating Interest
Entitlement basis	-	Working interest basis less Government of India Profit Petroleum take
Turnover	-	Sales + Increase/(Decrease) in Stock of Crude Oil

NOTES

[illegible]

Auditors	Deloitte Haskins & Sells Chartered Accountants
Chief Legal Counsel & Company Secretary	Mr. Sanjay Tiwari
Bankers	♦ Axis Bank ♦ HDFC Bank ♦ IDBI Bank ♦ State Bank of India
Lenders	♦ Axis Bank ♦ ENI Coordination Center S.A., Belgium ♦ HDFC Bank ♦ IDBI Bank ♦ State Bank of India
Advocates & Solicitors	Amarchand & Mangaldas & Suresh A. Shroff & Co.
Registered Office	'HOEC House', Tandalja Road Vadodara – 390 020 Gujarat (India) E-mail: contact@hoec.com Website: www.hoec.com
Chennai Office	'Lakshmi Chambers' 192, St. Mary's Road Alwarpet Chennai – 600 018 Tamil Nadu (India)
Registrars & Share Transfer Agent	Link Intime India Pvt. Limited (formerly Intime Spectrum Registry Limited) 1st Floor, 308, Jaldhara Complex Opp. Manisha Society Vasna Road, Off Old Padra Road Vadodara – 390 007 Gujarat (India) E-Mail: vadodara@linkintime.co.in



PY-1 Onshore Gas Terminal