

M/S BATRA SAPRA & COMPANY
Chartered Accountants

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AUDITORS' REPORT

THE MEMBERS

ONGC VIDESH LIMITED

601, Kailash Building
26, Kasturba Gandhi Marg
New Delhi 110001

1. We have audited the attached Balance Sheet of "ONGC VIDESH LIMITED", (the company) as at 31st March 2010, the Profit & Loss Account and the Cash Flow Statement for the year ended as on 31st March 2010, annexed thereto in which are incorporated, the company's share in the total value of assets, liabilities, expenses and net profit of 16 International Joint Ventures and out of which 09 Joint ventures accounts have been certified under respective local laws / Production Sharing Contract / Joint Operating Agreement by the local audit firm appointed by the management of the respective Joint Ventures and remaining 07 have been certified by the management. (Refer Note No. 3 of Schedule 26). 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. The accounts of Non Operated Joint Ventures, in so far they relate to the amounts included in financial statements, are based solely on the reports of other Auditors of that Joint Venture wherever it is audited. We relied upon the reports of those Auditors and wherever Joint Ventures are not audited, we have relied upon the certificate of the management.
2. Considering the fact that actual operations are performed outside India and operator is responsible for maintaining the original books of account on behalf of all the members as per Joint operating agreement, we have conducted our audit by relying on such information furnished by the operator.
3. We conducted our audit in accordance with Standards on Auditing 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 disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.



4. Categorization of expenditure on project in Exploratory & Development Wells in Progress, Producing Properties and Capital Work in Progress, Wells Status, allocation of cost incurred on them, depletion of producing properties on the basis of proved developed hydrocarbon reserve, provision for abandonment cost, allocation of depreciation on fixed assets (including support equipment and facilities) and liabilities against agreed minimum work programme are made according to evaluation by the management, technical, commercial and/or otherwise on which, we have placed reliance. We have also placed reliance upon the impairment indicators assessment carried out by the management.
5. As required by the Companies (Auditor's Report) Order, 2003, as amended by Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956, a statement on the matters specified in paragraph 4 and 5 of the said Order to the extent applicable to the Company, is annexed herewith.
6. We report that:-
 - 6.1 We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary, for the purposes of our audit.
 - 6.2 In our opinion, proper books of account as required by law have been kept by the Company at head office so far as appears from our examination of the books.
 - 6.3 The Balance Sheet and Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - 6.4 In our opinion and based on the information given to us, the Profit and Loss Account and Balance Sheet and Cash Flow Statement referred to in this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - 6.5 Disclosure in terms of clause (g) of sub section (1) of section 274 of the companies act, 1956 is not required as per notification no. GSR829 (E) dated 21-10-2003 issued by the Department of Company affairs.
7. Attention is invited to: –
 - 7.1 Footnote to Note No. 22 of Schedule-26 regarding expense head-wise details in respect of other operating expenditure as required by Schedule VI to the Companies Act, 1956.
 - 7.2 Loans and advances (Schedule-13) which includes unamortized financial charges on commercial papers amounting to ₹267.6 million resulting in overstatement of loans and advances and understatement of miscellaneous expenditures to the extent not yet written off/adjusted to that extent.
8. Read with our comments in Para 5 & 7 above, in our opinion and to the best of our information and according to the explanations given to us, said Balance Sheet and Profit and



Loss Account and Cash Flow Statement read together with significant accounting policies and notes to the accounts as required by the Companies Act, 1956 give a true and fair view and are in conformity with the accounting principles generally accepted in India:

- (a) In the case of Balance Sheet, of the state of affairs of the Company as at 31st March 2010; and
- (b) In the case of Profit and Loss Account, of the Profit for the year ended on that date; and
- (c) In the case of Cash Flow Statement for the cash flow of the Company for the year ended on that date.

**FOR BATRA SAPRA & CO.
CHARTERED ACCOUNTANTS**

K.S.Kamath

**K.S.KAMATH
Partner**

M.No. 44492

Firm Registration No. 000103N



Place: New Delhi

Date: 21st May 2010

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in Paragraph 5 of our report of even date of ONGC Videsh Limited, New Delhi as at 31st March 2010)

1) In respect of fixed assets:

- a) The company has generally maintained proper records showing full particulars, including quantitative details and situation of fixed assets in India and in respect of ventures outside India, except fixed assets of non-operated Joint Ventures situated outside India in respect of which the details are maintained as per the information made available by the respective operators.
- b) The management has carried out the physical verification of fixed assets situated in India and operated ventures outside India during the year. As informed by the management periodic physical verification of fixed assets is being carried out by the operators of the respective non-operated Joint Ventures which appear to be reasonable. We have been given reconciliation of the physically verified assets with the book records. There were no material discrepancies noticed between physical verification and book records in respect of corporate assets, Sakhalin –I, Russia, Vietnam 127-128, Libya 43 & Iran Farsi which is 83% approx. of total assets. However in respect of other projects, no report was available.
- c) We have been informed by the management that no substantial part of fixed assets has been disposed off by the company during the year and thus going concern status of company is not affected.

2) In respect of its inventories:

- a) The company does not have any inventory in India. As informed and reported to us, physical verification of inventory has been performed by the management in respect of the operated Ventures/ Joint Ventures. According to the information and explanations given to us, no discrepancy was observed on such physical verification. We were informed that the physical verification has been carried out by the management at reasonable intervals in respect of Joint Ventures. It was informed that the inventory held by the company representing company's share of participating interest in joint ventures outside India is incorporated in the books of accounts on the basis of information provided by the respective operators. As informed to us by the management physical verification of such inventory has been performed by the operators of the respective non-operated projects.
- b) As informed by the management the procedures of physical verification of inventory followed by the management in respect of operated Joint Ventures are reasonable and adequate in relation to the size of the company and the nature of its business. However, as informed by the management, physical verification of the inventory in respect of non-operated projects has been performed by the operators of the respective non-operated projects.



c) We were informed that the Company is generally maintaining proper records of inventory in India for operated projects outside India. According to the information and explanations given to us, no discrepancy was observed on physical verification of inventory performed by the management in respect of operated Joint Ventures. However, the inventory held by the company representing company's share of participating interest in non operated joint ventures outside India is incorporated in the books of accounts of the company on the basis of information provided by respective operators.

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

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

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

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

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

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

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



- 7) The company has a system of internal audit carried out through an outside agency which in our opinion is commensurate with the size and nature of its business, however, the system requires to be vigorously strengthened.
- 8) We have broadly reviewed the books of account of cost maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209 (1)(d) of the Companies Act, 1956 as clarified by the Cost Audit Branch of Ministry of Corporate Affairs vide letter No. F.No. 52/21/CAB/2007 dated 26th May, 2008 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained.
- 9) a) Provident fund contributions are transferred by the company to its parent company, ONGC. ONGC is responsible for depositing the same with appropriate authority. According to the information given to us, there are no undisputed statutory dues pending as on last day of current financial year for a period of more than six months from the date they become payable.
- b) As per information and explanations provided to us, no dues of income tax/ sales tax/VAT/ wealth tax/ custom duty/ excise duty/ cess (except cess under section 441A of the Companies Act 1956 since the aforesaid section has not yet been made effective by the Central Government) are pending on account of any dispute.
- 10) The company has no accumulated losses at the end of the current financial year and has not incurred cash losses during the current and in the immediately preceding financial year.
- 11) As per the information and explanation given by the management, we are of the opinion that company has not defaulted in the repayment of dues to any financial institution, banks and debenture holders.
- 12) According to information and explanations given to us, the company has not given any loans and advances on the basis of security by way of pledge of shares, debentures and other securities and accordingly paragraph 4 (xii) of the Order is not applicable.
- 13) In our opinion, the company is not a chit fund or a nidhi / mutual benefit fund/ society. Therefore, clause 4 (xiii) of the Order is not applicable.
- 14) The company is not dealing in or trading in shares, securities, debentures and other instruments. Therefore, the provisions of the clause (xiv) of paragraph 4 of the Order are not applicable.
- 15) According to information and explanations given to us, the company has not given any guarantee for loan taken by others from bank and financial institutions.
- 16) According to information and explanation given to us, term loans were broadly applied by the company for the purpose for which loans were obtained.



- 17) According to the information and explanations given to us and on the basis of examination of books of account and other records, we report that no funds raised on short term basis have been used for long term Investment.
- 18) We are informed that the company has not made any preferential allotment of shares to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- 19) The company has issued Non Convertible Redeemable Bonds in the nature of Debentures amounting to ₹23,400 Millions at par during the year 2009-10 for which no security or charge has been created.
- 20) The company has not raised any money by way of public issue during the year.
- 21) According to the information and explanations given to us and to the best of our knowledge and belief, no fraud on or by the company was noticed or reported during the year.

**For BATRA SAPRA & CO.
CHARTERED ACCOUNTANTS**

K.S.Kamath

K.S.KAMATH

Partner

M.No. 044492

Firm Registration No. 000103N



**Place: New Delhi
Date: 21st May 2010**