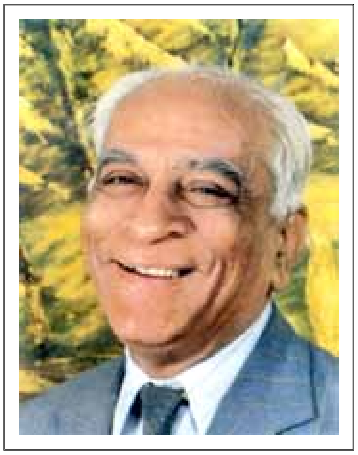
27th Annual Report
2010-2011

HOEC

Hindustan Oil Exploration Company Limited

27th Annual General Meeting

Date : September 28, 2011
Day : Wednesday
Time : 10:30 A.M.
Place : "Tropicana Hall"
The Gateway Hotel Vadodara
Akota Gardens, Akota
Vadodara-390 020



'Birth Centenary Year'
(1911-2011)

"The task of Oil Exploration is complex and the journey tortuous. Glorious is the vision of development, but those who are charged with its realisation need to be imbibed with that vision as they steer along their path in spite of many impediments. There are no signposts on the road. Those who do the steering will be able to traverse the difficult terrain if they maintain faith in their mission."

Late Shri H.T. Parekh
Founder Chairman

Contents

Company Information

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)
Company Secretary & Chief Legal Counsel	Mr. Sanjay Tiwari Hindustan Oil Exploration Company Limited 'Lakshmi Chambers' 192, St. Mary's Road, Alwarpet Chennai – 600 018, Tamil Nadu (India) Tel: +91-(044) 66229000, Extn.: 104 Fax: +91-(044) 66229011/12 E-mail: hoecshare@hoec.com

Auditors	S.R. Batliboi & Associates Chartered Accountants
Audit Partner	Mr. Subramanian Suresh
Internal Auditors	Protiviti India
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.
Registrars & Share Transfer Agent	Link Intime India Pvt. Limited B-102 & 103, Shangrila Complex, First Floor Opp. HDFC Bank, Near Radhakrishna Char Rasta Akota, Vadodara – 390 020, Gujarat (India) E-Mail: vadodara@linkintime.co.in
Credit Rating Agency	ICRA

Board of Directors

Mr. R. Vasudevan
Non-Executive Independent Director/Chairman

Mr. R. Vasudevan, 74 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, 67 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.

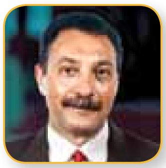
Mr. Sunil Behari Mathur
Non-Executive Independent Director

Mr. Sunil Behari Mathur, 67 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, 57 years, holds a degree in law from the University "La Sapienza" of Rome and pursued a career within the Eni Group spanning 33 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. Marcello Simoncelli
Non-Executive Director



Mr. Marcello Simoncelli, 56 years, has a Liceo Scientifico Statale Cavour & Graduate degree in Geology cum Laude from Roma, Italy. He has more than 30 years of technical, operational and managerial experience in E&P industry. Presently he is the Regional Liaison Manager for India and Pakistan at Eni. In past, he has held several assignments within Eni like Chief Geophysicist and later Exploration Manager for Agip China BV-Beijing, Exploration Manager-Domestic Exploration for Eni E&P Milan and most recently as Director of Exploration with Eni Oil do Brasil.

Mr. Sergio Adriano Laura
Non-Executive Director

Mr. Sergio A. Laura, 53 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 Managing Director of Eni India Limited and Director of Burren Shakti Limited and Burren Energy India Limited.

Mr. Luigi Ciarrocchi
Managing Director

Mr. Luigi Ciarrocchi, 50 years, holds a degree in Petroleum Engineering from the Politecnico of Turin and has pursued an international career, spanning 24 years in hydrocarbon E&P sector, in Europe, Africa and Middle East countries. He has held important 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, 47 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

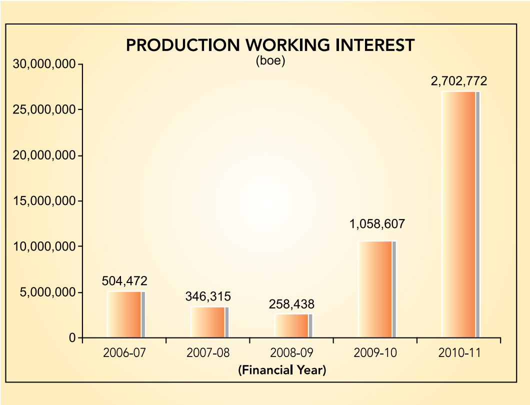
Mr. Manish Maheshwari, 43 years, holds Bachelor (Hons.) degree in Chemical Engineering and Masters in Business Administration from Strathclyde University, U.K. and received Danida Fellowship. He has diversified business experience of more than 23 years. Prior to his appointment as the Joint Managing Director of the Company, he held the office of the Chief Financial Officer of the Company.

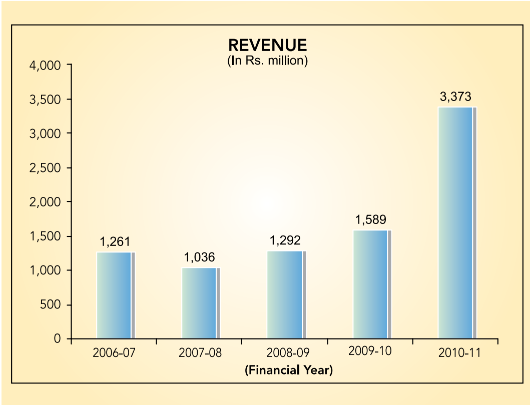
Mr. Manish Maheshwari is also the Chairman of HOEC Bardahl India Limited, the wholly owned subsidiary of the Company.

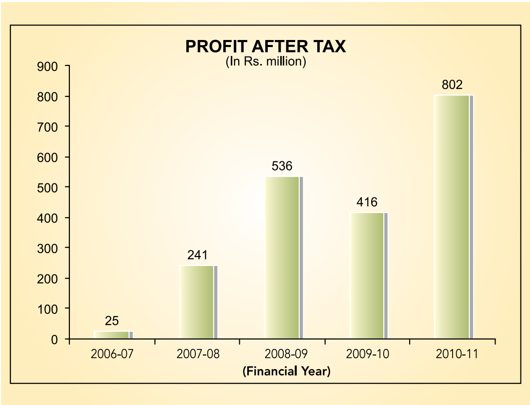
Highlights of FY 2010-11

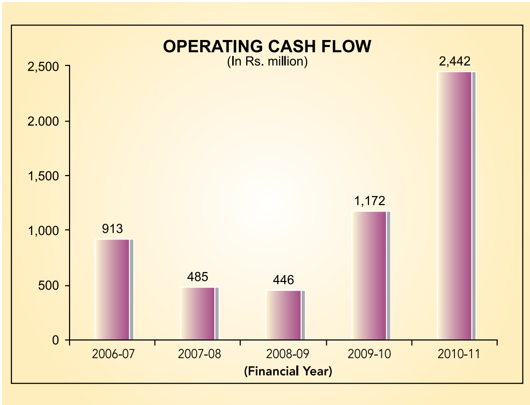
FINANCIAL HIGHLIGHTS

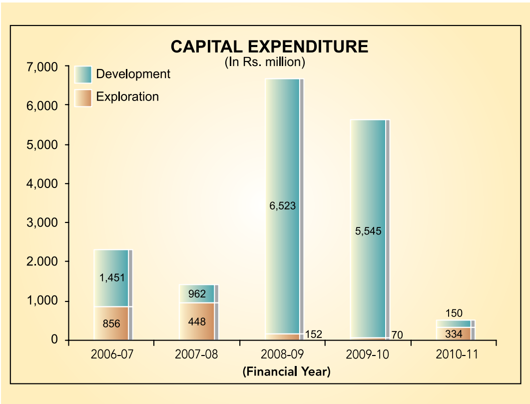
- Average Production* 7,405 boepd (FY 2009-10: 2,900 boepd)
- Revenue of Rs. 3,373 million (FY 2009-10: Rs. 1,589 million)
- Profit After Tax of Rs. 802 million (FY 2009-10: Rs. 416 million)
- Operating Cash Flow** of Rs. 2,442 million (FY 2009-10: Rs. 1,172 million)

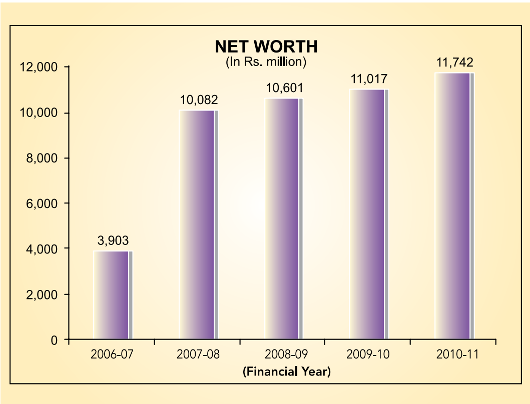












* *Average Production is on working interest basis.*
** *Operating Cash Flow is before Working Capital Changes and Taxes.*
Figures have been rounded off.

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

RJ-ONN-2005/1 HOEC PI: 25% (O)

- Proposal for assignment of 25% PI held by JPL under consideration by Government
- Contract awarded for 3D Seismic Acquisition; Mobilisation in progress

RJ-ONN-2005/2 HOEC PI: 25%

- Tender issued for 3D Seismic Acquisition;
- Bids evaluation in progress by OIL, the Operator

North Balol HOEC PI: 25% (O)

- Production: approx. 1.1 mmscfd

Asjol HOEC PI: 50% (O)

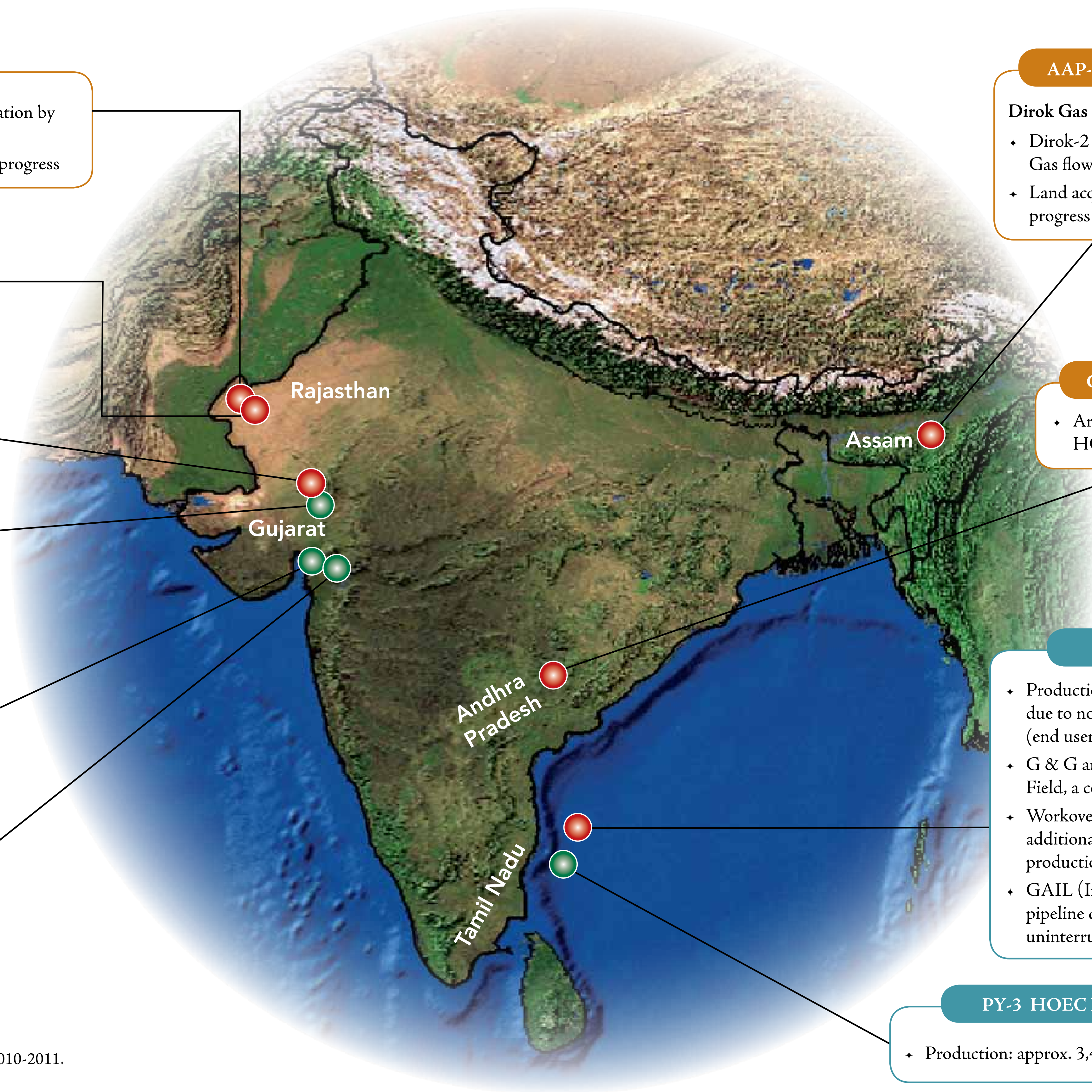
- Production: approx. 17 bopd

CB-OS/1 HOEC PI: 57.11% (E) /38.07% (D)

- Alternate development scheme being pursued by ONGC, the Operator, in view of CRZ limitation
- rPOD entailing alternate development scheme to be submitted by Operator to the Government and Management Committee

CB-ON-7 HOEC PI: 35% (O)

- Production: approx. 170 boepd



AAP-ON-94/1 HOEC PI: 40.32% (O)

Dirok Gas Discovery: Appraisal Results

- Dirok-2 Appraisal Well drilled successfully, initial Gas flowrate 6.5 mmscfd through a 32/64" choke
- Land acquisition and drilling preparation in progress for Dirok-4 Appraisal Well

GN-ON-90/3 HOEC PI: 75% (O)

- Arbitration award received in favour of HOEC

PY-1 HOEC PI: 100% (O)

- Production: approx. 6,545 boepd; offtake affected due to non-dispatch of IPP (end user) on a continuous basis
- G & G and Reservoir Model updated for PY-1 Field, a complex heterogeneous basement reservoir
- Workover in two existing wells and drilling of additional infill well(s) planned to increase the gas production
- GAIL (India) (Buyer) to install additional pipeline connecting PY-1 Gas Terminal to grid for uninterrupted evacuation of gas

PY-3 HOEC PI: 21%

- Production: approx. 3,400 boepd

Legend:

- Oil
- Gas
- Production/Development & Exploration
- Appraisal/Exploration only

O = HOEC as Operator
D = Development Phase
E = Exploration Phase
PI= Participating Interest

Notes: Production figures are gross for respective fields for Financial Year 2010-2011.
Location of Contract Area is indicative and not to scale.

Directors' Report

To the Members of HINDUSTAN OIL EXPLORATION COMPANY LIMITED

Your Directors have the pleasure in placing before you the 27th Annual Report including the Audited Statement of Accounts for the year ended March 31, 2011.

1. FINANCIAL HIGHLIGHTS

INR million

Particulars	Standalone		Consolidated	
	2010-2011	2009-2010	2010-2011	2009-2010
Turnover	3,285	1,450	3,444	1,607
Other Income	88	139	92	144
Revenue	3,373	1,589	3,536	1,751
Profit before Depreciation/Depletion/ Amortization/Write Offs/Taxation	2,402	1,123	2,430	1,160
Less : Depreciation/ Depletion/ Amortisation	1,223	472	1,223	473
Less : Provisions & Write Offs	0	0	0	0
Profit Before Tax	1,179	651	1,207	687
Less : Provision for Tax	377	235	391	247
Profit After Tax	802	416	816	440
Profit/(Loss) brought forward	1,870	1,454	1,930	1,490
Profit available for Appropriation	2,672	1,870	2,746	1,930
Balance carried to the Balance Sheet	2,596	1,870	2,670	1,930

Figures have been rounded off.

During the year, your Company produced 2.7 mmboe of crude oil and gas (previous year 1.0 mmboe), the increase being on account of full year production from PY-1 and PY-3 Fields. This has resulted in a turnover of INR 3,285 million, an increase of 2.26 times over the previous year.

The Profit-Before-Tax was INR 1,179 million, an increase of 81% over the previous year.

Provision for tax was higher because of higher taxable income in the current year.

During the year under review, your Company had a Profit-After-Tax of INR 802 million, an increase of 93% over the previous year.

2. DIVIDEND

During the year, the Directors declared an interim dividend of 5%. In view of foreseeable capital expenditure in existing producing fields and development of discoveries in Assam and Cambay, the Directors recommend to the members that the interim dividend of 5% may be treated as the final dividend for the year 2010-2011.

3. CAPITAL EXPENDITURE

During the year under review, the Company invested capital expenditure of INR 150 million towards development activities, including PY-1 Field and INR 334 million towards exploration activities covering primarily appraisal programme in Block AAP-ON-94/1.

4. DIRECTORS' COMMISSION

While the Compensation and Remuneration Committee has recommended an aggregate commission of INR 3.0 million to be distributed amongst the Non Executive Independent Directors, however the Independent Directors have chosen not to accept this commission as a gesture to support the Company in its immediate endeavors.

5. OPERATIONAL HIGHLIGHTS

Operations review has been provided in the Management Discussion and Analysis Report, which forms part of this Annual Report.

6. COMPLETION OF DRILLING OF APPRAISAL WELL IN ASSAM

Your Company, as Operator of AAP-ON-94/1 consortium, has successfully drilled and tested first appraisal well in Block AAP-ON-94/1 during the year. The drill stem test has resulted in initial flow rate of approximately 6.50 million standard cubic feet per day (mmscfd) of natural gas and 140 barrels per day of condensate through a 32/64" choke. The Company has a 40.323% participating interest during exploration/appraisal period in the said Block.

7. GN-ON-90/3 BLOCK (PRANHITA GODAVARI) ARBITRATION AWARD

Arbitral Tribunal, in the matter of arbitration between Company, as one of the claimants, and ONGC and Government, as respondents, has given its award in favour of the

Company (claimant). The Award has upheld the Company's claims and ordered respondents to pay to the claimants the entire amount of encashed Bank Guarantee along with interest and cost of arbitration.

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

Pursuant to the Petroleum Service Agreement (PSA) with Eni India Limited (Eni), your Company has received during the year under review, support from Eni in activities like updation of PY-1 Geological & Reservoir Models, seismic and structural studies in Assam, and continuous improvement in HSE standards besides deputation of technical personnel at HOEC.

9. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

In terms of Clause 49 of the Listing Agreement with the Stock Exchanges, Management Discussion and Analysis Report is 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 implemented certain provisions of the 'Corporate Governance Voluntary Guidelines 2009', issued by the Ministry of Corporate Affairs in December 2009 in order to pursue best Corporate Governance practices.

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.

The Ministry of Corporate Affairs vide its Order dated May 02, 2011 has notified that a company engaged in petroleum operations shall get its cost accounting records in respect of each financial year commencing on or after April 01, 2011, audited by a cost auditor who shall be, either a cost accountant or a firm of cost accountants, holding valid certificate of practice under the provisions of Cost and Works Accountants Act, 1959. In compliance with the aforesaid requirement, the Company has appointed a qualified practicing cost accountant for auditing its cost accounting records for FY 2011-12.

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

During the year under review, net income of HBIL, HOEC's wholly owned subsidiary, was INR 170 million being marginally higher as against previous year of INR 169 million. The net profit was INR 13.4 million during the year as against INR 24 million in the previous year. The decrease in the net profit was mainly on account of higher inputs costs and competitive pricing policy to maintain the market share of HBIL products.

The Consolidated Financial Statements presented by the Company include financial information of HBIL prepared in compliance with applicable accounting standards. The Ministry of Corporate Affairs, Government of India vide its Circular No. 5/12/2007-CL-III dated February 8, 2011 has granted general exemption under Section 212(8) of the Companies Act, 1956, from attaching the balance sheet, profit and loss account and other documents of the subsidiary companies to the balance sheet of the company, provided certain conditions are fulfilled. Accordingly, annual accounts of HBIL and the related detailed information will be made available to the shareholders of the Company seeking such information at any time during the office hours. The annual accounts of HBIL are available for inspection by any shareholder at the Company's Registered Office and at the Registered Office of HBIL, at Vadodara. Details of the financial information required under the Circular is covered in Note No. 1 under Schedule 17- "Notes to the Consolidated Accounts".

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 2010-2011 are appended to and form part of this Annual Report.

14. CREDIT RATING

Company continues to have LA+ rating assigned by ICRA 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.

15. AUDITORS' REPORT AND DIRECTORS' EXPLANATION

In the previous Annual Report for FY 2009-10, the Company had stated that it had issued certain job orders to Eni for specific services, subsequent to Board approval. As per the Board's directive, the Company had accrued the charges of INR 160,438,827 as on March 31, 2010 for these services based on Eni's invoices. Pending receipt of detailed documentation supporting the charges for such services including independent certification by the auditors of Eni regarding the basis of such charges, the Auditors of the Company had then drawn a reference in their Audit Report of the amounts accounted for as development expenditure in the Financial Year ended March 31, 2010.

During the year under review, Company has received substantial documentation including the certification from the auditors of Eni to support basis of the charges towards services received in FY 2009-10 which satisfies the conditions as stipulated by the Audit Committee and Board and thus the Auditors' observation for FY 2009-10 has been complied with.

Further, during the year under review, Company has issued job orders to Eni for specific services subsequent to obtaining Board approval. As per the Board's directive, the Company has accrued the charges of INR 186,039,614 for these services as of March 31, 2011. Based on the principles established by PSA and expected to be consistently followed by Eni, a reference to such matter has not been made by the Auditors in their Audit Report for the Financial Year ended March 31, 2011.

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 a 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. Sunil Behari Mathur, Mr. Mukesh Butani, Mr. Luigi Ciarrocchi and Mr. Manish Maheshwari will retire by rotation and being eligible, have offered themselves for re-appointment as Directors.

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

The term of appointment of Mr. Luigi Ciarrocchi as Managing Director will expire at the conclusion of the ensuing Annual General Meeting. He has declined to be re-appointed as Managing Director due to his pre-occupation and other business commitments. Board herein places on record its appreciation for valuable services made by Mr. Luigi Ciarrocchi as the Managing Director.

The term of appointment of Mr. Manish Maheshwari will expire at the conclusion of the ensuing Annual General Meeting. He has given his consent to be re-appointed as Managing Director. Board, at its meeting held on May 09, 2011, has recommended the appointment of Mr. Manish Maheshwari as Managing Director of the Company.

Further, Board at its meeting held on August 05, 2011 has recommended Mr. Sergio A. Laura to be appointed as Managing Director of the Company at the ensuing Annual General Meeting. Mr. Laura has given his consent for such appointment.

19. EMPLOYEES STOCK OPTION SCHEME

During the year FY 2010-11, an aggregate of 17,680 stock options were granted to Non Executive Independent Directors. While performance bonus was awarded to Executive Director and employees, no stock options were granted to them during the FY 2010-11.

The ESOS disclosure as at March 31, 2011 is as below:

	PARTICULARS		HOEC EMPLOYEE STOCK OPTION SCHEME-2005
(a)	Stock Options outstanding as at April 01, 2010	:	34,441
(b)	Option Granted during the year	:	17,680
(c)	Pricing Formula	:	Nil
(d)	Options Vested during the year	:	Nil
(e)	Options Exercised during the year	:	Nil
(f)	The total number of shares arising upon/after exercise of Option	:	17,680
(g)	Options Lapsed during the year	:	3,011
(h)	Variation in terms of Options	:	Not Applicable
(i)	Money realized by exercise of Options	:	Nil
(j)	Total number of Options in force as of March 31, 2011	:	49,110

	PARTICULARS		HOEC EMPLOYEE STOCK OPTION SCHEME-2005
(k)	Details of Options granted during the FY 2010-11:		
	Non-Executive Directors:		
	Mr. R. Vasudevan	:	6,800
	Mr. Mukesh Butani	:	5,440
	Mr. Sunil Behari Mathur	:	5,440
	Managing Director/Joint Managing Director	:	Nil
	Senior Management Personnel	:	Nil
	Any other employee who received a grant in any one year of Options amounting to 5% or more of Options granted during that year	:	Nil
	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
(l)	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-1	:	INR 6.15
(m)	Weighted- average exercise price		Nil
	Weighted- average fair value of options separately for options, whose exercise price either equal or exceed or is less than the market price of the stock on the grant date		INR 183.85

Note:

1. *Under the ESOS Scheme approved by the Shareholders, the exercise of options has no dilution impact on the EPS.*

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

Particulars required under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988:

A. Conservation of Energy:

(a) energy conservation measures taken:

During the year, Company continued to focus on minimizing the energy consumption and the measures taken are summarised below:

1. Due consideration has been given to energy consumption while procuring services and equipments.
2. As a responsible Corporate Citizen and in adherence to our climate change strategy, Company is continuously taking effective steps to conserve energy and to reduce methane and other Green Houses Gases (GHG) emissions, wherever feasible.
3. Minimized environmental impact from its activities: Many measures have been implemented in PY-1 Project for prevention and control of pollution and improvement of environmental performance. Company continues with its initiatives on energy and resource conservation at its PY-1 facilities.
4. The Company regularly monitored air emission sources and the ambient air quality and maintained emission levels within regulatory standards in 2010-11.
5. Solar panels at offshore PY-1 Platform were installed to provide un-interrupted power supply.
6. Except the emergency lights, all lights and electrical gadgets are turned off after working hours and on holidays at office premises of the Company to help in minimising the energy consumption.

(b) additional investments and proposals, if any, being implemented for reduction of consumption of energy: NIL

(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) as a result of minimal use of air conditioning system and reduced consumption of power and fuel.

(d) total energy consumption and energy consumption per unit of production as per Form A of the annexure to the Rules in respect of industries specified in the schedule thereto:

The Company is neither part of the industries nor engaged in any activity specified in the Schedule to the Rules.

A miniscule fraction of gas production is being utilized for internal consumption at PY-1 Site.

B. Research and Development (R&D): Nil

C. Technology absorption, adaptation and innovation:

Various technology absorption, adaptation and innovation initiatives were taken including *inter alia* Managed Pressure Drilling for gas wells in PY-1, multi-well-single-pad approach reducing the environmental imprint in Assam, rotary steerable drilling and high-end-logging-while-drilling technology, customized compact well head equipment, and usage of environmentally friendly bio degradable base oil in synthetic oil-based-mud-system for drilling applications which is not only environmentally friendly but also re-used in multiple wells thus avoiding disposal of thousands of barrels of drilling fluids. The use of modern horizontal well technology, well control technology, with multiple mechanical barriers/reservoir isolation were utilized during well construction.

Young engineers and geoscientists were deputed for assignments relating to HOEC projects at Eni S.p.A, Milan with a view to gain advance technical expertise in geoscientific disciplines.

Benefit derived as a result of the above efforts:

All these initiatives are helping the Company in improving the overall efficiency, lowering the land impact and addressing environmental concerns, cost effectiveness and project economics.

Technology imported during last five years: NIL

D. 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 a Party, do not allow Company to export its production till India achieves self sufficiency in domestic production of hydrocarbons.

(b) total foreign exchange used and earned:

INR million

Particulars	2010-2011	2009-2010
A. Foreign Exchange Earnings (See Note 1)	0.62	10.69
B. Foreign Exchange Used		
• Cash Call Payment to Joint Ventures	444.65	5,748.47
• Farm in Consideration	0	134.87
• Expenditure in Foreign Currency (See Note 2)	266.54	192.21
• Repayment of Foreign Currency Loan (See Note 3)	453.27	243.24
Total Foreign Exchange Used (B)	1,164.46	6,318.79
Net Foreign Exchange Used (B-A)	1,163.84	6,308.10

Notes:

1. The above includes Interest received in foreign currency netted off against Borrowing Cost in accordance with the Accounting Standard 16. Current Year amount is NIL (Previous Year: INR 7.82 million)

2. The above includes Interest paid in foreign currency capitalized as Borrowing Cost in accordance with the Accounting Standard 16. Current Year amount is NIL (Previous Year: INR 28.08 million)

3. The above excludes drawdown of foreign currency loan. Current Year amount is NIL (Previous Year: INR 6,165 million).

21. HUMAN CAPITAL & MANAGEMENT

The Company continues to pursue best practices to develop it's human capital. The Company continuously evaluates it's HR polices and practices to attract and develop talent. Company has made its web-based Performance Appraisal System (PAS) fully functional which has now completed its one full cycle of implementation with focus on organizational objectives aligned with KRAs of key personnel, objective performance measurement, assessment of potential and identification of training needs for individual growth.

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, S. R. Batliboi & Associates (SRB), will retire at the forthcoming Annual General Meeting. Based on the recommendation of the Audit Committee, the Board has, at its meeting held on May 09, 2011, recommended the appointment of SRB 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, the Ministry of Petroleum & Natural Gas, Directorate General of Hydrocarbons, Government of Gujarat, Government of Tamil Nadu, Government of Assam, Government of Andhra Pradesh, 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 and performance of the Company.

For and on behalf of the Board

R. Vasudevan

Date: August 05, 2011

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, 2011.

Name	Designation	Remuneration received (Refer Note 1) (INR)	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. K. N. Prabhakar (Refer note 4)	Head - Exploration Ventures	12,430,581 (Refer note 4)	Nil	Permanent	Exploration activities	M.Sc (Geology)	35	14-Jun-07	57	Deputy General Manager – Oil and Natural Gas Corporation Limited	Nil	Nil	1-Apr-10 31-Dec-10
Mr. Manish Maheshwari	Joint Managing Director	22,782,684	Nil	Permanent	Overall management of the Company Operations	B.E. (Hons), MBA (UK)	23	1-Oct-03	43	Senior Investment Manager – Danish International Investment Fund	9,590	Negligible	1-Apr-10 31-Mar-11

Notes:

1 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. No Stock Options were granted during the year to these employees.

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

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

4 Mr. K. N. Prabhakar resigned from the Company on December 31, 2010; remuneration includes one time payment of INR 8,510,396 made in December 2010.

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 2010-2011, the world experienced a wide spectrum of business environments. Energy markets continued to recover from the impact of the global economic recession. During 2010-2011, exploration and production sector experienced significant volatility, a norm now intrinsic to this industry. In 2011, the spectre of environmental, health, safety and operational issues rose to a prominence with the unfortunate incident in the Gulf of Mexico.

Oil price for the year 2010-2011 averaged USD 87 per barrel, about 24% above 2009-10's average of USD 70 per barrel. Prices traded in a relatively narrow band of USD 70-80 per barrel for first two quarters of the year before rising in the third and fourth quarter. Prices exceeded USD 115 per barrel in March 2011, the highest level since October 2008.

While the world economy continued to recover in 2010-2011, we expect slower global growth in 2012, led by emerging economies, with developed countries lagging behind because of the need to deal with their internal imbalances. Energy demand, and in particular oil demand, follows this overall economic pattern, recovering strongly in 2010-2011 but facing more challenging conditions as we move into 2011-2012. Concerns about the volatility of commodity and financial markets, combined with renewed focus on strategy and climate change have led to an increased focus on a global basis on the appropriate role for markets, government oversight and other policy measures relating to the supply and consumption of energy. Meeting growing energy demand in a safe and environmentally responsible way is a key challenge and keeping pace with growth in energy demand will require unprecedented levels of investment and pursuit of alternate economic energy sources.

India continues to import nearly 70% of its Crude Oil requirements with its oil import bill being close to USD 86 billion in 2010-2011. 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. Energy security is perhaps the most strategic challenge for our country, central to its economic development and rapid growth. 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. The Company seeks out opportunities which have the potential to continue to generate shareholder value by transforming our business through the application of proven technology and management focus. 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. We focus our attention on decisions that benefit decades, not just near term results. We want to achieve our strategic objectives and goals through exploration-led growth. We fundamentally believe everything is about teamwork and people and we want to be recognised as a low cost yet high performance driven E & P company.

HOEC believes that good environmental, social, health and safety performance is an integral part of our business success. Our commitment to these principles is demonstrated by the fact that we have had no lost-time accidents or environmental incidents during the year under review. We conduct our business with respect and care for our employees, contractors, communities, and the environments in which we operate. Our vision is zero harm to people and the environment while creating value for our shareholders as well as for India, including the regions and communities within which we operate. We have a commitment to being a good corporate citizen of India, striving to emphasize and utilize national talent, services, and equipment.

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 priority is to ensure safe, reliable and regulatory compliant operations. Our strategy is to invest in long-term value growth by continuing to build a portfolio of development and producing properties. Our strategy is enabled by:

- Operate and hold material working interests for control;
- Maintain a balanced asset portfolio with effective exploration inventory;
- Continuously reduce operating risk;
- Strong relationships built on mutual advantage;
- Deep knowledge of the basins in which we operate, and apply technology;
- Operate in low cost business environment and focus on operational control and cost efficiency; and
- Build capability along the value chain across Exploration, Development, Production and Enhanced Recovery Phases of E & P Projects.

Our intention is to generate and sustain business momentum and growth through a rigorous process of continuous improvement in existing projects and an ongoing focus on safety, people and performance. We expect to organically replace reserves and grow long-term production by developing opportunities available through our existing assets. To recapitulate, the key elements of our Company's strategy continue as follows:

- To increase our production by development of discoveries in existing assets;
- To increase our reserve base by exploring and establishing upside potential in our existing assets;
- To constrain our exposure to exploration risk within prudent limits;
- Greater use of advance technology in operations;
- Improvement of production indicators and efficient control over lifting costs;
- 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 2010-2011 are summarized below:

- We have successfully updated G&G and Reservoir Model of PY-1 Field using an integrated approach across geophysical, petrophysical, and reservoir engineering and identified drilling location of new infill well(s);
- Our Company has successfully drilled Appraisal Well Dirok-2 to delineate the "Dirok" Discovery;
- Reservoir studies for PY-3 Field have been completed and accordingly Geological and Reservoir Model has been updated;
- Facilitated the Operator to develop alternate development approach for CB-OS-1 Gulf "A" Field by addressing the environmental issues relating to management of Coastal Regulation Zone (CRZ) in Gulf of Khambhat; and
- Contract for acquisition of 3D seismic data has been awarded to establish exploration objectives for HOEC operated acreage in Rajasthan.

Building up on the outcome of the objectives set for last year, we have defined the following objectives for the FY 2011-2012:

- Based on the results of the G&G and Reservoir Modeling of PY-1 Field, drilling of additional infill well(s) has been planned to increase the gas production;
- Drilling of Appraisal Well Dirok-4 and prepare a Commercial Discovery Report (CDR) to monetise the Discovery;
- Continue to facilitate development initiative of Gulf "A" Discovery in Block CB-OS-1 operated by ONGC and assist during the development phase to address the reservoir risk, if any, and expedite monetization of the reservoir;
- Assist HEPI, the Operator, in execution of Phase III of Field Development Plan in PY-3 Field;
- Acquire, process and interpret 3D seismic data in RJ-ONN-2005/1 acreage for defining exploration objectives; 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. Our financial strategy is to ensure we have a strong balance sheet and the flexibility to support the Company's significant exploration-led growth strategy.

OPERATIONAL IMPERATIVES: TOP FIVE DIMENSIONS FY 2010-11

Safety First	Never put person or asset in an unsafe situation.
Environment Friendly	Never knowingly harm the environment.
Regulation Compliant	To be compliant with applicable laws all the time.
Lowest Possible Cost (USD/bbl)	To focus on expeditious exploitation at the lowest possible cost.
Investment Prudence	To exploit the most valuable opportunities (EMV/NPV) on priority in our portfolio in any given year.

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. All projects are screened on a rigorous, consistent basis for technical quality, materiality, and commercial viability. We use our geoscience capabilities and understanding of the hydrocarbon potential to identify, evaluate, and prioritize the highest quality resource opportunities.

As one of the low cost operators in the industry, we scrutinize every cost in the organization on the premise that costs drive economics, especially in resource plays. Cost is an element which can be controlled in the E & P business without sacrificing either value or HSE dimension by way of meticulous planning and preparation ahead of operations. Our operations-oriented background will prove beneficial in this context. Our ability to allocate capital with focus on cost allows us to achieve an acceptable return on invested capital in various price environments.

Operational discipline, technical excellence and cost control are intrinsic to the Company's processes. The financial strategy of the Company remains focused on maintaining the Balance Sheet strength to allow us to invest in our exploration and development opportunities. All projects are screened on a rigorous, consistent basis for technical quality and commercial viability. With commencement of production from PY-1, an unconventional reservoir, the Company's cash flow generation has nearly doubled this year.

OPERATIONS REVIEW

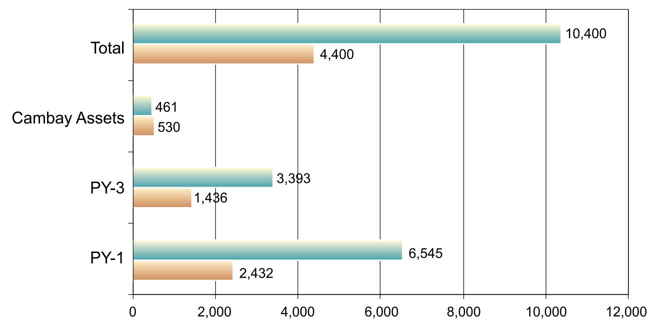
Overview

The Company's activities relate to exploration and production (based on exploration success) of hydrocarbons (crude oil and natural gas), which are natural resources. HOEC assets are geographically spread across India with a portfolio of exploration, development and production projects. Start of production from PY-1 Field, a complex granatic basement reservoir, demonstrates that one of our core strengths is the ability to turn resources into reserves and then into production, revenue and cash flows.

Product-wise Performance

HOEC delivered a strong operating performance during the year, establishing a new production record. The Company's aggregate production during the FY 2010-2011 was 2,702,772 barrels of oil equivalent (boe) (crude oil: 368,936 bbls; gas: 366,955,275 scm) as against 1,058,607 barrels of oil equivalent (boe) (crude oil: 181,127 bbls; gas: 137,968,552 scm) during the previous year. This increase of 155% was primarily contributed by full year production from PY-1 and PY-3 Fields.

Gross Field Production in Barrels Oil Eqivalent Per Day (BOEPD)



Figures have been rounded off.

Reserves

As of March 31, 2011, the internal estimates of Proved and Probable (P+P) reserves on working interest basis for the Company were 51.4 mmboe.

CAUVERY BASIN

PY-1 Gas Field

The Company commenced commercial production of Natural Gas and Condensate from PY-1 Field last 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 363,828,486 scm of Natural Gas and 75,064 barrel of Condensate during the year. Reservoir studies to update the G&G model utilising the dynamic data and production history match has been completed for better definition and characterisation of this unconventional basement reservoir with participation of ENI team.

Forward Plan

Based on the results of the reservoir studies, the Company has evaluated possibility of workover operations in two of its existing wells and pursuing with the authorities to drill additional infill well(s) from the existing platform "Sun".

PY-3 Field

The average gross production from PY-3 Field increased to 3,393 bopd in FY 2010-2011 from 1,436 bopd in the previous year due to full year availability vis-à-vis only 162 days in the previous year, the shutdown being due to repair of carrier arm of the SBM for the loading hose. Production on working-interest basis to HOEC averaged 713 bopd in FY 2010-2011, as against 301 bopd in FY 2009-2010.

Forward Plan

Following in-depth G&G studies and updation of Reservoir Model of the PY-3 Field, the Operator envisages drilling new producer wells along with provision for gas lift facilities to improve recovery of crude oil, however the drilling schedule is yet to be finalised. The Operator has also evaluated alternate options relating to Production Facilities and recommended to continue with existing Floating Production Unit, a Floating Storage Vessel and mooring system, all upgraded, to ensure compliance with safety standard and regulatory norms.

CAMBAY BASIN

Block CB-ON-7

The gross production from CB-ON-7 Block averaged 250 boepd as compared to 262 boepd in the previous year. Production on working interest basis to HOEC averaged 85 boepd during the year, a nominal decrease of 5% attributable to natural decline.

Forward Plan

The Joint Venture Partners have requested the Government for retention of certain block area, identified as "R2" Area, in accordance with the Government guidelines for further exploration. The said proposal is under active consideration by the Government and the DGH has circulated a draft PSC for this ring-fenced "R2" area. In the event your Company decides to execute the PSC, we shall acquire 3D seismic data and drill two additional wells in the said area.

North Balol Gas Field

North Balol Field produced 11,309,574 scm of natural gas during the year with an average production rate of 30,985 scmd, down 21% over the previous year primarily due to closure of one of the producing wells.

Asjol Field

The field produced at an average rate of 20 bopd during the year with an aggregate production of 7,360 bbls.

Block CB-OS/1

ONGC, the Operator, is carrying out course correction in the development scheme for Gulf "A" Discovery taking management of CRZ aspects into consideration.

ASSAM-ARAKAN BASIN

Block AAP-ON-94/1

The Company, as Operator, has drilled Dirok-2, the second appraisal well in this logistically difficult terrain and carried out well testing to establish definition of Dirok Discovery. The Joint Venture has finalized the location of another appraisal well, namely Dirok-4, for delineation of existing discovery and assessing the potential consistent with the PSC provisions.

Forward Plan

Subsequent to drilling of Dirok-4, the Company shall prepare a Commercial Discovery Report (CDR) taking into consideration all geological, reservoir parameters and concept selection for development to establish the commercial viability of the Dirok Discovery.

RAJASTHAN BASIN

Block RJ-ONN-2005/1

The Company has awarded the contract for the acquisition of 3D seismic data to establish exploration objectives. The acquisition of the data is expected to commence in August 2011, upon grant of clearance by the Indian Army.

Block RJ-ONN-2005/2

The Operator, Oil India Limited, has issued the tender for award of the contract for the acquisition of 3D seismic data. Technical evaluation of the bids is being carried out by the Operator and award of the contract is expected in September 2011 with the acquisition of the data scheduled to commence in November 2011.

RISKS, THREATS, UNCERTAINTIES, CONCERNS AND OPPORTUNITIES

HOEC's business, financial standing and reputation may be impacted by various risks and uncertainties not all of which are within its control. The Company identifies and monitors the key risks and uncertainties affecting the Company and runs the business in a way that minimises their impact where possible.

ENTERPRISE LEVEL: RISK RADAR 2-3 YEARS HORIZON

The Company's level of risk and its management approach is discussed and reviewed by the Board, Audit Committee and senior management. The principal risks and uncertainties facing the Company and the actions taken to mitigate these risks are as follows:

STRATEGIC RISK

DESCRIPTION OF RISK	MITIGATION
Business Model	Our Board Members along with Management team periodically reviews the Company's business model and effect necessary adjustments if economic circumstances so demand.
Portfolio Mix	The Company maintains a diverse portfolio of oil and gas assets across a range of sedimentary basins and at different project life cycles in order to minimise exposure to geographical, political and commodity market risk.

OPERATIONAL RISK

DESCRIPTION OF RISK	MITIGATION
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 and Emergency Response Plan covering risks specific to various operations. The Company has devised a comprehensive policy framework as well as health and safety management and reporting systems. These are regularly monitored and reviewed by the Board. The Company also works closely with the Central and State Governmental authorities on this dimension. The Company undertakes operations as per international environmental standards of the oil industry. Environmental Impact Assessments are prepared and approvals from authorities are secured before any project is executed.
Exploration 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. The Company has experienced management and technical team with a track record of finding hydrocarbon discoveries, which has resulted in a diversified portfolio of exploration, development and production assets. Systematic geo scientific work flow is undertaken to address geological risk and maximise opportunities.

DESCRIPTION OF RISK	MITIGATION
Talent Attrition	Remuneration packages are reviewed regularly to ensure key executives and senior management are properly remunerated. Long-term incentive programme has been established.
Cost Inflation impacting both Goods and Services	The Company pursues structured planning processes which allow sufficient time for procurement of services and tracking the critical path activities. 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.
Community Relationship	Continuous dialogue and engagement exists between the Company and its stakeholders which is central to harmonious operations. Local personnel are employed wherever possible and Company help in developing skill sets of such personnel.

FINANCIAL RISK

DESCRIPTION OF RISK	MITIGATION
Commodity 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 provides the Company with certainty in terms of cash inflows from sale of gas.
Foreign Exchange Exposure and Interest Rate Risk	Company enjoys a natural hedge to a certain extent as its receivable and significant expenditure are denominated in United States Dollar (USD). For bullet loan repayment, Company has negotiated Schedule to ISDA Master Agreement with banks and would enter into Principal Only Swap (POS) at an appropriate window of opportunity taking into consideration cost of hedge vis-à-vis exposure. Presently, the Company has a weighted average interest cost of 1.68% per annum. Company would enter into Interest Rate Swap (IRS) if it believes that the interest rate movements going forward would have significant effect on the financial performance of the Company.

DESCRIPTION OF RISK	MITIGATION
Liquidity Risk	A formal budgeting and forecasting process is in place and cash forecasts identifying liquidity requirements of the Company are reviewed regularly by the Audit Committee and Board and financing plans are approved based on end utilization of proceeds and cost of capital.

COMPLIANCE, ETHICAL AND GOVERNANCE RISK

DESCRIPTION OF RISK	MITIGATION
Legal, Regulatory and Litigation	The Company's activities are subject to various laws and regulations. Regulatory changes could affect the short, medium and long-term value of the Company. Risks are mitigated by employing skilled and experienced staff to conduct proactive assessment and ensuring compliance. The Company is party to various ongoing litigations/arbitrations (also refer Note No. 17 under Schedule 15 "Notes to the Accounts"), which if decided against the Company, may have an adverse impact on the operations and/or financial position of the Company.
Ethical Conduct	The Company recognises the importance and maintains transparent and responsible relationships with a wide variety of stakeholders including the Government.
Corporate Governance	The Company recognises the importance of maintaining strong corporate governance procedures and processes. The Company has governance framework in place. The Board reviews compliance with the applicable regulatory guidelines and best practices. The Company, benchmarking with international best practices, has adopted policies on Anti-corruption Compliance, Global Compliance, Management System, Procurement Management etc. as per international practices.

Opportunities

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

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, control of well, seepage and pollution, 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. The Company also procures director's liability insurance covering pollution defense cost, legal representation cover and crisis management cover.

FINANCIAL REVIEW

Revenue

Turnover for the FY 2010-11 was up by 127% to INR 3,285 million. The increase reflects full year contribution in FY 2010-11 from PY-1 Field and PY-3 Field as PY-1 Field commenced production in November 2009 and PY-3 Field was shut in for seven months for maintenance during previous year. Other Income was lower by 35% to INR 88 million on account of lower foreign exchange gain in this year. The average sale price of crude oil was USD 87/bbl (2009-2010: USD 67/bbl) and net gas price was USD 3.63 per mmbtu.

Production on working interest basis during the year was 2,702,772 boe, 155% higher than the previous year. The net entitlement volume was 7,190 boepd, 150% higher than the previous year. Sales volume at 2,693,529 boe was 160% higher than in previous year.

Operating Profit

Cost of sales increased from INR 857 million to INR 2,009 million in FY 2010-11, 134% higher than the previous year, the increase is driven by the fact that PY-1 and PY-3 field were on production for the complete year in this financial year, unlike previous year. Depletion charge for the year was INR 1,218 million as against INR 466 million in the previous year, the increase primarily being on account of depletion charges relating to PY-1 and PY-3 Field in line with the Company's accounting policy.

Interest and finance charges were INR 124 million as compared to INR 80 million in the previous year due to charging of the full year financial/interest cost to Profit and Loss Account post commercial production. The Operating Profit was INR 1,303 million during FY 2010-11 as compared to INR 731 million in the previous year.

Net Profit

The total tax charge after MAT Credit entitlement was INR 377 million for the year compared to total tax charge of INR 235 million in previous year. The higher tax charge in the year under review was due to higher income from Operations. The Company has accounted the MAT credit considering financial performance projections from ongoing projects indicates that sufficient future taxable income will be available against which MAT Credit can be realized. Profit After Tax increased to INR 802 million (FY 2009-2010: INR 416 million).

Cash Flow and Capital Expenditure

Cash from Operation before working capital and taxes was INR 2,442 million as compared to INR 1,172 million of the previous year. This also reflects full year contribution from PY-1 and PY-3 Field. During the year under review, the Company made a capital expenditure of approximately INR 498 million (FY 2009-2010: INR 5,620 million). Of this, the exploration expenditure was approx INR 334 million and development expenditure of approximately INR 150 million.

FINANCIAL POSITION

Liquidity

At the year end, HOEC had cash and cash equivalent of approx INR 1,236 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 year, the term debt reduced by INR 630 million to INR 5,894 million consequent to repayments as per the loan agreements.

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.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company maintains a comprehensive system of internal control. This comprises the holistic set of management systems, organizational structures, processes, standards and behaviours that are employed to conduct our business and deliver returns for shareholders. The Company has a proper and adequate system of internal control commensurate with the size and nature of business. These systems provide a reasonable assurance in respect of providing financial and operational information, complying with applicable statutes, safeguarding of assets of the company and ensuring compliance with corporate policies.

Company has an elaborate internal control system part of which is embedded within each asset's operations to monitor and manage risks associated with each asset's operations and performance. The Company also conducts periodic evaluations, mainly through its Internal Audit, in order to determine the adequacy of its Internal Controls System.

The Company has appointed Protiviti, an independent global firm with expertise in internal audit and assurance, that among other things, ensures the adequacy of the procedures of recognizing and managing risks applied by Management, the effectiveness of the Internal Controls System and the quality and reliability of the information given to the Management with regard to the System of Internal Controls. The adequacy of the Internal Controls System is monitored on a systematic basis by the Audit Committee, through reports submitted to it every quarter by the Internal Auditors. Reports by the Management and the Internal Auditors include assessments of the major risks and the effectiveness of the Internal Controls System in addressing them. Systemic weakness identified, if any, are incorporated in the reports, including the impact they had or could have had, as well as the actions of Management to correct them. No significant control failures were reported during the year.

A detailed asset level business plan is prepared to meet the agreed annual work programme and budget. This sets out detailed objectives and KPIs for each asset and supporting functional departments, and is consolidated into the Company's annual business plan. After an iterative process, the business plan and budget along with cash forecasts identifying liquidity and financing requirements of the Company are presented to the Audit Committee and the Board for approval. Funding plans are approved by the Audit Committee and the Board based on end utilization of proceeds and cost of capital.

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

The Company's Information Technology (IT) Department is responsible for developing the IT strategy to support the overall strategy and provide the required tools and solutions to all employees. A key part of its responsibilities is the operation and support of IT systems and applications through the drafting and updating of manuals, and the efficient management of internal and external resources. The Company has developed a sufficient framework to monitor and control its IT systems, which is defined by a set of internal controls, policies and procedures. Access rights have been set in several information systems for all the employees, according to their position and role.

The Company has internal controls regarding fixed assets, inventories, cash and bank checks, etc, such as physical security, inventory counts and reconciliations of physically counted quantities with the recorded ones. Further the Company has schedule of quarterly inventory counts to confirm inventory levels as per accounting records. The Company also has a chart of authorities, which depicts assigned authorities to various Company executives, in order to conduct certain transactions or actions (e.g. payments, receipts, contracts, etc).

The Company has an established policy towards maintaining standards of health, safety and environmental norms while maintaining operational integrity. The HSE Management System ensures that relevant safety and environmental standards are adhered to on an ongoing basis in all the areas of operations. A series of reports are generated on a regular basis to monitor compliance with standards on gas emissions, liquid effluents, solid waste, noise and incident statistics monitoring. These reports are then collated and used to highlight and propose an action plan for any area of non-compliance or where there is potential for improvement. Emergency Response Plan (ERP) is also in place for operational areas.

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.

WHISTLE-BLOWER POLICY

The Company has a whistle-blower policy and systems in place. A copy of the policy has been made available on the website of the Company. All employees, contractual persons, consultants, vendors and customers of HOEC can raise concerns about possible wrong doing by contacting the Ombudsperson in a confidential manner.

OUTLOOK

Based on the forward plan in various assets and more specifically continued development of PY-1 Gas Field and establishing Commercial Discover Report (CDR) for Dirok Discovery, our outlook remains positive.

Oil and Gas Markets

Looking ahead, the long-term outlook is one of growing demand for energy, particularly in Asia, and of challenges for the industry in meeting this demand. Rising incomes and expanding urban populations are expected to drive demand, while the evolution towards a lower-carbon economy will require technology, innovation and investment. In the long term, Global energy demand is projected to increase by around 40% between 2010 and 2030. Fossil fuels are expected still to be satisfying as much as 80% of the world's energy needs in 2030. The outlook for oil price in 2011 is expected to remain robust, mainly supported by a steady tightening of physical supply and due to global geo-political events. The price of Brent oil is forecast to be in a corridor of USD 90-110/bbl through 2011-2012.

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 demand on finite oil service resources are showing a sign of reversal and rig day rates, marine spread cost and costs of the attendant services expect to register a modest increase.

MATERIAL DEVELOPMENT IN HUMAN RESOURCE FRONT

Our ability to create sustainable shareholder value is linked to our ability to recruit, motivate and retain staff with high degree of professionality. HOEC strives to ensure that relationships amongst our employees are cohesive, professionally, effective and performance enriching. HOEC values all employees for their contribution to our business. It is vital that we develop and deploy people with the skills, capability and determination required to meet our objectives. There remains, in our industry, a continuing shortage of professionals, driven by changing demographics. Nonetheless, we have thus far been successful in building this capacity and we are committed to building and deploying capability with a strong safety and risk management culture to foster professional pride in engineering, health, safety, security, the environment and operations. Opportunities for advancement are equal and not influenced by considerations other than performance and aptitude. Employees are provided with the opportunity to develop their potential and, where appropriate, to further their careers within the Company. HOEC's success has been attributable in part to assembling the right team of people. Employees are motivated to develop within a flexible framework and are encouraged to provide feedback on their expectations.

We conduct 360-degree performance appraisals annually during which business objectives are established for the coming year. The size of the corporate organisation facilitates everyday, direct interaction and multi-disciplinary dialogue amongst personnel. This is enhanced further by informal offsite meetings which provide a forum for corporate updates and feedback. Your Company has over the years evolved a favourable work environment that creates and promotes culture of performance for teams to maximize their contribution. We also seek to improve the working environment by ensuring fairness and consistency of remuneration practices, as well as policies and procedures. 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. Under the LTIP scheme, the employees are beneficiaries of performance bonus for the financial year 2010-2011.

HOEC's talent base, as on March 31, 2011, stands at 58 (previous year: 62) with the average employee age being 37 years.

HEALTH, SAFETY, ENVIRONMENT & SOCIAL RESPONSIBILITY

OUR GOAL

We are committed to making a positive contribution to the protection of the environment in areas in which we operate and to minimising any adverse effects of our operations. We strive to contribute positively to global sustainability through our operations, the development of our fields, our adoption of new technologies and the conduct of our relationships with all of our stakeholders. We aim to promote sharing of economic benefits created by our activities through the conduct of community relationships.

HOEC continued with sound health and safety record in FY 2010-2011 with no lost time incidents or fatalities. There were no environmental incidents and Environmental Impact Assessments were conducted in line with regulatory requirements. Consistent with the Company's HSE Management System, site specific HSE Procedures have been put in place for each of the operating sites. 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.

HOEC has developed Emergency Response Plan (ERP) for production operations, drilling campaigns and construction activities to ensure timely response in times of emergency. ERP integrates knowledge from such diverse areas as small group decision making, environmental scanning, risk assessment, emergency communication, evaluation methods and reputation management. HOEC continually reviews its ERP to ensure that the Company's processes match its needs and requirements.

During the last FY 2010-11, there were no fatalities, no lost time incidents (LTIs) and no environmental incidents. The key performance indicators (KPIs) related to HSE tracked by the Company for PY-1 Project since onset of commercial production are as below:

KPI's statistics	2010-2011	2009-2010
Fatalities Accident Rate (FAR)	0	0
No. of LTI incidents	0	1
Days since last LTI	640	275
Oil Spill Incidents	0	0
	2010-2011 Results	Industry Statistics OGP Report dated May, 2011 (updated June 01, 2011)
Fatal Accident Rate	0	2.76
LTI Frequency	0	0.42
LTI Severity	0	43.90

The Company, as part of its Corporate Social Responsibility (CSR) measure, has participated in development of rural infrastructure, cultural interpretation and community centre in its area of operations and has earmarked an amount of INR 8.4 million during this year towards CSR.

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.

Besides being the recommended method under the Guidance Note issued by the Institute of Chartered Accountants of India, 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 for a company of our size, especially during periods of active exploration.

Site Restoration Liability

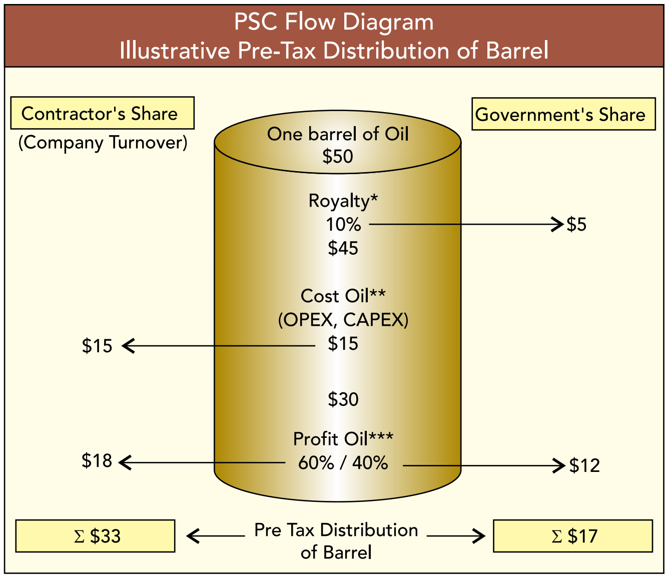
Our site restoration liability consist of estimated costs of dismantling and abandoning producing well sites and facilities, site reclamation and similar activities associated with our oil and gas properties. The recognition of Site Restoration Liability requires that management make estimates, assumptions 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 aggregated Rs. 794.4 million as at March 31, 2011.

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 continues to focus on best Corporate Governance Practices prevailing in India. During the year, Company has adopted certain policies, guidelines, regulations and manuals in order to strengthen and achieve the objectives of Corporate Governance.

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

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

2. BOARD OF DIRECTORS

(i) Composition and Category of Directors

As on March 31, 2011, 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, number of directorships, committee positions and shareholding in the Company as on March 31, 2011 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 refer note 1	No. of shares & % held in the Company
Mr. R. Vasudevan (DIN 00025334)	Non-Executive, Independent Director (Chairman)	6 of 6	Yes	4	Membership – 4	Nil
Mr. Deepak S. Parekh (DIN 00009078)	Non-Executive, Non-Independent Director	0 of 6	No	11 refer note 2	Chairmanship – 5 Membership – 2	Nil
Mr. Sunil Behari Mathur (DIN 00013239)	Non-Executive, Independent Director	4 of 6	Yes	11 refer note 3	Chairmanship – 4 Membership – 4	Nil
Mr. Mukesh Butani (DIN 01452839)	Non-Executive, Independent Director	6 of 6	Yes	1	Membership – 1	Nil
Mr. Paolo Carmosino (DIN 02688754)	Non-Executive Director	1 of 6	No	Nil refer note 4	Nil	Nil
Mr. Sergio Adriano Laura (DIN 02670514)	Non-Executive Director	6 of 6	Yes	Nil refer note 4	Nil	Nil
Mr. Marcello Simoncelli (appointed w.e.f. Sept. 30, 2010) (DIN 03316543)	Non-Executive Director	2 of 3	Yes	Nil refer note 4	Nil	Nil
Mr. Santo Laganà (up to Sept. 30, 2010) (DIN 02356963)	Non-Executive Director	2 of 3	No	Nil refer note 4	Nil	Nil
Mr. Luigi Ciarrocchi (DIN 02357053)	Managing Director	0 of 6	No	Nil refer note 4	Nil	Nil
Mr. Manish Maheshwari refer note 5 (DIN 01791004)	Joint Managing Director	6 of 6	Yes	1	Nil	9,590 refer note 6 (% Negligible)

note 1 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.

note 2 Mr. Deepak S. Parekh is an alternate director in four companies as well as a director on the Board of Airport Authority of India and foreign companies. The same is not included in the above details of membership on Board of other public Companies etc.

note 3 Excludes directorships/trusteeships and advisory role on the Board of various private limited companies, trusts and the Government bodies/authorities/corporations.

note 4 Excludes directorships on the Board of foreign companies registered outside India.

note 5 Mr. Manish Maheshwari is also the Chairman of HOEC Bardahl India Limited, wholly owned subsidiary of the Company.

note 6 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 98 days and 25 days respectively.

The dates on which the Board meetings were held during the Financial Year 2010-11 are April 30, 2010, May 29, 2010, August 12, 2010, September 30, 2010, October 25, 2010 and January 31, 2011.

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

Mr. Mukesh Butani, Mr. Sunil Behari Mathur, Mr. Luigi Ciarrocchi and Mr. Manish Maheshwari, Directors will retire at the ensuing Annual General Meeting of the Company. Being eligible, they have offered themselves for re-appointment.

The term of Mr. Luigi Ciarrocchi as Managing Director will expire at the conclusion of 27th Annual General Meeting. Mr. Luigi Ciarrocchi has declined to be re-appointed as Managing Director of the Company due to his pre occupation and other business commitments.

The term of Mr. Manish Maheshwari will expire at the conclusion of 27th Annual General Meeting. Being eligible, Mr. Manish Maheshwari has given his consent to be appointed as the Managing Director. Board has recommended appointment of Mr. Manish Maheshwari as Managing Director of the Company at the ensuing Annual General Meeting.

Further, Board has recommended Mr. Sergio A. Laura to be appointed as Managing Director of the Company at ensuing Annual General Meeting.

The brief profile and expertise of Mr. Mukesh Butani, Mr. Sunil Behari Mathur, Mr. Manish Maheshwari, Mr. Luigi Ciarrocchi, and Mr. Sergio Adriano Laura are given in the Notice of the 27th Annual General Meeting.

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 and grant of stock options to the Non-Executive Independent Directors.

The Board periodically reviews compliance of laws applicable to the Company. Based on compliance certificates given by the functional heads, the Managing Director/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 and personnel who are below the Senior Management level, but instrumental in the critical operations/functions are 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.

Information provided to the Board:

The Board of the Company is presented with information under the following heads, whenever applicable and materially significant.These are submitted either as part of the agenda papers in advance of the Board Meetings or are tabled in the course of the Board Meetings. This inter alia includes:

1. Annual operating plans of business, capital budget and any updates/revisions duly reviewed and recommended by the Audit Committee.
2. Quarterly results of the Company along with various reports duly reviewed and recommended by the Audit Committee.
3. Minutes of the Audit Committee, Shareholders/Investors Grievance Committee and Compensation & Remuneration Committee of the Board.
4. Information on recruitment and remuneration of senior officers just below the Board level, including appointment or removal of the senior officers and the Company Secretary.
5. Materially important litigations, show cause, demand, prosecution and penalty notices.
6. Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems etc.

7. Any material default in financial obligation to and by the Company.

8. Details of any joint venture or collaboration agreement.

9. Any issue, which involves possible public liability claims of substantial nature, including any judgment or order, which may have passed strictures on the conduct of the Company or taken an adverse view regarding another enterprise that can have negative implication on the Company.

10. Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.

11. Non-compliance of any regulatory, statutory, or listing requirements and shareholders service such as non payment of dividend, delay in share transfer etc.

12. Sale of material nature, of investments, subsidiary, assets, which is not in normal course of business.

13. Status of each of the projects and criticalities, if any.

14. Prior approval for award of contract on behalf of the JV for HOEC operated Projects beyond a threshold value as decided by the Board.

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

The Audit Committee also reviews the financial statements including investments of HOEC Bardahl India Limited (wholly owned subsidiary of HOEC).

(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, five (5) Audit Committee Meetings were held on, April 30, 2010, May 29, 2010, August 12, 2010, October 25, 2010 and January 31, 2011.

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	5 of 5
2.	Mr. R. Vasudevan, Member	5 of 5
3.	Mr. Sunil Behari Mathur, Member	3 of 5
4.	Mr. Paolo Carmosino, Member	1 of 5

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.

During the year, the Board nominated Mr. Marcello Simoncelli, a Non-Executive Director as the member of the Committee w.e.f. October 25, 2010. The composition of Committee is as under:

Sr. No.	Name	Designation
1.	Mr. R. Vasudevan	Chairman
2.	Mr. Mukesh Butani	Member
3.	Mr. Sunil Behari Mathur	Member
4.	Mr. Sergio Adriano Laura	Member
5.	Mr. Santo Lagana' (upto September 30, 2010)	Member
6.	Mr. Marcello Simoncelli (appointed w.e.f. October 25, 2010)	Member

(iii) Attendance during the year

During the year under review, two (2) Compensation & Remuneration Committee meetings were held on August 12, 2010 and January 31, 2011.

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	2 of 2
2.	Mr. Mukesh Butani, Member	2 of 2
3.	Mr. Sunil Behari Mathur, Member	1 of 2
4.	Mr. Sergio Adriano Laura, Member	2 of 2
5.	Mr. Santo Lagana' (upto September 30, 2010)	1 of 1
6.	Mr. Marcello Simoncelli (appointed w.e.f. October 25, 2010)	1 of 1

(iv) Remuneration Policy

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

(a) Employment scenario and demand for talent in the upstream oil and gas sector;

(b) Remuneration package of the industry/other industries for the requisite managerial talent; and

(c) 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 2010-11.

The Managing Director of the Company is appointed as per the terms and conditions decided by the Board of Directors of the Company.

The Managing Director of the Company did 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 2010-2011 is given hereunder:

Name	FIXED COMPONENT				PERFORMANCE LINKED INCENTIVE			Total Remuneration (Refer Note 2 below)
	Salaries	Contribution to provident fund & super-annuation fund	Other allowances/ perquisites (Refer note 1 below)	Total	Bonus	Stock Options (No. of shares)	Total	
	Rs.	Rs.	Rs.	Rs. (A)	Rs.		Rs. (B)	Rs. (A+B)
Mr. Manish Maheshwari, Joint Managing Director	8,073,000	2,179,710	9,929,974	20,182,684	2,600,000	Nil	2,600,000	22,782,684

Notes:

1. 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.
2. As per the policy of 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

(B) REMUNERATION PAID TO NON-EXECUTIVE INDEPENDENT DIRECTORS DURING THE YEAR 2010-11.

All Non-Executive Directors (NEDs) of the Company are entitled to receive sitting fee for each meeting of the Board or Committee thereof attended by them.

In view of the governance responsibilities entrusted with the NEDs, effective from February 01, 2011, sitting fees to the NEDs, was increased by the Company from Rs. 5,000 to Rs. 20,000 for each Board Meeting or Committee thereof attended by the Director, in accordance with, and within the limit prescribed by, the Companies Act, 1956.

The details of sitting fees paid during the financial year 2010-11 are given hereunder:

Sr. No.	Name of Director	Sitting Fees (INR)
1.	Mr. R. Vasudevan	90,000
2.	Mr. Sunil Behari Mathur	40,000
3.	Mr. Mukesh Butani	65,000

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.

During the year, Stock Options have been granted to Non-Executive Independent Directors namely Mr. R. Vasudevan, Mr. Sunil Behari Mathur, and Mr. Mukesh Butani. Details of stock options granted to Non-Executive Independent Directors are given in Directors' Report. None of the Directors are related to each other.

While the Compensation and Remuneration Committee has recommended an aggregate commission of INR 3.0 million to be distributed amongst the Non Executive Directors (NEDs), however the NEDs have chosen not to accept this commission as a gesture to support the Company in its immediate endeavors.

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, Mr. Sanjay Tiwari, Chief Legal Counsel & Company Secretary 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 30, 2010, May 29, 2010, August 12, 2010, October 25, 2010 and January 31, 2011. 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 31.03.2011
Received from Investors	50	50	Nil
Received from NSDL/CDSL	01	01	Nil
Referred by SEBI	36	36*	Nil
Referred by Stock Exchanges	07	07	Nil
Total	94	94	Nil

* excludes two complaints which could not be resolved for absence or incorrect information for instance incorrect Ledger Folio Number, non disclosure of Depository Participant ID and Client ID, and the Company has sought clarification/missing information so as to take suitable 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 no pending share transfer request as on March 31, 2011.

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
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.
2009-2010	"Tropicana Hall" The Gateway Hotel Vadodara Akota Gardens Akota, Vadodara – 390 020.	September 30,2010	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. 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 at Sr. No. 9 of Notice).

   b. 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 at Sr. No. 10 of Notice).

   c. 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 at Sr. No. 11 of Notice).

   d. Appointment of Mr. Luigi Ciarrocchi as the Managing Director of the Company w.e.f. September 30, 2010 until the conclusion of the 27th Annual General Meeting of the Company (passed at the 26th AGM held on September 30, 2010 at Sr. No. 6 of Notice).

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 at 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 Independent Directors.

(f) **Transfer to Investor Education and Protection Fund**

The Company in compliance with Section 205C of the Companies Act, 1956, has deposited an amount of Rs. 926,843 being the amount of unclaimed/unpaid dividend for the financial year 2002-03 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.

(h) The quarterly compliance report has been submitted to the Stock Exchanges where the Company's equity shares are listed in the requisite format duly signed by the Compliance Officer, pursuant to Clause 49 of the Listing Agreement.

(i) A qualified company secretary carried out a Share Capital Audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The audit confirms that the total issued/paid-capital is in agreement with the total number of shares in physical form and the total number of shares held with NSDL and CDSL.

9. MEANS OF COMMUNICATION

The quarterly, half yearly, annual financial results are normally published in the Economic Times, (English & Gujarati) Ahmedabad editions, Vadodara Samachar, Vadodara edition and the Business Line, all editions. Additionally, the Company also published its annual financial results inter alia in the Economic Times, Mumbai edition. The results along with official news release are promptly displayed on the Company's web site at www.hoec.com shortly after its submission of the stock exchanges. 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.

Green Initiative

As a responsible corporate citizen, the Company welcomes and supports the 'Green Initiative' taken by the Ministry of Corporate Affairs, Government of India (MCA), by its recent Circulars, enabling electronic delivery of documents including the Annual Report, Quarterly, Half Yearly results etc. to shareholders at their e-mail address previously registered with the Depository Participants (DPs)/Registrars & Share Transfer Agents. Shareholders, who have not registered their e-mail addresses so far, are requested to register their e-mail addresses. Those holding shares in demat form can register their e-mail address with their concerned DPs. Shareholders who hold shares in physical form are requested to register their e-mail addresses with Link Intime India Pvt. Ltd. by sending a letter, duly signed by the first/soleholder quoting details of Folio No.

Company's Corporate Website

Company's website is a comprehensive reference on the Company's management, business, policies, corporate governance, investor relations, HSE, subsidiary, updates and news. The section on "Investors" serves to inform the shareholders, by giving complete financial details, annual reports, shareholding patterns, corporate benefits, information relating to stock exchanges, registrars and share transfer agent etc.

Management Discussion & Analysis Report forms part of the Annual Report. All matters pertaining to industry structure and development opportunities and threats, performance, outlook, risks and concerns, internal control and systems etc, are discussed in the said Report.

10. GENERAL SHAREHOLDERS INFORMATION

Day, Date, Time and Venue of 27th Annual General Meeting.	Wednesday, 28th day of September, 2011 at 10:30 a.m at "Tropicana Hall" The Gateway Hotel Vadodara Akota Gardens, Akota Vadodara – 390 020
Financial Year	April 1, to March 31
Quarterly Financial Information	Results for the quarter ending on: June 30, 2011 September 30, 2011 December 31, 2011 March 31, 2012 Within 45/60 days from the close of the quarter
Book Closure Date	September 26, 2011 to September 28, 2011 (both days inclusive).
Dividend Payment Date	The Board declared an Interim Dividend of Rs. 0.50 (5%) per equity share of Rs. 10/- for FY 2010-11 on August 12, 2010 and paid before the due date stipulated by law, on September 03, 2010.

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 2011-12 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:

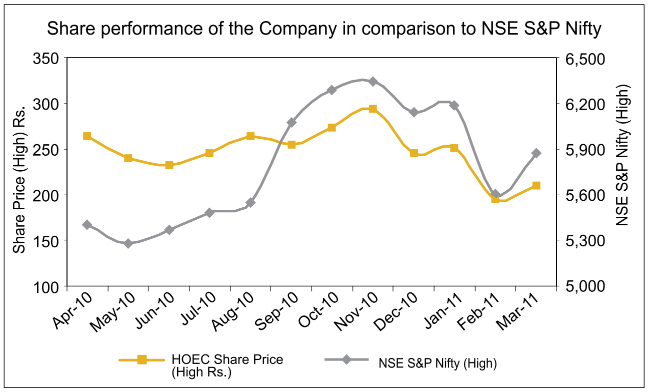
Bombay Stock Exchange Limited (BSE)	:	500186
National Stock Exchange of India Limited (NSE)	:	HINDOILEXP Series : Eq

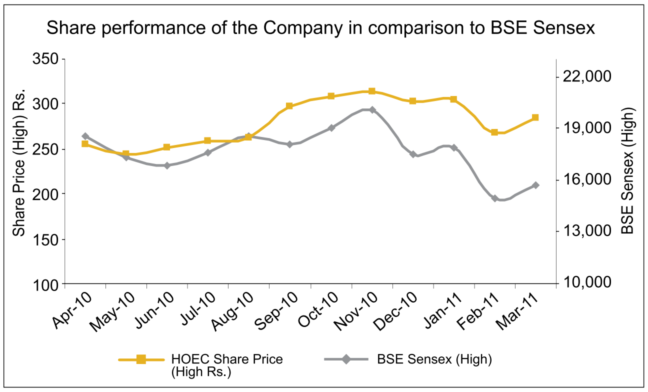
The Company has established the connectivity for trading of equity shares in the depository system with both depositories viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). International Security Identification Number (ISIN) of the Company's equity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

Market Price Data:

Month	BSE Share Price		BSE Sensex (High)	NSE S&P Nifty (High)
	High Price (Rs.)	Low Price (Rs.)		
April 2010	263.50	230.30	18,047.86	5,399.65
May 2010	240.50	165.00	17,536.86	5,278.70
June 20 10	232.20	177.80	17,919.62	5,366.75
July 2010	246.45	217.55	18,237.56	5,477.50
August 2010	264.85	219.00	18,475.27	5,549.80
September 2010	254.90	231.00	20,267.98	6,073.50
October 2010	273.00	229.55	20,854.55	6,284.10
November 2010	293.20	195.00	21,108.64	6,338.50
December 2010	244.90	177.15	20,552.03	6,147.30
January 2011	251.25	179.00	20,664.80	6,181.05
February 2011	194.40	155.50	18,690.97	5,599.25
March 2011	210.00	157.80	19,575.16	5,872.00

Share Price Chart





Registrars and Transfer Agents

Link Intime India Private Limited
Unit: Hindustan Oil Exploration Company Limited
B- 102 & 103, Shangrila Complex
First Floor, Opp. HDFC Bank
Near Radhakrishna Char Rasta
Akota, Vadodara 390020.
Email : vadodara@linkintime.co.in
Tel : +91 (0265) 2356573, 2356794
Fax : +91 (0265) 2356791

Share Transfer System

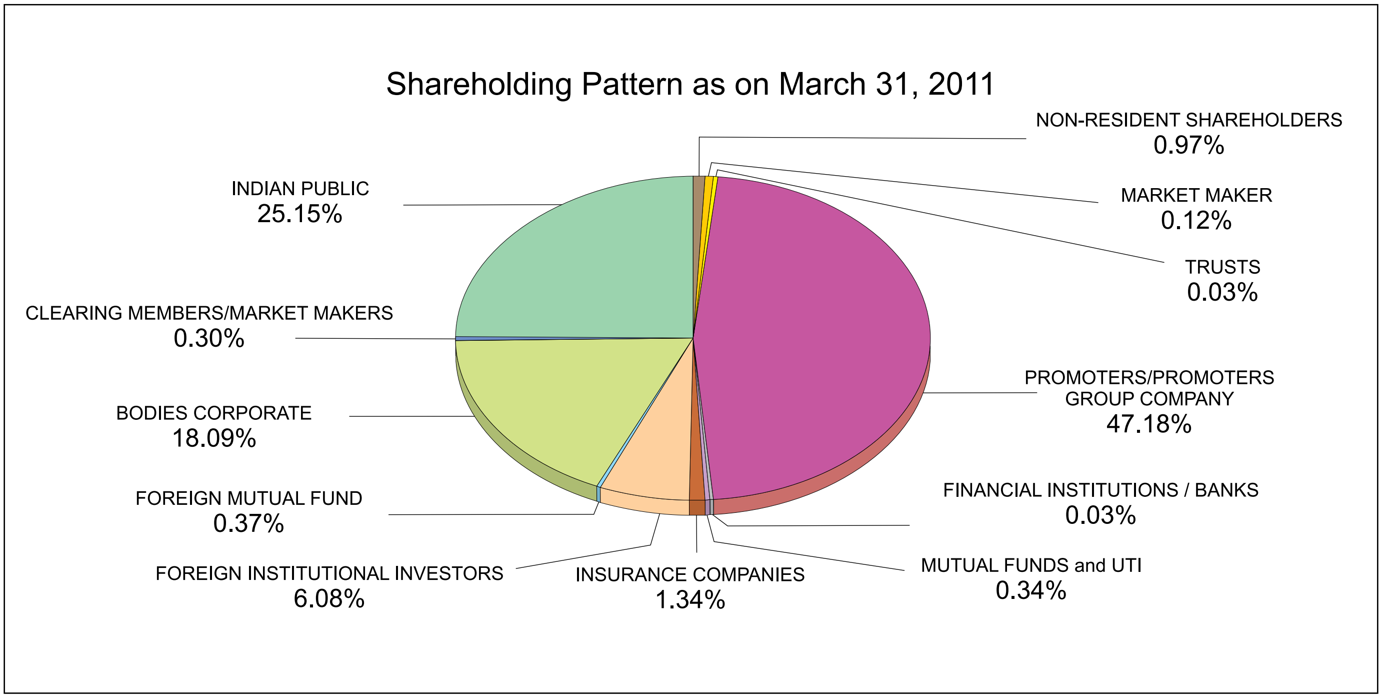
Share Transfer in physical form requests are generally registered and returned within a period of 21 days from the date of receipt and request for dematerialisation, rematerialisation generally confirmed within a period of 21 days from the date of its receipt, if documents are complete in all respect.

As on March 31, 2011 Company has dematerialized 92,728,336 equity shares, which is 71.06% of the total equity shares.

DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31, 2011

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 5000	11,622	2,221,496	43,439	12,857,974	21,158	4,623,624	76,219	19,703,094
5,001 to 10,000	0	0	247	1,843,800	93	671,985	340	2,515,785
10,001 to 20,000	1	12,766	120	1,799,216	39	534,748	160	2,346,730
20,001 to 30,000	1	20,600	44	1,106,729	12	294,373	57	1,421,702
30,001 to 40,000	0	0	15	539,628	2	71,874	17	611,502
40,001 to 50,000	0	0	24	1,107,762	1	40,744	25	1,148,506
50,001 to 1,00,000	1	69,178	33	2,478,102	5	407,963	39	2,955,243
Above 1,00,000	1	35,440,913	37	61,662,671	6	2,687,143	44	99,790,727
TOTAL	11,626	37,764,953	43,959	83,395,882	21,316	9,332,454	76,901	130,493,289

NSDL = National Securities Depository Limited
CDSL = Central Depository Services (India) Limited



SHAREHOLDING PATTERN AS ON MARCH 31, 2011

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 percent-tage
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	8	445,600	442,500	0.34	0.34	0	0.00
(b)	Financial Institutions/Banks	12	39,545	37,285	0.03	0.03	0	0.00
(c)	Insurance Companies	1	1,750,537	1,750,537	1.34	1.34	0	0.00
(d)	Foreign Institutional Investors	41	7,938,270	7,937,270	6.08	6.08	0	0.00
(e)	Foreign Mutual Fund	1	480,000	480,000	0.37	0.37	0	0.00
	Sub-Total (B)(1)	63	10,653,952	10,647,592	8.16	8.16	0	0.00
2.	Non-institutions							
(a)	Bodies Corporate	1,432	23,603,896	23,558,773	18.09	18.09	0	0.00
(b)	Individuals							
i	Individual shareholders holding nominal share capital up to Rs. 1 lakh	73,392	19,074,739	17,201,841	14.62	14.62	0	0.00
ii	Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	178	13,737,668	13,737,668	10.53	10.53	0	0.00
(c)	Any Other							
i	Clearing Member/Market Makers	307	397,252	397,252	0.30	0.30	0	0.00
ii	Non Resident Shareholders	1,467	1,261,931	944,216	0.97	0.97	0	0.00
iii	Trusts	7	35,846	35,846	0.03	0.03	0	0.00
iv	Market Makers	51	158,871	158,871	0.12	0.12	0	0.00
	Sub-Total (B)(2)	76,834	58,270,203	56,034,467	44.66	44.66	0	0.00
	Total Public Shareholding (B) = (B) (1)+ (B) (2)	76,897	68,924,155	66,682,059	52.82	52.82	0	0.00
	TOTAL (A)+(B)	76,901	130,493,289	92,728,336	100	100	0	0.00
(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)	76,901	130,493,289	92,728,336	100	100	0	0.00

NOTES:

1. 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.
2. Promoters shares pledged data is based on their declarations.

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.	HSBC Bank (Mauritius) Limited	3,995,000	3.06
3.	Jhunjhunwala Rakesh Radheshyam	2,935,143	2.25
4.	Jhunjhunwala Rekha Rakesh	1,762,273	1.35
5.	General Insurance Corporation of India	1,750,537	1.34
	Total	25,269,256	19.36

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

11. OTHER INFORMATION TO THE SHAREHOLDERS

National - Electronic Clearing Service (NECS) Facility

As per RBI notification, with effect from 1st October, 2009, the remittance of dividend through Electronic Credit Service (ECS) is replaced by National Electronic Clearing Service (NECS). Shareholders are requested to intimate their Folio No(s), Name and Branch of the Bank in which they wish to receive the dividend, the Bank Account type, Bank Account Number allotted by their banks after implementation of Core Banking Solutions (CBS) and the 9 digit MICR Code Number. Shareholders who hold shares in physical form are requested to intimate the above information in to the Registrar at its address.

Shareholders who have already intimated the above information to the Depository Participants (DPs)/Registrars of the Company need not take any further action in this regard.

Those Shareholders who do not wish to avail of the NECS facility, are requested to furnish to the DPs/Registrars, the Name and Branch of the Bank and the Bank Account Number allotted by their banks after implementation of Core Banking Solutions, which will be printed on the warrants.

For and on behalf of the Board

R. Vasudevan
Chairman

Date: August 05, 2011

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, 2011.

For and on behalf of the Board

Manish Maheshwari
Joint Managing Director

Date: August 05, 2011

CEO/CFO CERTIFICATION UNDER CLAUSE 49

We, Luigi Ciarrocchi and Manish Maheshwari in our capacity as the Managing Director and Joint Managing Director respectively of Hindustan Oil Exploration Company Limited (hereinafter referred to as the "Company"), hereby certify that :

1. We have reviewed the financial statements and the cash flow statement for the Financial Year 2010-11 and that to the best of our knowledge and belief:
   (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
   (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
2. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year, which are fraudulent, illegal or violative of the Company's code of conduct.
3. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
4. We have indicated to the Auditors and the Audit Committee
   (i) significant changes in internal control over financial reporting during the year;
   (ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements, if any; and
   (iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

Luigi Ciarrocchi
Managing Director

Manish Maheshwari
Joint Managing Director

Date: May, 09, 2011

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, 2011 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.

Niraj Trivedi
Company Secretary
CP. No. 3123

Place : Vadodara
Date : August 05, 2011

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, 2011 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. The attached financial statements and other financial information include Company's share of net fixed assets, net current assets, expenses and cash flows aggregating to INR 588,294,910, INR (8,535,030), INR 297,162,129 and INR (19,049,219) respectively as at March 31, 2011 in respect of one of its unincorporated joint venture ('UJV') not operated by the Company, the accounts of which have been audited by the auditors of the respective UJV and relied upon by us.
4. The attached financial statements and other financial information include Company's share of total exploration/ development work in progress, net current assets, expenses and cash flows aggregating to INR 200,452,559, INR 11,021,398, INR Nil and INR (13,163) respectively as at March 31, 2011 in respect of two of its UJV's not operated by the Company, the accounts of which have not been audited by the auditors of the respective UJV's. The financial statements and other financial information have been incorporated based on un-audited financial statements as provided by the Operator of respective UJV's and relied upon by us.
5. As required by the Companies (Auditor's Report) Order, 2003 (as amended) ('the Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order. In respect of clauses (ii), (ix)(a), (ix)(b), (ix)(c) and (xxi), our comments are restricted to the standalone operations of the Company and operations related to UJVs where the Company is the operator and it does not cover the unincorporated joint ventures where any third party is the operator.
6. Further to our comments in the Annexure referred to above, we report that:
   i. 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;
   ii. 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;
   iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
   iv. 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.
   v. On the basis of the written representations received from the directors, as on March 31, 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
   vi. 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;
      (a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2011;
      (b) in the case of the profit and loss account, of the profit for the year ended on that date; and
      (c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For S. R. BATLIBOI & ASSOCIATES
Firm registration number: 101049W
Chartered Accountants

per Subramanian Suresh
Partner
Membership No.: 83673

Place : New Delhi
Date : May 9, 2011

ANNEXURE REFERRED TO IN PARAGRAH 5 OF OUR REPORT OF EVEN DATE

Re: Hindustan Oil Exploration Company Limited ('the Company')

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification.

(c) There was no substantial disposal of fixed assets during the year.

(ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.

(b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification carried out at the end of the year.

(iii) (a-d) As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Therefore the provisions of clause 4(iii) (b), (c) and (d) of the Order are not applicable to the Company.

(e) The Company had taken loan from one company covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 5,697,500,000 and the year-end balance of loans taken from that party was Rs. 5,307,475,000.

(f) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.

(g) In respect of loans taken, repayment of the principal amount is as stipulated and payment of interest have been regular.

(iv) In our opinion and according to the information and explanations given to us, as well as taking into consideration the management representation that certain items of fixed assets which are of special nature for which alternative quotations are not available, 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 inventory and sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control system of the Company.

(v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under section 301 of the Act have been so entered.

(b) In respect of transactions made in pursuance of such contracts or arrangements exceeding the value of Rupees five lakhs entered into during the financial year, because of the unique and specialized nature of the items involved and absence of any comparable prices, we are unable to comment whether the transactions were made at prevailing market prices at the relevant time.

(vi) The Company has not accepted any deposits from the public.

(vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

(viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the products of the Company.

(ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, income-tax, sales-tax, wealth-tax, service tax, cess and other material statutory dues applicable to it. The provisions relating to employees' state insurance, customs duty and excise duty are not applicable to the Company.

Further, since the Central Government has till date not prescribed the amount of cess payable under section 441 A of the Companies Act,1956, we are not in a position to comment upon the regularity or otherwise of the company in depositing the same.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, income-tax, sales-tax, wealth-tax, service tax, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

(c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, and cess on account of any dispute, are as follows:

Name of Statute	Nature of the Dues	Amount (Rs.)	Period to which the amount relates	Forum where Dispute is Pending
Income Tax Act, 1961	Tax and Interest	2,836,952	Assessment Year 2003-2004	Income Tax Appellate Tribunal
		1,430,040	Assessment Year 2006-2007	
		145,499,694	Assessment Year 2007-2008	
		84,545,109	Assessment Year 2008-2009	Commissioner of Income Tax (Appeals)
	Sub-total	234,311,795		
	Less: Refunds Adjusted *	(34,202,040)		
	Net Amount	200,109,755		
	Fringe Benefit Tax	741,728		Commissioner of Income Tax (Appeals)

* Refunds pertaining to other assessment years adjusted against disputed dues, based on intimations received from income tax department.

(x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.

(xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to banks. The Company has no outstanding dues in respect of a financial institution and has not issued any debentures during the period.

(xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion, the Company is not a chit fund or a nidhi/ mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.

(xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the Company.

(xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.

(xvi) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.

(xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.

(xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Act.

(xix) The Company did not have any outstanding debentures during the year.

(xx) The Company has not raised any money through public issues during the year.

(xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For S.R. BATLIBOI & ASSOCIATES
Firm registration number: 101049W
Chartered Accountants

per Subramanian Suresh
Partner
Membership No.: 83673

Place : New Delhi
Date : May 9, 2011

BALANCE SHEET AS AT MARCH 31, 2011

(All amounts are in Indian rupees unless otherwise stated)

	Schedule		As at March 31, 2011		As at March 31, 2010
SOURCES OF FUNDS					
SHAREHOLDERS' FUNDS					
Share Capital	1		1,305,093,005		1,305,093,005
Reserves and Surplus	2		10,437,390,222		9,711,476,034
LOAN FUNDS					
Secured Loans	3		586,817,423		827,177,191
Unsecured Loans	4		5,307,475,000		5,697,500,000
DEFERRED TAX LIABILITY (NET) (See Note 16(ii) of Schedule 15)			323,852,081		0
			17,960,627,731		17,541,246,230
APPLICATION OF FUNDS					
FIXED ASSETS	5 A				
Gross Block		17,822,676,387		17,755,460,598	
Less : Depreciation, Depletion and Amortisation		2,925,488,518		1,707,986,741	
Net Block			14,897,187,869		16,047,473,857
EXPLORATION/DEVELOPMENT WORK IN PROGRESS	5 B		1,010,869,277		654,301,550
INVESTMENTS	6		1,102,907,373		29,131,475
FOREIGN CURRENCY MONETARY ITEM TRANSLATION DIFFERENCE ACCOUNT (See Note 22 of Schedule 15)			0		2,501,863
DEFERRED TAX ASSET (NET) (See Note 16(ii) of Schedule 15)			0		53,147,919
CURRENT ASSETS, LOANS AND ADVANCES	7				
A. Inventories		440,428,339		432,484,561	
B. Sundry Debtors		473,980,559		412,325,942	
C. Cash and Bank Balances		469,289,728		799,782,476	
D. Other Current Assets		1,900,257		2,182,492	
E. Loans and Advances		906,157,886		592,277,555	
		2,291,756,769		2,239,053,026	
Less : CURRENT LIABILITIES AND PROVISIONS	8				
A. Current Liabilities		540,449,235		676,194,073	
B. Provisions		801,644,322		808,169,387	
		1,342,093,557		1,484,363,460	
NET CURRENT ASSETS			949,663,212		754,689,566
			17,960,627,731		17,541,246,230
Significant Accounting Policies	14				
Notes to the Accounts	15				
Schedules referred to above form an integral part of the Balance Sheet.					

In terms of our report of even date attached.

For S. R. Batliboi & Associates
(Firm Registration No. 101049W)
Chartered Accountants

per Subramanian Suresh
Partner
Membership No. 83673

Place : New Delhi
Date : May 09, 2011

On behalf of the Board of Directors

R. Vasudevan
Chairman

Manish Maheshwari
Joint Managing Director

Sanjay Tiwari
Chief Legal Counsel & Company Secretary

Place : New Delhi
Date : May 09, 2011

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

(All amounts are in Indian rupees unless otherwise stated)

	Schedule	Year ended March 31, 2011	Year ended March 31, 2010
INCOME			
Sales	9	3,298,495,019	1,400,550,243
(Decrease)/Increase in Stock of Crude Oil, Condensate and Natural Gas	10	(13,895,394)	49,718,432
Other Income	11	88,149,165	138,631,677
		3,372,748,790	1,588,900,352
EXPENDITURE AND CHARGES			
Operating and Administrative Expenditure	12	846,891,993	385,760,889
Depreciation, Depletion and Amortisation of Fixed Assets	5A	1,222,879,767	471,949,918
Interest and Finance Charges	13	123,879,544	80,427,399
		2,193,651,304	938,138,206
PROFIT BEFORE TAX		1,179,097,486	650,762,146
Provision for Current Income Tax		232,000,000	108,000,000
Provision for Deferred Tax (See Note 16(ii) of Schedule 15)		377,000,000	231,000,000
Provision for Wealth Tax		100,000	200,000
MAT Credit Entitlement (See Note 16(i) of Schedule 15)		(232,000,000)	(104,362,448)
PROFIT AFTER TAX		801,997,486	415,924,594
Profit Brought Forward		1,869,954,561	1,454,029,967
PROFIT AVAILABLE FOR APPROPRIATION		2,671,952,047	1,869,954,561
APPROPRIATIONS:			
Interim Dividend		65,246,645	0
Dividend Tax		10,836,653	0
Balance Carried to Balance Sheet		2,595,868,749	1,869,954,561
		2,671,952,047	1,869,954,561
Earnings per Share of Rs.10 Face Value (Basic and Diluted) (See Note 15 of Schedule 15)		Rs. 6.15	Rs. 3.19
Significant Accounting Policies	14		
Notes to the Accounts	15		
Schedules referred to above form an integral part of the Profit and Loss Account.			

In terms of our report of even date attached.

For S. R. Batliboi & Associates
(Firm Registration No. 101049W)
Chartered Accountants

per Subramanian Suresh
Partner
Membership No. 83673

Place : New Delhi
Date : May 09, 2011

On behalf of the Board of Directors

R. Vasudevan
Chairman

Manish Maheshwari
Joint Managing Director

Sanjay Tiwari
Chief Legal Counsel & Company Secretary

Place : New Delhi
Date : May 09, 2011

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011

(All amounts are in Indian rupees unless otherwise stated)

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax	1,179,097,486	650,762,146
Adjustments for:		
Compensated Absences	449,482	573,500
Depreciation, Depletion and Amortisation	1,222,879,767	471,949,918
Dividend/Interest Income	(73,621,758)	(41,888,648)
(Profit)/Loss on Sale/Discarded Assets (Net)	(960,283)	0
Excess Liabilities/Provisions Written Back	(9,968,767)	(11,690,574)
Amortisation of Foreign Currency Monetary Item Translation Difference Account	2,501,862	7,655,662
Unrealized Exchange (Gain)/Loss*	(1,809,014)	14,312,714
Interest and Finance Charges	123,879,544	80,427,399
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	2,442,448,319	1,172,102,117
Adjustments for:		
Sundry Debtors	(59,845,603)	(203,486,103)
Loans and Advances (including Site Restoration Deposits)	56,784,960	119,451,397
Inventories	(7,943,778)	230,429,742
Current Liabilities and Provisions	(125,430,722)	(3,000,889,154)
CASH FROM/(USED IN) OPERATIONS	2,306,013,176	(1,682,392,001)
Taxes Paid	(428,694,520)	(184,836,151)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	1,877,318,656	(1,867,228,152)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(13,584,392)	(4,866,392)
Proceeds from Sale of Fixed Assets	1,836,631	9,548
Development Expenditure	(149,630,612)	(5,544,516,948)
Exploration Expenditure	(334,313,504)	(70,477,412)
Proceeds from Sale of Investments	78	0
Dividend/Interest Received	73,903,993	43,302,241
NET CASH USED IN INVESTING ACTIVITIES	(421,787,806)	(5,576,548,963)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Secured Loans Repaid	(237,262,541)	(410,534,837)
Unsecured Loans Repaid	(332,704,071)	0
Unsecured Loans Taken	0	5,898,925,184
Interest and Finance Charges Paid	(123,879,544)	(89,081,574)
Dividend Paid (including Dividend Tax)	(76,083,298)	0
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	(769,929,454)	5,399,308,773
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	685,601,396	(2,044,468,342)
Cash, Cash Equivalents:		
Opening Balance	550,418,562	2,594,886,904
Closing Balance	1,236,019,958	550,418,562
	685,601,396	(2,044,468,342)
Components of Cash and Cash Equivalents		
Cash and Bank Balance as per Schedule 7(C)*	469,289,728	799,782,476
Current Investment – Units of Liquid and Liquid Plus Schemes of Mutual Funds	1,097,858,208	24,082,232
Adjustment for Unpaid Dividend Account and Share Application Money Account	(5,357,252)	(5,612,647)
Adjustment for Site Restoration Deposits (See Note 2 of Schedule 15)	(264,294,120)	(227,273,440)
Adjustment for Lien Marked Deposits/Accounts (See Note 2 of Schedule 15)	(61,476,606)	(40,560,059)
Total Cash and Cash Equivalents as at Year End	1,236,019,958	550,418,562

* Includes effect of exchange loss of Rs. 341,711 (Previous Year: Rs. 16,074,496) on translation of foreign currency cash and cash equivalents.

Schedules 1 to 15 form an integral part of the Accounts.

In terms of our report of even date attached.

For S. R. Batliboi & Associates
(Firm Registration No. 101049W)
Chartered Accountants

per Subramanian Suresh
Partner
Membership No. 83673

Place : New Delhi
Date : May 09, 2011

On behalf of the Board of Directors

R. Vasudevan
Chairman

Manish Maheshwari
Joint Managing Director

Sanjay Tiwari
Chief Legal Counsel & Company Secretary

Place : New Delhi
Date : May 09, 2011

Schedules Forming Part of the Balance Sheet as at March 31, 2011

(All amounts are in Indian rupees unless otherwise stated)

	As at March 31, 2011	As at March 31, 2010
SCHEDULE 1		
SHARE CAPITAL		
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
Balance in Profit and Loss Account	2,595,868,749	1,869,954,561
	10,437,390,222	9,711,476,034
SCHEDULE 3		
SECURED LOANS		
(See Note 1 of Schedule 15)		
Loans from Banks		
Foreign Currency Term Loan	370,817,423	491,177,191
Rupee Term Loans	216,000,000	336,000,000
	586,817,423	827,177,191
SCHEDULE 4		
UNSECURED LOANS		
Other Loan		
Loan from ENI Coordination Center S.A., Belgium	5,307,475,000	5,697,500,000
	5,307,475,000	5,697,500,000
Note:		
Amounts Repayable within One Year	451,700,000	341,850,000

Schedules Forming Part of the Balance Sheet as at March 31, 2011

(All amounts are in Indian rupees unless otherwise stated)

SCHEDULE 5 A – FIXED ASSETS

Particulars	GROSS BLOCK				DEPRECIATION, DEPLETION and AMORTISATION				NET BLOCK	
	As at April 01, 2010	Additions / Adjustments 2010-11	Deductions / Adjustments 2010-11	As at March 31, 2011	As at April 01, 2010	For the Year 2010-11	Deductions 2010-11	As at March 31, 2011	As at March 31, 2011	As at March 31, 2010
Producing Properties *	17,572,116,781	71,654,040	45,710	17,643,725,111#	1,626,579,223	1,217,629,744	0	2,844,208,967	14,799,516,144	15,945,537,558
OTHER FIXED ASSETS :										
Land-Freehold	22,752,173	0	0	22,752,173	0	0	0	0	22,752,173	22,752,173
Buildings	105,060,625	0	728,837	104,331,788	30,229,954	3,723,759	373,353	33,580,360	70,751,428	74,830,671
Office Equipments	10,381,834	186,423	918,540	9,649,717	8,443,820	273,838	735,520	7,982,138	1,667,579	1,938,014
Computers	5,283,151	1,443,870	57,600	6,669,421	4,903,245	730,501	56,551	5,577,195	1,092,226	379,906
Office Furniture	9,171,270	68,925	3,285,662	5,954,533	8,434,634	126,570	3,179,384	5,381,820	572,713	736,636
Vehicles	6,560,920	0	1,217,989	5,342,931	5,688,448	178,037	1,033,182	4,833,303	509,628	872,472
Intangible Assets – Software	24,133,844	116,869	0	24,250,713	23,707,417	217,318	0	23,924,735	325,978	426,427
Total:	17,755,460,598	73,470,127	6,254,338	17,822,676,387	1,707,986,741	1,222,879,767	5,377,990	2,925,488,518	14,897,187,869	16,047,473,857
Previous Year	2,271,879,446	15,483,631,384	50,232	17,755,460,598	1,236,077,505	471,949,918	40,682	1,707,986,741	16,047,473,857	

SCHEDULE 5 B – EXPLORATION/DEVELOPMENT WORK IN PROGRESS*

Development Expenditure	9,214,531	89,212,457$	66,958,234	31,468,754	0	0	0	0	31,468,754	9,214,531
Exploration Expenditure	645,087,019	334,313,504	0	979,400,523	0	0	0	0	979,400,523	645,087,019
Total:	654,301,550	423,525,961	66,958,234	1,010,869,277	0	0	0	0	1,010,869,277	654,301,550
Previous Year	10,255,557,679	5,355,472,728	14,956,728,857	654,301,550	0	0	0	0	654,301,550	

* Represents Company's Share in Unincorporated Joint Venture Assets.

\# Additions/Adjustments to Producing Properties include (See Note 18 of Schedule 15):

a. decrease in undiscounted estimated future Site Restoration cost of Rs. 7,072,500 (Previous Year: Rs. 30,817,500) on account of change in foreign exchange rates.

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

$ Additions to Exploratory/Development work in progress includes:

a. borrowing Cost Rs. Nil (Previous Year: Rs. 8,654,175) capitalised as Development Expenditure.

b. net foreign exchange gain of Rs. 60,418,155 (Previous Year exchange loss of Rs. 261,532,172) capitalised as Development Expenditure. (See Note 22 of Schedule 15).

Schedules Forming Part of the Balance Sheet as at March 31, 2011

(All amounts are in Indian rupees unless otherwise stated)

		As at March 31, 2011	As at March 31, 2010
SCHEDULE 6			
INVESTMENTS (FULLY PAID) – At Cost			
LONG TERM			
IN WHOLLY OWNED SUBSIDIARY COMPANY – UNQUOTED			
50,002	(Previous Year 50,002) Equity Shares of Rs. 100 each of HOEC Bardahl India Limited	5,000,200	5,000,200
UNQUOTED (NON-TRADE)			
100,000	(Previous Year 100,000) Equity Shares of Rs. 10 each of Gujarat Securities Limited	1,000,000	1,000,000
CURRENT			
QUOTED (NON-TRADE)			
318	(Previous Year 318) Equity Shares of Rs. 10 each of Reliance Industries Limited	25,975	25,975
318	(Previous Year 318) Equity Shares of Rs. 5 each of Reliance Communication Ventures Limited	19,332	19,332
Nil	(Previous Year 318) Equity Shares of Rs. 5 each of Reliance Natural Resources Limited	0	350
23	(Previous Year 23) Equity Shares of Rs. 10 each of Reliance Energy Limited	3,219	3,219
15	(Previous Year 15) Equity Shares of Rs. 10 each of Reliance Capital Limited	166	166
79	(Previous Year Nil) Equity Shares of Rs. 10 each of Reliance Power Limited	272	0
UNQUOTED (NON-TRADE)			
UNITS OF LIQUID/LIQUID PLUS SCHEMES OF MUTUAL FUNDS			
2,172,161	(Previous Year 142,793) Units of Rs. 10 each of HDFC Cash Management Fund – Saving Plan – Daily Dividend – Reinvestment	23,103,975	1,518,807
390,204	(Previous Year Nil) Units of Rs. 1,000 each of UTI Treasury Advantage Fund – Institutional Plan (Daily Dividend Option) – Reinvestment	390,287,807	0
28,630,123	(Previous Year Nil) Units of Rs. 10 each of Birla Sun Life Ultra Short Term Fund – Institutional – Daily Dividend	286,458,692	0
3,882,390	(Previous Year Nil) Units of Rs. 10 each of Kotak Floater Long Term Fund – Daily Dividend	39,133,719	0
2,863,462	(Previous Year Nil) Units of Rs. 10 each of ICICI Prudential Floating Rate Plan D – Daily Dividend – Dividend Reinvestment	286,412,040	0
7,223,444	(Previous Year Nil) Units of Rs. 10 each of HDFC Cash Management Fund – Treasury Advantage Plan – Wholesale – Daily Dividend – Reinvestement	72,461,975	0
Nil	(Previous Year 166,025) Units of Rs. 10 each of ICICI Prudential Flexible Income Plan – Premium – Daily Dividend	0	17,554,704
Nil	(Previous Year 409,607) Units of Rs. 10 each of Kotak Liquid (Institutional Premium) – Daily Dividend	0	5,008,721
		1,103,907,372	**30,131,474**
Less : Provision for Diminution in Value of Investments of Gujarat Securities Limited		999,999	999,999
		1,102,907,373	**29,131,475**
Aggregate Cost of Quoted Investments		48,964	49,042
Market Value of Quoted Investments		402,764	445,773
Aggregate Cost of Unquoted Investments		**1,103,858,408**	**30,082,432**

Schedules Forming Part of the Balance Sheet as at March 31, 2011

(All amounts are in Indian rupees unless otherwise stated)

	As at March 31, 2011	As at March 31, 2010
SCHEDULE 7		
CURRENT ASSETS, LOANS AND ADVANCES		
(A) INVENTORIES		
Crude Oil, Condensate and Natural Gas (See Note 19 (ii) of Schedule 15)	114,565,190	100,960,540
Stores, Spares, Capital Stock and Drilling Tangibles	325,863,149	331,524,021
	440,428,339	**432,484,561**
(B) SUNDRY DEBTORS		
(Unsecured, Considered Good)		
Outstanding for a Period Less than Six Months	473,980,559	412,325,942
	473,980,559	**412,325,942**
(C) CASH AND BANK BALANCES		
Cash on Hand	2,795	3,438
Balances with Scheduled Banks		
Current Accounts (See Note 2(a) of Schedule 15)	71,344,939	25,309,996
Unclaimed/Unpaid Dividend Accounts	4,919,031	5,172,671
Unclaimed/Unpaid Share Application Money	438,221	439,976
Deposit Accounts (See Notes 2(b) of Schedule 15)	385,998,319	744,474,999
Balances with Non-Scheduled Banks		
Current Accounts (See Notes 3 of Schedule 15)	6,586,423	24,381,396
	469,289,728	**799,782,476**
(D) OTHER CURRENT ASSETS		
Interest Accrued on Deposits	1,900,257	2,182,492
	1,900,257	**2,182,492**
(E) LOANS AND ADVANCES (See Note 3 & 4 below)		
Advances Recoverable in Cash or in Kind or for Value to be Received (See Note 3(c) & 4 below)	152,234,406	267,256,167
Service Tax Input Credit	1,257,364	957,790
MAT Credit Entitlement (See Note 16(i) of Schedule 15)	367,362,448	135,362,448
Advance Income Tax [Net of Provision for Taxation of Rs. 1,171,963,496 (Previous Year Rs. 939,963,496)]	399,802,464	203,199,946
Advance Fringe Benefit Tax [Net of Provision for Fringe Benefit Taxation of Rs. 8,500,000 (Previous Year Rs. 8,500,000)]	1,058,060	1,058,060
	921,714,742	**607,834,411**
Less : Provision for Doubtful Advances	15,556,856	15,556,856
	906,157,886	**592,277,555**
TOTAL (A) + (B) + (C) + (D) + (E)	**2,291,756,769**	**2,239,053,026**
Notes:		
1. Maximum Amount Due from HOEC Bardahl India Limited at any time during the year	3,242,820	28,029,152
2. Amount Due from HOEC Bardahl India Limited	0	0
3. Of the above:		
(a) Secured, Considered Good	0	0
(b) Unsecured, Considered Good	906,157,886	592,277,555
(c) Unsecured, Considered Doubtful	15,556,856	15,556,856
	921,714,742	**607,834,411**
4. Advances Recoverable in Cash or in Kind or for Value to be Received includes Unamortised Borrowing Cost of Rs. 10,941,385 (Previous Year Rs. 15,413,163)		

Schedules Forming Part of the Balance Sheet as at March 31, 2011

(All amounts are in Indian rupees unless otherwise stated)

	As at March 31, 2011	As at March 31, 2010
SCHEDULE 8		
CURRENT LIABILITIES AND PROVISIONS		
(A) CURRENT LIABILITIES		
Sundry Creditors		
– Outstanding Dues to Micro Enterprises and Small Enterprises (See Note 5 of Schedule 15)	218,937	193,025
– Outstanding Dues to Creditors other than Micro Enterprises and Small Enterprises	492,524,246	590,266,533
Unclaimed/Unpaid Dividend (See Note 2 below)	4,919,031	5,172,671
Unclaimed/Unpaid Share Application Money (See Note 2 below)	438,221	439,976
Other Liabilities (See Note 1 below)	42,348,800	80,121,868
	540,449,235	676,194,073
(B) PROVISIONS		
Provision for Compensated Absences	3,822,982	3,373,500
Provision for Gratuity	2,942,768	2,852,813
Provision for Site Restoration (See Note 18 of Schedule 15)	794,432,500	801,505,000
Provision for Taxation		
– Wealth Tax [Net of Advance Tax of Rs. 841,668 (Previous Year Rs. 749,666)]	446,072	438,074
	801,644,322	808,169,387
TOTAL (A) + (B)	1,342,093,557	1,484,363,460

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, 2011

(All amounts are in Indian rupees unless otherwise stated)

	Year ended March 31, 2011	Year ended March 31, 2010
SCHEDULE 9		
SALES		
(A) SALES (See Note 19(i) of Schedule 15)		
Sale of Crude Oil, Condensate and Natural Gas	3,569,940,961	1,457,752,788
Less: Profit Petroleum to Government of India	278,501,942	64,258,545
	3,291,439,019	1,393,494,243
(B) SERVICES		
Warehousing Services [Tax Deducted at Source Rs. 778,272 (Previous Year Rs. 830,028)]	7,056,000	7,056,000
	7,056,000	7,056,000
TOTAL (A) + (B)	3,298,495,019	1,400,550,243

Schedules Forming Part of the Profit and Loss Account for the Year Ended March 31, 2011

(All amounts are in Indian rupees unless otherwise stated)

	Year ended March 31, 2011	Year ended March 31, 2010
SCHEDULE 10		
(DECREASE)/INCREASE IN STOCK OF CRUDE OIL, CONDENSATE AND NATURAL GAS		
Increase in Gross Stock of Crude Oil, Condensate and Natural Gas (See Note 19(ii) of Schedule 15)	13,604,650	51,373,101
Less : Profit Petroleum to Government of India	27,500,044	1,654,669
	(13,895,394)	49,718,432
SCHEDULE 11		
OTHER INCOME		
Interest Income (Gross) on Bank Deposits	23,622,752	21,754,558
[Tax Deducted at Source Rs. 975,694 (Previous Year Rs.1,307,640)]		
Dividend from Long Term – Trade Investments	531	4,647
Dividend from Current – Non Trade Investments	49,998,475	20,129,443
Profit on Sale of Assets (Net)	960,283	0
Gain on Foreign Exchange Fluctuation (Net) (See Note 20 of Schedule 15)	1,907,086	84,875,266
Provisions for Earlier Years Written Back (See Note 9 of Schedule 15)	9,968,767	11,690,574
Miscellaneous Income	1,691,271	177,189
	88,149,165	138,631,677
SCHEDULE 12		
OPERATING AND ADMINISTRATIVE EXPENDITURE		
A. OPERATING EXPENDITURE		
Hire Charges	207,699,344	131,407,079
Insurance	34,063,686	14,923,378
Fuel, Water and Others	10,326,998	6,643,891
Plant – Repairs & Maintenance	19,588,286	9,007,131
Manpower Costs & Overheads	132,524,368	51,659,036
Transportation and Logistics	154,581,370	83,107,029
Consumables	1,384,027	277,314
Royalty, Cess & Other Duties	202,321,065	75,867,293
Other Production Expenses	28,438,116	18,020,388
	790,927,260	390,912,539
B. ADMINISTRATIVE EXPENDITURE		
a) STAFF EXPENSES		
Salaries, Allowances and Bonus (See Notes 6(a) & 10(b) of Schedule 15)	112,220,972	87,567,594
Contribution to Provident and Other Funds (See Notes 6(a) & 10(a) of Schedule 15)	10,288,828	8,581,404
Welfare Expenses	3,916,479	2,607,167
	126,426,279	98,756,165

Schedules Forming Part of the Profit and Loss Account for the Year Ended March 31, 2011

(All amounts are in Indian rupees unless otherwise stated)

	Year ended March 31, 2011	Year ended March 31, 2010
SCHEDULE 12		
OPERATING AND ADMINISTRATIVE EXPENDITURE (Contd.)		
b) OTHER EXPENSES		
Office and Guest House Rent	12,964,933	9,631,231
Electricity	2,030,645	1,933,880
Rates and Taxes	386,667	451,363
Repairs and Maintenance – Others	11,577,390	11,937,030
General Office Expenses	874,362	482,798
Travelling and Conveyance	9,093,059	4,798,003
Communication Expenses	4,661,666	3,399,364
Printing and Stationery	3,631,070	2,373,082
Legal and Professional Expenses (See Note below)	47,903,425	34,051,285
Insurance	344,851	206,562
Directors' Sitting Fees and Commission (See Notes 6(b) & 6(c) of Schedule 15)	3,195,000	6,170,000
Auditors' Remuneration (See Note below)		
As Statutory Auditors	1,775,000	1,450,000
For Tax Audit	100,000	150,000
For Other Matters	25,000	395,000
Reimbursement of Expenses	69,236	84,859
	1,969,236	2,079,859
Miscellaneous Expenses	6,057,468	7,178,497
	104,689,772	**84,692,954**
c) TOTAL (a+b)	231,116,051	183,449,119
d) LESS : RECOVERY OF EXPENSES (See Note 21 of Schedule 15)	175,151,318	188,600,769
TOTAL ADMINISTRATIVE EXPENDITURE (c-d)	55,964,733	(5,151,650)
TOTAL OPERATING AND ADMINISTRATIVE EXPENDITURE (A+B)	846,891,993	385,760,889

Note:

Legal and Professional Expenses for the current year includes and Auditors' Remuneration excludes Rs. 750,000 (Previous Year Rs. 1,400,000) (Excluding Service Tax) paid/payable towards tax matters to a firm in which some partners of the erstwhile audit firm were partners.

Auditors' Remuneration for the current year includes Rs. 244,236 (Excluding Service Tax) paid to erstwhile audit firm.

Auditors' Remuneration excludes Rs. 202,831 (Previous Year Rs. 214,225) paid/payable towards service tax for which service tax input credit has been availed.

	Year ended March 31, 2011	Year ended March 31, 2010
SCHEDULE 13		
INTEREST AND FINANCE CHARGES		
Interest on Fixed Term Loans	117,763,626	75,943,045
Bank Charges and Commission	1,644,140	1,079,260
Other Finance Charges	4,471,778	3,405,094
	123,879,544	80,427,399

Schedules Forming Part of the Accounts for the Year Ended March 31, 2011

SCHEDULE 14

SIGNIFICANT ACCOUNTING POLICIES

1. Background

Hindustan Oil Exploration Company Limited ('the Company') was incorporated in India on September 22, 1983 under the provisions of the Companies Act, 1956 and is listed on the National Stock Exchange ('NSE') and Bombay Stock Exchange ('BSE'). The Company is engaged in the exploration, development and production of crude oil and natural gas in India, both onshore and offshore.

The Company is participant in various Oil and Gas blocks/fields (which are in the nature of jointly controlled assets) granted by the Government of India through Production Sharing Contracts ('PSC') entered into between the Company and Government of India and other venture partners. The Company has seven onshore assets of which three are located in Cambay basin in the state of Gujarat, one in Assam Arakan basin in the state of Assam, two in Jaisalmer Basin in the state of Rajasthan and one in Pranhita Godavari basin in the state of Andhra Pradesh. The Company has three offshore assets of which two assets are located in the Cauvery basin on the east coast of India, and one in Gulf of Cambay on the west coast of India. Details of Company's participating interest are fully discussed in Note 12 to Schedule 15.

2. Significant Accounting Policies

(i) Basis of preparation

The financial statements have been prepared to comply in all material respects with the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year. The financial statements of the Company reflect its share of assets, liabilities, income and expenditure of the Unincorporated Joint Ventures which are accounted on the basis of available information in the audited/unaudited 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 disclosures required under the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006, (as amended), other pronouncements of The Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956 have been made in the financial statements of the Company based on audited/unaudited financial statement of the unincorporated Joint Venture.

(ii) 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.

(iii) Fixed Assets and Exploration and Development Costs

Fixed Assets includes Fixed Assets and Producing Properties.

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets which take a substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

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

(a) 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.

(b) Cost of all appraisal programmes related to a Discovery are initially capitalised as "Exploration Expenditure". 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 as Producing Properties 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.

(c) 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.

(d) 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

Schedules Forming Part of the Accounts for the Year Ended March 31, 2011

SCHEDULE 14 — SIGNIFICANT ACCOUNTING POLICIES (Contd.)

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.

(e) 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 "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 capitalised as "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 "Exploration Expenditure" and retained in exploration expenditure-work-in-progress 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 "Exploration Expenditure-work-in-progress" 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.

(iv) 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 developed 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.

(v) Impairment

The carrying amounts of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

After impairment, depreciation/depletion is provided in subsequent periods on the revised carrying amount of the asset over its remaining useful life.

A previously recognised impairment loss is increased or reversed depending on changes in circumstances. However the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

(vi) Depreciation

(i) Depreciation is provided on the "Written Down Value" method at the rates specified in Schedule XIV of the Companies Act, 1956 or as per the estimated useful lives of the assets, whichever is higher.

(ii) Improvements to Leasehold premises are amortised over the remaining primary lease period.

(iii) Computer software is amortised over the license period or 10 years, whichever is lower.

(iv) Assets individually costing less than or equal to Rs. 5,000 are fully depreciated in the year of acquisition.

(vii) Investments

Investments are capitalised at cost plus brokerage and stamp charges. Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments

Schedules Forming Part of the Accounts for the Year Ended March 31, 2011

SCHEDULE 14 — SIGNIFICANT ACCOUNTING POLICIES (Contd.)

are valued at lower of cost and fair value determined on an individual investment basis. Long term investments are valued at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

(viii) Inventories

(i) Closing stock of crude oil, condensate and natural gas in saleable condition is valued at estimated Net Realisable Value. Estimated Net Realisable Value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

(ii) Stores, spares, capital stock and drilling tangibles are valued at cost on first in first out basis/weighted average basis, as applicable, or estimated Net Realisable Value, whichever is lower.

(ix) Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

(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) Service Income is recognised on accrual basis as per the contractual terms and is net of Service Tax.

(iii) Delayed Payment charges, retrospective revision in prices, 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.

(iv) Interest Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

(v) Dividend Income is recognised when the right to receive the dividend is unconditional.

(x) 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. Contributions towards Employees' Provident Fund are recognized as an expense in the year incurred. There are no obligations other than the contribution payable to the respective fund.

(ii) Superannuation Fund: The Company contributes a sum equivalent to 15% of eligible Employee's 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 incurred.

(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.

(xi) Borrowing Cost

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Eligible borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

(xii) Foreign Currency Transactions

The Company translates foreign currency transactions into Indian Rupees at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into Indian Rupees at the rate of exchange prevailing at the Balance

Schedules Forming Part of the Accounts for the Year Ended March 31, 2011

SCHEDULE 14 — SIGNIFICANT ACCOUNTING POLICIES (Contd.)

Sheet date. Exchange differences arising on the settlement of monetary items or on reporting the Company's monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, excluding long term foreign currency monetary items (see below), are recognised as income or as expenses in the period in which they arise.

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.

(xiii) 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 measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date. Deferred tax assets and deferred tax liabilities are offset and relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

At each Balance Sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

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.

(xiv) 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 15

NOTES TO THE ACCOUNTS

1. 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. 311,495,432 as at March 31, 2011 (Rs. 479,900,983 as at March 31, 2010), 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. Also see Note 2 of Schedule 15.

(b) The term loans from Axis Bank amounting to Rs. 275,321,991 as at March 31, 2011 (Rs. 347,276,208 as at March 31, 2010) is 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. Also see Note 2 of Schedule 15.

2. Bank Balances – Scheduled Banks

(a) Current Accounts with Scheduled Banks include Lien Marked Accounts Rs. 941,993 as at March 31, 2011 (Rs. 1,261,453 as at March 31, 2010). Also see Note 1 of Schedule 15.

(b) Deposits with Scheduled Banks include:

- Lien Marked Deposits Rs. 60,534,613 as at March 31, 2011 (Rs. 39,298,606 as at March 31, 2010). Also see Note 1 of Schedule 15.
- Deposits amounting to Rs. 264,294,120 as at March 31, 2011 (Rs. 227,273,440 as at March 31, 2010) placed as "Site Restoration Fund" under Section 33ABA of the Income Tax Act, 1961.

Schedules Forming Part of the Accounts for the Year Ended March 31, 2011

SCHEDULE 15 — NOTES TO THE ACCOUNTS (Contd.)

3. Bank Balances – Non-Scheduled Banks

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. 6,586,423 as at March 31, 2011 (Rs. 24,381,396 as at March 31, 2010) and Banque ENI Belgium (a ENI Group Entity) amounting to Rs. Nil as at March 31, 2011 (Rs. Nil as at March 31, 2010). The maximum amount outstanding at any time during the year in respect of these accounts were Rs. 35,839,383 (Previous Year Rs. 103,143,622) and Rs. Nil (Previous Year Rs. 6,165,000,000) respectively.

4. Purchase and Sale of Investments

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

A. 2010 – 2011

Amount in Rupees

Name of the Funds	Purchases		Sales	
	Units	Amount	Units	Amount
HDFC Cash Management Fund – Savings Plan – Daily Dividend – Reinvestment	84,827,736	902,261,732	82,798,368	880,676,564
HDFC Cash Management Fund – Treasury Advantage Plan – Wholesale – Daily Dividend – Reinvestment	128,288,748	1,286,928,577	121,065,304	1,214,466,602
ICICI Prudential Liquid Super Institutional Plan – Daily – Dividend Reinvestment	1,790,136	179,053,436	1,790,136	179,053,436
ICICI Prudential Floating Rate Plan D – Daily Dividend – Dividend Reinvestment	2,863,462	286,412,041	0	0
ICICI Prudential Flexible Income Plan Premium – Daily Dividend – Reinvestment	1,448,989	153,208,814	1,615,014	170,763,518
Birla Sun Life Cash Plus Fund – Institutional Premium – Daily Dividend – Reinvestment	47,583,352	476,761,398	47,583,352	476,761,398
Birla Sun Life Ultra Short Term Fund – Institutional – Daily Dividend	28,630,123	286,458,692	0	0
Birla Sun Life Savings Fund – Institutional Daily Dividend – Reinvestment	41,064,175	410,920,984	41,064,175	410,920,984
Kotak Liquid (Institutional Premium) – Daily Dividend	19,152,528	234,199,028	19,562,135	239,207,749
Kotak Floater Long Term Fund – Daily Dividend	46,841,297	472,150,901	42,958,906	433,017,182
UTI Liquid Cash Plan Institutional – Daily Income Option – Reinvestment	376,720	384,045,077	376,720	384,045,077
UTI Treasury Advantage Fund – Institutional Plan (Daily Dividend Option) – Reinvestment	502,180	502,287,809	111,976	112,000,000
Kotak Floater Short Term – Daily Dividend	14,841,533	150,139,919	14,841,533	150,139,919
Total	**418,210,979**	**5,724,828,408**	**373,767,619**	**4,651,052,429**

B. 2009 – 2010

Amount in Rupees

Name of the Funds	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 – Daily Dividend	88,602,882	1,349,960,639	88,602,882	1,349,960,639

Schedules Forming Part of the Accounts for the Year Ended March 31, 2011

SCHEDULE 15 — NOTES TO THE ACCOUNTS (Contd.)

B. 2009 – 2010 (Contd.)

Amount in Rupees

Name of the Funds	Purchase		Sales	
	Units	Amount	Units	Amount
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 – Institutional Daily Dividend – Reinvestment	52,704,593	528,073,673	52,704,593	528,073,673
Birla Sun Life Savings Fund – Institutional 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

5. **Details of dues to Micro, Small and Medium Enterprises as per MSMED Act, 2006**

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.

Amount in Rupees

Particulars	2010-2011	2009-2010
Principal amount due to suppliers under the MSMED Act as at Year End	218,937	193,025
Interest accrued and due to suppliers under the MSMED Act on the above amount as at Year End	0	0
Payment made to suppliers (other than interest) beyond the appointed day, during the Year	0	0
Interest paid to suppliers under the MSMED Act (other than Section 16)	0	0
Interest paid to suppliers under the MSMED Act (Section 16)	0	0
Interest due and payable to suppliers under the MSMED Act for payments already made	0	0
Interest accrued and remaining unpaid to suppliers under the MSMED Act as at Year End	0	0

All payments due to Micro, Small and Medium enterprises have been made within the prescribed time limit and/or date agreed upon under the contract.

Schedules Forming Part of the Accounts for the Year Ended March 31, 2011

SCHEDULE 15 — NOTES TO THE ACCOUNTS (Contd.)

6. Managerial Remuneration

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

Amount in Rupees

Particulars	2010-2011	2009-2010
Basic Pay	8,073,000	7,020,000
Allowances	9,851,428	8,564,871
Perquisites and Bonus	2,678,546	2,538,275
Contribution to Provident and Superannuation Funds	2,179,710	1,895,400
Total (See Notes 1 and 2 below)	**22,782,684**	**20,018,546**

Notes:

1. 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.
2. Further, the remuneration does not include provisions made for gratuity and leave benefits, as they are determined on an actuarial basis for company as a whole. Also see Note 9 of Schedule 15.

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

Amount in Rupees

Particulars	2010-2011	2009-2010
Sitting Fees	195,000	170,000
Total	195,000	170,000

Note:

In addition, 17,680 Employee Stock Options were granted during the year 2010-11, to the Independent Director(s) of the Company for the year 2009-10 (5,550 Employee Stock Options granted during the year 2009-10 for the year 2008-09), pursuant to LTIP scheme 2005. Also see Note 9 of Schedule 15.

(c) **Commission to Non-Executive Directors**

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

Amount in Rupees

Particulars	2010-2011	2009-2010
Profit before Tax as per Profit and Loss Account	1,179,097,486	650,762,146
Add: Depreciation, Depletion and Amortisation of Fixed Assets	1,222,879,767	471,949,918
Profit on Sale of Assets (Net)	(960,283)	0
Directors' Sitting Fees	195,000	170,000
Directors' Commission	3,000,000	6,000,000
Remuneration to Managing Director/Joint Managing Director (See (a) above)	22,782,684	20,018,546
Less: Depreciation, Depletion and Amortisation of Fixed Assets as per Section 350 of the Companies Act, 1956	1,222,879,767	471,949,918
Adjusted Profit under Section 198 and 309 (5) of the Companies Act, 1956	1,204,114,887	676,950,692
Commission Payable (1% of adjusted Profit)	12,041,149	6,769,507
Commission restricted to	3,000,000	6,000,000

Schedules Forming Part of the Accounts for the Year Ended March 31, 2011

SCHEDULE 15 — NOTES TO THE ACCOUNTS (Contd.)

7. Foreign Currency Transactions

(i) **Expenditure in Foreign Currency** (on cash basis)

Amount in Rupees

Particulars	2010-2011	2009-2010
Royalty, Know-how	0	0
Professional and Consultancy Fees	172,879,805	121,088,667
Interest @	87,068,099	36,445,355
Travelling Expenses	817,414	1,247,246
Others	5,774,382	5,348,436

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

(ii) **Earnings in Foreign Currency** (on cash basis)

Amount in Rupees

Particulars	2010-2011	2009-2010
Interest +	615,347	2,872,155

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

(iii) **CIF Value of Imports**

Amount in Rupees

Particulars	2010-2011	2009-2010
Capital Goods	21,475,099	186,072,230
Components and spare parts	3,797,851	0

8. 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:

Particulars	2010-2011	2009-2010
Financial Year to which the Dividend relates	2010-11	Nil, as the Company has not declared any dividend for 2008-09
Number of Non-Resident Shareholders	371	
Number of Equity Shares Held by Them	61,805,157	
Gross Amount of Dividend in Rupees	30,902,579	

9. 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 31, 2011 approved grant of 17,680 options (Previous Year 16,828 options approved on January 27, 2010) to eligible Independent 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 year ended March 31, 2011 an aggregate amount of Rs. 20,000,000 (Previous Year Rs. 16,200,000) 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. 6,527,308 (Previous Year Rs. 8,813,666) based on the approval/ratification of the Board of Directors of the Company.

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

Schedules Forming Part of the Accounts for the Year Ended March 31, 2011

SCHEDULE 15 — NOTES TO THE ACCOUNTS (Contd.)

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	
	2010-2011	2009-2010
Outstanding at the beginning of the Year	34,441	32,682
Granted during the Year	17,680	16,828
Forfeited/lapsed during the Year	3,011	0
Exercised during the Year	0	15,069
Outstanding at the End of the Year	49,110	34,441
– Vested	0	0
– Yet to Vest	49,110	34,441

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.

10. Employee Benefits

a. **Gratuity**

The Company's obligation towards the Gratuity Fund is a Defined Benefit Plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with Life Insurance Corporation of India in the form of a qualifying insurance policy.

The following tables summarize the components of net benefit expense recognised in the Profit and Loss Account and the funded status and amounts recognised in the Balance Sheet.

Details of Actuarial Valuation as at March 31, 2011

Amount in Rupees

Particulars	2010-2011	2009-2010
Reconciliation of opening and closing balances of the present value of defined benefit obligations		
Projected Benefit Obligation as at the beginning of the Year	6,320,300	8,311,130
Reversal of Excess Liability	0	(2,876,908)
Current Service Cost	1,190,362	1,087,244
Interest Cost	521,424	448,323
Actuarial (Gain)/Loss	(616,151)	(649,489)
Benefits Paid	(763,315)	0
Projected Benefit Obligation at the End of the Year	**6,652,620**	**6,320,300**
Change in fair value of Plan Assets		
Fair value of Plan Assets as at the beginning of the Year	3,467,487	2,204,015
Expected return on Plan Assets	308,713	243,124
Employer's Contribution	688,636	994,717
Benefits Paid	(763,315)	0
Actuarial Gain/(Loss)	8,331	25,631
Fair Value of Plan Assets as at the End of the Year	**3,709,852**	**3,467,487**
Reconciliation of present value of obligation and fair value of Plan Assets		
Amount Recognised in the Balance Sheet		
Present Value of Projected Benefit Obligation at the End of the Year	6,652,620	6,320,300

Schedules Forming Part of the Accounts for the Year Ended March 31, 2011

SCHEDULE 15 — NOTES TO THE ACCOUNTS (Contd.)

Particulars	2010-2011	2009-2010
Fair Value of Plan Assets as at the End of the Year	3,709,852	3,467,487
Liability Recognised in the Balance Sheet	**2,942,768**	**2,852,813**
Gratuity Cost for the Year		
Current Service Cost	1,190,362	1,087,244
Interest Cost	521,424	448,323
Expected Return on Plan Assets	(308,713)	(243,124)
Net Actuarial (Gain)/Loss	(624,482)	(675,120)
Net Gratuity Cost Recognised in Profit and Loss Account	**778,591**	**617,323**
Defined Benefit Obligation	6,652,620	6,320,300
Plan Assets	3,709,852	3,467,487
Surplus/(Deficit)	(2,942,768)	(2,852,813)
Experience adjustments on Plan Liabilities	(616,151)	(649,489)
Experience adjustments on Plan Assets	8,331	25,631
Assumptions		
Discount Rate	8.25%	8.25%
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%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

	2010-11	2009-10	2008-09	2007-08	2006-07
Defined benefit Obligations as at the End of the Year	(6,652,620)	(6,320,300)	(8,311,130)	(6,696,883)	(4,519,852)
Plan Assets Value as at the End of Year	3,709,852	3,467,487	2,204,015	1,041,648	1,050,751
Surplus/(Deficit)	(2,942,768)	(2,852,813)	(6,107,115)	(5,655,235)	(3,469,101)
Experience adjustments on Plan Liabilities	(616,151)	(649,489)	30,916	979,387	(160,498)
Experience adjustments on Plan Assets	8,331	25,631	35,621	14,626	9,492

b. **Compensated Absences**

The key assumptions used in computation of provision for long term compensated absences 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%

11. 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, 2011

SCHEDULE 15 — NOTES TO THE ACCOUNTS (Contd.)

12. Unincorporated Joint Venture Operations

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

Sl. No.	Unincorporated Joint Ventures	Partners	Share (%) As at March 31, 2011	Share (%) As at March 31, 2010
	Licensed Production Sharing Contracts:			
1.	PY–1	Hindustan Oil Exploration Company Limited	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 Limited	40.00	40.00
		Hindustan Oil Exploration Company Limited	21.00	21.00
		Tata Petrodyne Limited	21.00	21.00
3.	Asjol	Hindustan Oil Exploration Company Limited	50.00	50.00
		Gujarat State Petroleum Corporation Limited	50.00	50.00
4.	North Balol	Hindustan Oil Exploration Company Limited	25.00	25.00
		Gujarat State Petroleum Corporation Limited	45.00	45.00
		Heramec Limited	30.00	30.00
5.	CB-ON/7 (Palej)	Hindustan Oil Exploration Company Limited	35.00	35.00
		Gujarat State Petroleum Corporation Limited	35.00	35.00
		Oil and Natural Gas Corporation Limited	30.00	30.00
6.	CB-OS/1	**Exploration Area**		
		Oil and Natural Gas Corporation Limited	32.89	32.89
		Hindustan Oil Exploration Company Limited	57.11	57.11
		Tata Petrodyne Limited	10.00	10.00
		Development Area		
		Oil and Natural Gas Corporation Limited	55.26	55.26
		Hindustan Oil Exploration Company Limited	38.07	38.07
		Tata Petrodyne Limited	6.67	6.67
7.	GN-ON-90/3	Hindustan Oil Exploration Company Limited	75.00	75.00
	(Pranhita Godavari)	Mafatlal Industries Limited*	25.00	25.00
8.	AAP-ON-94/1	Hindustan Oil Exploration Company Limited	40.323	40.323
		Indian Oil Corporation Limited	43.548	43.548
		Oil India Limited	16.129	16.129
9.	RJ-ONN-2005/1	Hindustan Oil Exploration Company Limited	25.00	25.00
		Bharat Petro Resources Limited	25.00	25.00
		Jindal Petroleum Limited**	25.00	25.00
		IMC Limited	25.00	25.00
10.	RJ-ONN-2005/2	Oil India Limited	60.00	60.00
		Hindustan Oil Exploration Company Limited	20.00	20.00
		HPCL & Mittal Energy Limited	20.00	20.00

Note:

All the Unincorporated Joint Ventures are for the blocks awarded within the territorial limits of India.

* Mafatlal Industries Limited 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, 2011.

** Jindal Petroleum Limited 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, 2011

SCHEDULE 15 — NOTES TO THE ACCOUNTS (Contd.)

13. Details of Oil and Gas Reserves

As at March 31, 2011, the internal estimates of the Management of Proved and Probable Reserves on working interest basis for the Company is as follows:

		Opening Balance	Addition	Deduction	Production	Closing Balance
Oil	MMBOE	9.1	0.9	0	0.3	9.7
Gas	MMSCM	6,927.0	0	0	366.7	6,560.3

14. Related Party Disclosures

(i) The related parties of the Company as at March 31, 2011 are as follows:

(A) Wholly Owned Subsidiary Company:
HOEC Bardahl India Limited

(B) 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 Limited (Wholly Owned Indirect Subsidiary of ENI UK Holding 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 12 of Schedule 15.

(E) Key Management Personnel:
1. Mr. Luigi Ciarrocchi – Managing Director
2. Mr. Manish Maheshwari – Joint Managing Director

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

Amount in Rupees

Particulars	Wholly Owned Subsidiary Company	Promoter Group	Other Group Entities	Unincorporated Joint Ventures' Partners	Key Management Personnel
INCOME					
– Warehousing Services	7,056,000 (7,056,000)	0 (0)	0 (0)	0 (0)	0 (0)
EXPENDITURE					
Field Operating Expenditure	0 (0)	0 (0)	39,362,625 (16,258,135)	0 (0)	0 (0)
– Remuneration to Joint Managing Director (See Note 6(a) of Schedule 15)	0 (0)	0 (0)	0 (0)	0 (0)	22,782,684 (20,018,546)
– Professional Fee	0 (0)	0 (0)	23,884,733 (0)	0 (0)	0 (0)
– Recovery of Expenses	0 (0)	0 (0)	0 (0)	75,921,519 (37,125,996)	0 (0)
– Interest Paid*	0 (0)	0 (0)	77,136,005 (46,695,729)	0 (0)	0 (0)
– Dividends Paid	0 (0)	30,784,567 (0)	0 (0)	0 (0)	0 (0)
– Bank Charges	0 (0)	0 (0)	26,492 (48,297)	0 (0)	0 (0)

Schedules Forming Part of the Accounts for the Year Ended March 31, 2011

SCHEDULE 15 — NOTES TO THE ACCOUNTS (Contd.)

Particulars	Wholly Owned Subsidiary Company	Promoter Group	Other Group Entities	Unincorporated Joint Ventures' Partners	Key Management Personnel
OTHERS					
– Warehouse Deposit	6,000,000 (6,000,000)	0 (0)	0 (0)	0 (0)	0 (0)
LOAN					
– Unsecured Loan Taken*	0 (0)	0 (0)	0 (5,697,500,000)	0 (0)	0 (0)
– Unsecured Loan Repaid*	0 (0)	0 (0)	390,025,000 (0)	0 (0)	0 (0)
CAPITAL EXPENDITURE					
– Exploration Expenditure	0 (0)	0 (0)	24,992,454 (665,798)	0 (0)	0 (0)
– Development Expenditure	0 (0)	0 (0)	121,684,535 (160,438,827)	0 (0)	0 (0)
AS AT YEAR END					
Amounts Receivable as at Year End	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)
Loan Outstanding as at Year End*	0 (0)	0 (0)	5,307,475,000 (5,697,500,000)	0 (0)	0 (0)
Amounts Payable as at Year End	6,000,000 (6,000,000)	0 (0)	208,534,245 (169,875,356)	0 (0)	0 (0)

* Amount relates to ENI Coordination Center S.A., Belgium.

Note:

Figures in brackets relate to the Previous Year.

15. Earnings Per Share (EPS)

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

Particulars	2010-2011	2009-2010
Net Profit after Tax	Rs. 801,997,486	Rs. 415,924,594
Weighted Average Numbers of Equity Shares	130,493,289	130,493,289
Basic and Diluted Earnings per Share (EPS)	Rs. 6.15	Rs. 3.19
Nominal Value per Share	Rs. 10	Rs. 10

Note:

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

16. 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. 232,000,000 (Previous Year Rs. 108,000,000) 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.

Schedules Forming Part of the Accounts for the Year Ended March 31, 2011

SCHEDULE 15 — NOTES TO THE ACCOUNTS (Contd.)

(ii) Deferred Tax Liabilities/Asset (Net)

The net Deferred Tax Liability of Rs. 323,852,081 as at March 31, 2011 (Deferred Tax Asset of Rs. 53,147,919 as at March 31, 2010) comprises the following components:

Amount in Rupees

Particulars	As at March 31, 2011	As at March 31, 2010
Deferred Tax Asset		
Exploration Expenses	301,077,000	301,210,000
Doubtful Advances	5,168,000	5,170,000
Employee Related Costs	3,404,000	2,490,000
Unabsorbed Business Losses and Depreciation	1,475,979,919	1,050,577,919
Site Restoration	5,014,000	0
Sub Total (A)	**1,790,642,919**	**1,359,447,919**
Deferred Tax Liability		
Depreciation, Depletion and Amortisation of Fixed Assets	2,114,495,000	1,291,930,000
Foreign Currency Monetary Item Translation Difference Account	0	830,000
Site Restoration	0	(13,540,000)
Sub Total (B)	**2,114,495,000**	**1,279,220,000**
Net Deferred Tax (Liability)/Asset (A – B)	**(323,852,081)**	**53,147,919**

17. Commitments and Contingencies

Amount in Rupees

Particulars		As at March 31, 2011	As at March 31, 2010
(i)	Counter Guarantees on account of Bank Guarantees	165,287,440	71,824,538
(ii)	Estimated amount of Contracts remaining to be Executed on Capital Account and Not Provided For	77,093,031	119,934,054
(iii)	Claims against the Company Not Acknowledged as Debt		
	– Dispute with Contractors under Arbitration	0	3,245,248
	– Income Tax Demands under Appeal	597,823,033	894,400,144
	– Dispute with Government of India under Arbitration for GN-ON-90/3 Block	349,341,475	327,033,332
(iv)	Service Tax Liability (pertaining to one Unincorporated Joint Venture)	2,139,321	2,139,321
(v)	Hire Charges	51,694,208	51,694,208

18. Provision for Site Restoration

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

Amount in Rupees

Provision for Site Restoration	2010-2011	2009-2010
Opening Balance	801,505,000	286,112,500
Add : Provision for the Year	0	546,210,000
Effects of Changes in Foreign Exchange Rates	(7,072,500)	(30,817,500)
Closing Balance	794,432,500	801,505,000

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

19. Quantitative and Other Related Disclosures

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.

Schedules Forming Part of the Accounts for the Year Ended March 31, 2011

SCHEDULE 15 — NOTES TO THE ACCOUNTS (Contd.)

(i) Sales Turnover

Description	Unit	2010-2011		2009-2010	
		Quantity	Value (Rs.)	Quantity	Value (Rs.)
Crude Oil/Condensate	Bbl.	373,991	1,466,140,829	172,922	663,628,096
Natural Gas	M^3	364,707,256	2,103,800,132	135,863,102	794,124,692
Less: Profit Petroleum to Government of India			278,501,942		64,258,545
Net			3,291,439,019		1,393,494,243

(ii) Opening and Closing Stock of Goods Produced

Description	Unit	2010-2011		2009-2010	
		Quantity	Value (Rs.) @	Quantity	Value (Rs.) @
Opening Stock					
Crude Oil/Condensate	Bbl.	27,360	99,517,154	19,175	49,587,439
Natural Gas	M^3	256,000	1,443,386	0	0
Closing Stock					
Crude Oil/Condensate	Bbl.	22,252	113,512,139	27,360	99,517,154
Natural Gas	M^3	186,493	1,053,051	256,000	1,443,386
Increase/(Decrease) in Stock of Crude Oil/ Condensate*	Bbl.	(5,108)	13,994,985	8,185	49,929,715
Natural Gas*	M^3	(69,507)	(390,335)	256,000	1,443,386

* 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 2010-2011@	Actual Production 2009-2010@
		Licensed	Installed		
Crude Oil	Bbl.	N.A.	N.A.	368,936	181,127
Natural Gas	M^3	N.A.	N.A	366,955,275	137,968,552

@ Includes loss/internal consumption/stock adjustment of Crude Oil of 53 Bbl (Previous Year 20 Bbl) and Natural Gas of 2,317,526 M^3 (Previous Year 1,849,450 M^3).

(iv) Consumption of Stores and Spares

Product	2010-2011		2009-2010	
	Value (Rs.)	%	Value (Rs.)	%
Imported	1,262,644	13%	0	0
Indigenous	8,614,606	87%	4,432,921	100%

20. 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:

Amount in Rupees

Particulars	2010-2011	2009-2010
Net Exchange Loss/(Gain) on Current Assets and Current Liabilities	1,646,306	30,771,349
Net Exchange (Gain)/Loss on Revaluation of Current Assets and Current Liabilities of the Unincorporated Joint Ventures		
PY-1	2,125,094	(96,305,010)
AAP-ON-94/1	386,398	(383,012)
Asjol	0	(9,572)
PY-3	681,902	566,678
Amortisation of Foreign Currency Monetary Item Translation Difference Account (Also see Note 22 of Schedule 15)	(1,175,363)	7,655,662
Exchange (Gain) on Foreign Currency Loans	(5,571,424)	(27,171,361)
Total Foreign Exchange (Gain)	(1,907,086)	(84,875,266)

Schedules Forming Part of the Accounts for the Year Ended March 31, 2011

SCHEDULE 15 — NOTES TO THE ACCOUNTS (Contd.)

21. 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. 12,728,726 (Previous Year Rs. 57,969,229) recovered as parent company overhead pursuant to the respective Production Sharing Contracts.

22. Accounting Standard 11 – The Effects of Changes in Foreign Exchange Rates

Amount in Rupees

Particulars	2010-2011	2009-2010
Exchange Differences capitalised to Fixed Assets (Development Expenditure) during the year	60,418,155	261,532,172
Closing Balance of Foreign Currency Monetary Item Translation Difference Account as at the end of the year to be amortised in subsequent periods	0	2,501,863
Amount of Net Amortisation of Foreign Currency Monetary Item Translation Difference Account charged to the Profit and Loss Account for the year	(1,175,363)	7,655,662

23. Impairment

As of March 31, 2011, 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, 2011.

24. Particulars of Unhedged Foreign Currency Exposure

The particulars of unhedged Foreign Currency Exposure of the Company, are as under:

Amount in Rupees

Particulars	Exposure as at March 31, 2011	Exposure as at March 31, 2010
Secured Loans	370,817,423	491,177,191
Unsecured Loans	5,307,475,000	5,697,500,000
Sundry Debtors	248,180,869	145,421,449
Loans and Advances	0	100,921,368
Sundry Creditors	274,265,091	22,940,879
Bank Account and Deposit	36,888,166	319,240,724

25. Previous Year Figures

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

The figures of Previous Year were audited by a firm of Chartered Accountants other than S. R. Batliboi & Associates.

In terms of our report of even date attached.

For S. R. Batliboi & Associates
(Firm Registration No. 101049W)
Chartered Accountants

per Subramanian Suresh
Partner
Membership No. 83673

Place : New Delhi
Date : May 09, 2011

On behalf of the Board of Directors

R. Vasudevan
Chairman

Manish Maheshwari
Joint Managing Director

Sanjay Tiwari
Chief Legal Counsel & Company Secretary

Place : New Delhi
Date : May 09, 2011

Balance Sheet Abstract and Company's General Business Profile

(I)	**Registration Details**	
	CIN	L11100GJ1996PLC029880
	Registration No.	029880
	State Code	04
	Balance Sheet Date	31.03.2011
(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	19,302,721
	Total Assets	19,302,721
	Sources of Funds	
	Paid-up Capital	1,305,093
	Reserves and Surplus	10,437,390
	Secured Loans	586,817
	Unsecured Loans	5,307,475
	Application of Funds	
	Net Fixed Assets	14,897,188
	Investments	1,102,907
	Net Current Assets	949,663
	Other Assets	1,010,869
	Misc. Expenditure	Nil
	Accumulated Losses	Nil
(IV)	**Performance of the Company**	**(Rs. in Thousand)**
	Turnover	3,372,749
	Total Expenditure	2,193,651
	Profit Before Tax	1,179,097
	Profit After Tax	801,997
	Earning Per Share in Rs.	6.15
(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

AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF HINDUSTAN OIL EXPLORATION COMPANY LIMITED

We have audited the attached Consolidated Balance Sheet of Hindustan Oil Exploration Company Limited ('the Company'), and its subsidiary HOEC Bardahl India Limited as at March 31, 2011, and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The attached financial statements and other financial information include Company's share of net fixed assets, net current assets, expenses and cash flows aggregating to INR 588,294,910, INR (8,535,030), INR 297,162,129 and INR (19,049,219) respectively as at March 31, 2011 in respect of one of its unincorporated joint venture ('UJV') not operated by the Company, the accounts of which have been audited by the auditors of the respective UJV and relied upon by us.

The attached financial statements and other financial information include Company's share of total exploration/development work in progress, net current assets, expenses and cash flows aggregating to INR 200,452,559, INR 11,021,398, INR Nil and INR (13,163) respectively as at March 31, 2011 in respect of two of its UJV's not operated by the Company, the accounts of which have not been audited by the auditors of the respective UJV's. The financial statements and other financial information have been incorporated based on un-audited financial statements as provided by the Operator of respective UJV's and relied upon by us.

We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standards (AS) 21- 'Consolidated financial statements' notified pursuant to the Companies (Accounting Standards) Rules, 2006, (as amended).

Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the consolidated balance sheet, of the state of affairs of the Company and its subsidiary as at March 31, 2011;

(b) in the case of the consolidated profit and loss account, of the profit for the year ended on that date; and

(c) in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

For S.R. BATLIBOI & ASSOCIATES
Firm registration number: 101049W
Chartered Accountants

per Subramanian Suresh
Partner
Membership No.: 83673

Place : New Delhi
Date : May 9, 2011

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2011

(All amounts are in Indian rupees unless otherwise stated)

	Schedule		As at March 31, 2011		As at March 31, 2010
SOURCES OF FUNDS					
SHAREHOLDERS' FUNDS					
Share Capital	1		1,305,093,005		1,305,093,005
Reserves and Surplus	2		10,513,172,510		9,773,899,000
LOAN FUNDS					
Secured Loans	3		586,817,423		827,177,191
Unsecured Loans	4		5,307,475,000		5,697,500,000
DEFERRED TAX LIABILITY (NET) (See Note 13(ii) of Schedule 17)			322,533,226		0
			18,035,091,164		17,603,669,196
APPLICATION OF FUNDS					
FIXED ASSETS	5 A				
Gross Block		17,827,670,409		17,760,384,794	
Less: Depreciation, Depletion and Amortisation		2,928,183,167		1,710,493,997	
Net Block			14,899,487,242		16,049,890,797
EXPLORATION/DEVELOPMENT WORK IN PROGRESS	5 B		1,010,869,277		654,301,550
INVESTMENTS	6		1,151,688,771		69,022,488
FOREIGN CURRENCY MONETARY ITEM TRANSLATION DIFFERENCE ACCOUNT (See Note 17 of Schedule 17)			0		2,501,863
DEFERRED TAX ASSET (NET) (See Note 13(ii) of Schedule 17)			0		54,510,902
CURRENT ASSETS, LOANS AND ADVANCES	7				
A. Inventories		460,821,543		450,062,404	
B. Sundry Debtors		495,524,674		427,692,979	
C. Cash and Bank Balances		472,087,595		801,117,836	
D. Other Current Assets		1,900,257		2,182,492	
E. Loans and Advances		917,018,582		600,732,183	
		2,347,352,651		2,281,787,894	
Less: CURRENT LIABILITIES AND PROVISIONS	8				
A. Current Liabilities		571,382,960		698,789,111	
B. Provisions		802,923,817		809,557,187	
		1,374,306,777		1,508,346,298	
NET CURRENT ASSETS			973,045,874		773,441,596
			18,035,091,164		17,603,669,196
Significant Accounting Policies	16				
Notes to the Consolidated Accounts	17				
Schedules referred to above form an integral part of the Consolidated Balance Sheet.					

In terms of our report of even date attached.

For S. R. Batliboi & Associates
(Firm Registration No. 101049W)
Chartered Accountants

per Subramanian Suresh
Partner
Membership No. 83673

Place : New Delhi
Date : May 09, 2011

On behalf of the Board of Directors

R. Vasudevan
Chairman

Manish Maheshwari
Joint Managing Director

Sanjay Tiwari
Chief Legal Counsel & Company Secretary

Place : New Delhi
Date : May 09, 2011

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

(All amounts are in Indian rupees unless otherwise stated)

	Schedule	Year ended March 31, 2011	Year ended March 31, 2010
INCOME			
Sales	9	3,457,574,132	1,557,188,871
(Decrease)/Increase in Stock of Crude Oil, Condensate and Natural Gas	10	(13,895,394)	49,718,432
Other Income	11	92,165,429	143,820,684
		3,535,844,167	1,750,727,987
EXPENDITURE AND CHARGES			
Operating and Administrative Expenditure	12	869,292,810	406,144,976
Cost of Goods Sold	13	72,941,525	67,315,114
Depreciation, Depletion and Amortisation of Fixed Assets	5A	1,223,288,660	472,448,240
Marketing and Selling Expenses	14	39,475,888	36,992,125
Interest and Finance Charges	15	124,073,942	80,656,524
		2,329,072,825	1,063,556,979
PROFIT BEFORE TAX		1,206,771,342	687,171,008
Provision for Current Income Tax [Including Rs. 6,480,406 (Previous Year Rs. 58,598 for Prior Years)]		246,270,406	119,658,598
Provision for Deferred Tax (See Note 13(ii) of Schedule 17)		377,044,128	231,380,075
Provision for Wealth Tax		100,000	200,000
Provision for Fringe Benefit Tax [Includes Rs. Nil (Previous Year writeback of Rs. 23,683) related to prior period]		0	(23,683)
MAT Credit Entitlement		(232,000,000)	(104,362,448)
PROFIT AFTER TAX		815,356,808	440,318,466
Profit Brought Forward		1,930,377,527	1,490,059,061
PROFIT AVAILABLE FOR APPROPRIATION		2,745,734,335	1,930,377,527
Interim Dividend		65,246,645	0
Dividend Tax		10,836,653	0
Balance Carried to Balance Sheet		2,669,651,037	1,930,377,527
		2,745,734,335	1,930,377,527
Earning per Share of Rs. 10 Face Value (Basic and Diluted) (See Note 12 of Schedule 17)		Rs. 6.25	Rs. 3.37
Significant Accounting Policies	16		
Notes to the Consolidated Accounts	17		
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 S. R. Batliboi & Associates
(Firm Registration No. 101049W)
Chartered Accountants

per Subramanian Suresh
Partner
Membership No. 83673

Place : New Delhi
Date : May 09, 2011

On behalf of the Board of Directors

R. Vasudevan
Chairman

Manish Maheshwari
Joint Managing Director

Sanjay Tiwari
Chief Legal Counsel & Company Secretary

Place : New Delhi
Date : May 09, 2011

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011

(All amounts are in Indian rupees unless otherwise stated)

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax	1,206,771,342	687,171,008
Adjustments for:		
Compensated Absences	545,723	(736,759)
Depreciation, Depletion and Amortisation	1,223,288,660	472,448,240
Dividend/Interest Income	(76,411,569)	(44,004,187)
Provisions and Write Offs	73,582	22,499
(Profit)/Loss on Sale of/Discarded Assets (Net)	(830,872)	41,925
Excess Liabilities/Provisions Written Back	(9,968,767)	(13,015,269)
Amortisation of Foreign Currency Monetary Item Translation Difference Account	2,501,862	7,655,662
Unrealized Exchange (Gain)/Loss*	(1,809,014)	14,312,711
Interest and Finance Charges	124,073,942	80,656,524
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	2,468,234,889	1,204,552,354
Adjustments for:		
Sundry Debtors	(66,096,263)	(210,616,064)
Loans and Advances (including Site Restoration Deposits)	55,874,470	99,359,675
Inventories	(10,759,139)	233,738,075
Current Liabilities and Provisions	(117,296,582)	(3,003,563,770)
CASH FROM/(USED IN) OPERATIONS	2,329,957,375	(1,676,529,730)
Taxes Paid (Net)	(444,460,503)	(196,465,163)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	1,885,496,872	(1,872,994,893)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(14,027,351)	(5,596,641)
Proceeds from Sale of Fixed Assets	1,858,853	17,272
Development Expenditure	(149,630,612)	(5,544,516,948)
Exploration Expenditure	(334,313,504)	(70,477,412)
Proceeds from Sale of Current Investments	78	0
Dividend/Interest Received	76,693,804	45,417,780
NET CASH USED IN INVESTING ACTIVITIES	(419,418,732)	(5,575,155,949)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Secured Loans Repaid	(237,262,541)	(410,534,837)
Unsecured Loans Repaid	(332,704,071)	0
Unsecured Loans Taken	0	5,898,925,184
Interest and Finance Charges Paid	(124,073,942)	(89,310,699)
Dividend Paid (including Dividend Tax)	(76,083,298)	0
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	(770,123,852)	5,399,079,648
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	695,954,288	(2,049,071,194)
Cash, Cash Equivalents:		
Opening Balance	596,645,135	2,645,716,329
Closing Balance	1,292,599,423	596,645,135
	695,954,288	(2,049,071,194)
Components of Cash and Cash Equivalents		
Cash and Bank Balance as per Schedule 7*	472,087,595	801,117,836
Current Investments – Units of Liquid and Liquid Plus Schemes of Mutual Funds	1,151,639,806	68,973,445
Adjustment for Unpaid Dividend Account and Share Application Money Account	(5,357,252)	(5,612,647)
Adjustment for Site Restoration Deposit (See Note 3(b) of Schedule 17)	(264,294,120)	(227,273,440)
Adjustment for Lien Marked Deposits/Accounts (See Note 3(b) of Schedule 17)	(61,476,606)	(40,560,059)
Total Cash and Cash Equivalents as at Year End	1,292,599,423	596,645,135
*Includes effect of exchange loss of Rs. 341,711 (Previous Year: Rs. 16,615,954) on translation of foreign currency cash and cash equivalents.		
Schedules 1 to 17 form an integral part of the Consolidated Accounts.		

In terms of our report of even date attached.

For S. R. Batliboi & Associates
(Firm Registration No. 101049W)
Chartered Accountants

per Subramanian Suresh
Partner
Membership No. 83673

Place : New Delhi
Date : May 09, 2011

On behalf of the Board of Directors

R. Vasudevan
Chairman

Manish Maheshwari
Joint Managing Director

Sanjay Tiwari
Chief Legal Counsel & Company Secretary

Place : New Delhi
Date : May 09, 2011

Schedules Forming Part of the Consolidated Balance Sheet as at March 31, 2011

(All amounts are in Indian rupees unless otherwise stated)

	As at March 31, 2011	As at March 31, 2010
SCHEDULE 1		
SHARE CAPITAL		
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	2,000,000	2,000,000
Balance in Profit and Loss Account	2,669,651,037	1,930,377,527
	10,513,172,510	9,773,899,000
SCHEDULE 3		
SECURED LOANS		
(See Note 2 of Schedule 17)		
Loans from Banks		
Foreign Currency Term Loan	370,817,423	491,177,191
Rupee Term Loans	216,000,000	336,000,000
	586,817,423	827,177,191
SCHEDULE 4		
UNSECURED LOANS		
Other Loan		
Loan from ENI Coordination Center S.A., Belgium	5,307,475,000	5,697,500,000
	5,307,475,000	5,697,500,000

Schedules Forming Part of the Consolidated Balance Sheet as at March 31, 2011

(All amounts are in Indian rupees unless otherwise stated)

SCHEDULE 5A – FIXED ASSETS

Particulars	GROSS BLOCK				DEPRECIATION, DEPLETION and AMORTISATION				NET BLOCK	
	As at April 01, 2010	Addition/ Adjustments 2010-11	Deductions/ Adjustments 2010-11	As at March 31, 2011	As at April 01, 2010	For the Year 2010-11	Deductions/ Adjustments 2010-11	As at March 31, 2011	As at March 31, 2011	As at March 31, 2010
Producing Properties*	17,572,116,781	71,654,040#	45,710	17,643,725,111	1,626,579,223	1,217,629,744	0	2,844,208,967	14,799,516,144	15,945,537,558
OTHER FIXED ASSETS:										
Land-Freehold	23,927,774	0	0	23,927,774	0	0	0	0	23,927,774	23,927,774
Buildings	105,060,625	0	728,837	104,331,788	30,229,954	3,723,759	373,353	33,580,360	70,751,428	74,830,671
Office Equipments	10,834,577	252,923	934,540	10,152,960	8,769,799	344,069	741,311	8,372,557	1,780,403	2,064,778
Computers	5,914,763	1,579,798	138,430	7,356,131	5,312,135	851,970	82,407	6,081,698	1,274,433	602,628
Office Furniture	9,833,278	98,456	3,285,662	6,646,072	8,841,653	178,066	3,179,384	5,840,335	805,737	991,625
Improvements to Leasehold Premises	234,000	0	0	234,000	187,200	46,800	0	234,000	0	46,800
Plant & Machinery	1,018,399	211,000	44,734	1,184,665	701,309	84,757	28,138	757,928	426,737	317,090
Vehicles	7,181,755	0	1,449,558	5,732,197	6,152,407	200,567	1,194,897	5,158,077	574,120	1,029,348
Intangible Assets – Software	24,262,842	116,869	0	24,379,711	23,720,317	228,928	0	23,949,245	430,466	542,525
Total :-	17,760,384,794	73,913,086	6,627,471	17,827,670,409	1,710,493,997	1,223,288,660	5,599,490	2,928,183,167	14,899,487,242	16,049,890,797
Previous Year	2,276,222,851	15,484,361,633	199,690	17,760,384,794	1,238,186,248	472,448,240	140,491	1,710,493,997	16,049,890,797	

SCHEDULE 5B – EXPLORATION/DEVELOPMENT WORK IN PROGRESS

Development Expenditure*	9,214,531	89,212,457$	66,958,234	31,468,754	0	0	0	0	31,468,754	9,214,531
Exploration Expenditure*	645,087,019	334,313,504	0	979,400,523	0	0	0	0	979,400,523	645,087,019
Total :-	654,301,550	423,525,961	66,958,234	1,010,869,277	0	0	0	0	1,010,869,277	654,301,550
Previous Year	10,255,557,679	5,355,472,728	14,956,728,857	654,301,550	0	0	0	0	654,301,550	

* Represents Company's Share in Unincorporated Joint Venture Assets.

\# Additions / Adjustments to Producing Properties include (See note 15 of schedule 17):

a. decrease in undiscounted estimated future Site Restoration cost of Rs. 7,072,500 (Previous Year: Rs. 30,817,500) on account of change in foreign exchange rates.

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

$ Additions to Exploration / Development work in progress includes:

a. borrowing Cost Rs. Nil (Previous Year: Rs. 8,654,175) capitalised as Development Expenditure.

b. net foreign exchange gain of Rs. Nil (Previous Year exchange loss of Rs. 261,532,172) capitalised as Development Expenditure. (See Note 17 of Schedule 17).

Schedules Forming Part of the Consolidated Balance Sheet as at March 31, 2011

(All amounts are in Indian rupees unless otherwise stated)

	As at March 31, 2011	As at March 31, 2010
SCHEDULE 6		
INVESTMENTS (FULLY PAID) – At Cost		
LONG TERM		
UNQUOTED (NON TRADE)		
100,000 (Previous Year 100,000) Equity Shares of Rs. 10 each of Gujarat Securities Limited	1,000,000	1,000,000
CURRENT		
QUOTED (NON TRADE)		
318 (Previous Year 318) Equity Shares of Rs. 10 each of Reliance Industries Limited	25,975	25,975
318 (Previous Year 318) Equity Shares of Rs. 5 each of Reliance Communication Ventures Limited	19,332	19,332
Nil (Previous Year 318) Equity Shares of Rs. 5 each of Reliance Natural Resources Limited	0	350
23 (Previous Year 23) Equity Shares of Rs. 10 each of Reliance Energy Limited	3,219	3,219
15 (Previous Year 15) Equity Shares of Rs. 10 each of Reliance Capital Limited	166	166
79 (Previous Year Nil) Equity Shares of Rs. 10 each of Reliance Power Limited	272	0
UNQUOTED (NON TRADE)		
UNITS OF LIQUID/LIQUID PLUS SCHEMES OF MUTUAL FUNDS		
UNITS OF MUTUAL FUNDS	1,151,639,806	68,973,445
	1,152,688,770	**70,022,487**
Less: Provision for Diminution in Value of Investments (Gujarat Securities Limited)	999,999	999,999
	1,151,688,771	**69,022,488**
Aggregate Cost of Quoted Investments	48,964	49,042
Market Value of Quoted Investments	402,764	445,773
Aggregate Cost of Unquoted Investments	**1,152,639,806**	**69,973,445**
SCHEDULE 7		
CURRENT ASSETS, LOANS AND ADVANCES		
(A) INVENTORIES		
Crude Oil, Condensate and Natural Gas	114,565,190	100,960,540
Stores, Spares, Capital Stock and Drilling Tangibles	325,863,149	331,524,021
Goods in transit (Raw material)	5,495,577	1,809,269
Raw Material	6,423,558	6,101,698
Finished Goods	6,566,542	8,113,772
Packing Material	1,907,527	1,553,104
	460,821,543	**450,062,404**
(B) SUNDRY DEBTORS		
Outstanding for a Period More Than Six Months		
Considered Good	501,558	196,437
Considered Doubtful	1,720,478	1,646,896
Others		
Considered Good	495,023,116	427,496,542
	497,245,152	**429,339,875**
Less: Provision for Doubtful Debts	1,720,478	1,646,896
	495,524,674	**427,692,979**

Schedules Forming Part of the Consolidated Balance Sheet as at March 31, 2011

(All amounts are in Indian rupees unless otherwise stated)

	As at March 31, 2011	As at March 31, 2010
SCHEDULE 7 (Contd.)		
CURRENT ASSETS, LOANS AND ADVANCES (Contd.)		
(C) CASH AND BANK BALANCES		
Cash on Hand	2,795	18,588
Balances with Scheduled Banks		
Current Accounts (See Note 3(a) of Schedule 17)	74,142,806	26,630,206
Unclaimed/Unpaid Dividend Accounts	4,919,031	5,172,671
Unclaimed/Unpaid Share Application Money	438,221	439,976
Deposit Accounts (See Notes 3(b) of Schedule 17)	385,998,319	744,474,999
Balances with Non-scheduled Banks		
Current Account	6,586,423	24,381,396
	472,087,595	801,117,836
(D) OTHER CURRENT ASSETS		
Interest Accrued on Deposits	1,900,257	2,182,492
	1,900,257	2,182,492
(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)	155,423,205	269,554,230
Cenvat/Service Tax Input Credit	1,401,802	1,082,473
MAT Credit Entitlement (See Note 13(i) of Schedule 17)	367,362,448	135,362,448
Advance Income Tax [Net of Provision for Taxation of Rs. 1,218,320,358 (Previous Year Rs. 971,812,759)]	407,329,835	209,220,605
Advance Fringe Benefit Tax [Net of Provision for Taxation of Rs. 11,442,722 (Previous Year Rs. 11,453,857)]	1,058,148	1,069,283
	932,575,438	616,289,039
Less: Provision for Doubtful Advances (See Note 1 below)	15,556,856	15,556,856
	917,018,582	600,732,183
TOTAL (A+B+C+D+E)	2,347,352,651	2,281,787,894
Notes:		
1. Of the above:		
Unsecured, Considered Good	917,018,582	600,732,183
Unsecured, Considered Doubtful	15,556,856	15,556,856
	932,575,438	616,289,039
2. Advances Recoverable in Cash or in Kind or for Value to be Received includes unamortised Borrowing Cost of Rs. 10,941,385 (Previous Year Rs. 15,413,163)		

Schedules Forming Part of the Consolidated Balance Sheet as at March 31, 2011

(All amounts are in Indian rupees unless otherwise stated)

	As at March 31, 2011	As at March 31, 2010
SCHEDULE 8		
CURRENT LIABILITIES AND PROVISIONS		
(A) CURRENT LIABILITIES		
Sundry Creditors		
– Outstanding Dues to Micro Enterprises and Small Enterprises	652,810	685,958
– Outstanding Dues to Creditors other than Micro Enterprises and Small Enterprises	517,119,344	615,038,592
Unclaimed/Unpaid Dividend (See Note 1 below)	4,919,031	5,172,671
Unclaimed/Unpaid Share Application Money (See Note 1 below)	438,221	439,976
Other Liabilities	48,253,554	77,451,914
	571,382,960	**698,789,111**
(B) PROVISIONS		
Provision for Compensated Absences	4,623,898	4,078,175
Provision for Gratuity	3,421,347	3,535,938
Provision for Site Restoration (Refer Note 15 of Schedule 17)	794,432,500	801,505,000
Provision for Taxation		
– Wealth Tax [Net of Advance Tax of Rs. 841,668 (Previous Year Rs. 749,666)]	446,072	438,074
	802,923,817	**809,557,187**
TOTAL (A) + (B)	1,374,306,777	1,508,346,298
Note:		
1. There are no amounts due and outstanding, to be credited to the Investor Education and Protection Fund.		

Schedules Forming Part of the Consolidated Profit and Loss Account for the Year Ended March 31, 2011

(All amounts are in Indian rupees unless otherwise stated)

	Year ended March 31, 2011	Year ended March 31, 2010
SCHEDULE 9		
SALES		
Sale of Crude Oil, Condensate and Natural Gas	3,569,940,961	1,457,752,788
Less: Profit Petroleum to Government of India	278,501,942	64,258,545
	3,291,439,019	1,393,494,243
Gross Sale of Oil Additives	184,395,016	178,067,628
Less: Excise Duty	18,259,903	14,373,000
Net Sale of Oil Additives	**166,135,113**	**163,694,628**
	3,457,574,132	**1,557,188,871**
SCHEDULE 10		
(DECREASE)/INCREASE IN STOCK OF CRUDE OIL, CONDENSATE AND NATURAL GAS		
Increase in Gross Stock of Crude Oil, Condensate and Natural Gas	13,604,650	51,373,101
Less: Profit Petroleum to Government of India	27,500,044	1,654,669
	(13,895,394)	49,718,432

Schedules Forming Part of the Consolidated Profit and Loss Account for the Year Ended March 31, 2011

(All amounts are in Indian rupees unless otherwise stated)

	Year ended March 31, 2011	Year ended March 31, 2010
SCHEDULE 11		
OTHER INCOME		
Interest Income (Gross) on Bank Deposits [Tax Deducted at Source Rs. 975,694 (Previous Year Rs. 1,307,640)]	23,722,179	22,264,794
Profit on Sale of Assets	960,283	0
Dividend from Long Term – Trade Investments	531	4,647
Dividend from Current – Non Trade Investments	52,688,859	21,734,746
Gain on Foreign Exchange Fluctuation (Net)	2,272,614	85,568,678
Provisions for Earlier Years Written Back	10,085,131	13,015,269
Miscellaneous Income	2,435,832	1,232,550
	92,165,429	**143,820,684**
SCHEDULE 12		
OPERATING AND ADMINISTRATIVE EXPENDITURE		
A. OPERATING EXPENDITURE		
Hire Charges	207,699,344	131,407,079
Insurance	34,063,686	14,923,378
Fuel, Water and Others	10,326,998	6,643,891
Plant – Repairs & Maintenance	19,588,286	9,007,131
Manpower Costs & Overheads	132,524,368	51,659,036
Transportation and Logistics	154,581,370	83,107,029
Consumables	1,384,027	277,314
Royalty, Cess & Other Duties	202,321,065	75,867,293
Other Production Expenses	28,438,116	18,020,388
	790,927,260	**390,912,539**
B. ADMINISTRATIVE EXPENDITURE		
(a) STAFF EXPENSES		
Salaries, Allowances and Bonus (See Notes 5(a) & 7(b) of Schedule 17)	127,806,684	100,469,432
Contribution to Provident and Other Funds (See Note 7(a) of Schedule 17)	11,459,679	9,969,034
Welfare Expenses	4,659,511	4,072,253
	143,925,874	**114,510,719**
(b) OTHER EXPENSES		
Office and Guest House Rent	14,762,311	11,420,565
Electricity	2,194,105	2,030,415
Rates and Taxes	516,265	731,981
Repairs and Maintenance – Others	11,697,119	12,105,545
General Office Expenses	1,180,925	545,820
Travelling and Conveyance	9,260,000	5,112,562
Communication Expenses	4,925,454	3,661,012
Printing and Stationery	3,797,345	2,505,362
Legal and Professional Expenses (See note below)	48,401,958	34,455,677
Insurance	353,256	215,929
Directors' Sitting Fees and Commission (See Note 5(b) of Schedule 17)	3,195,000	6,170,000

Schedules Forming Part of the Consolidated Profit and Loss Account for the Year Ended March 31, 2011

(All amounts are in Indian rupees unless otherwise stated)

	Year ended March 31, 2011	Year ended March 31, 2010
(b) OTHER EXPENSES (Contd.)		
Auditors' Remuneration (See Note below)		
As Statutory Auditors	1,945,000	1,475,000
For Tax Audit	125,000	170,000
For Other Matters	60,200	425,400
Reimbursement of Expenses	92,344	108,763
Service Tax	13,905	0
	2,236,449	2,179,163
Miscellaneous Expenses	6,941,396	8,146,531
Loss on sale/discard of assets	129,411	41,925
	109,590,994	89,322,487
(c) TOTAL (a+b)	253,516,868	203,833,206
(d) LESS : RECOVERY OF EXPENSES	175,151,318	188,600,769
TOTAL ADMINISTRATIVE EXPENDITURE (c-d)	78,365,550	15,232,437
TOTAL OPERATING AND ADMINISTRATIVE EXPENDITURE (A+B)	869,292,810	406,144,976

Note:

Legal and Professional Expenses for the current year includes and Auditors' Remuneration excludes Rs. 750,000 (Previous Year Rs. 1,400,000) (Excluding Service Tax) paid/payable towards tax matters to a firm in which some partners of the erstwhile audit firm were partners.
Auditors' Remuneration for the current year includes Rs. 244,236 (Excluding Service Tax) paid to erstwhile audit firm.
Auditors' Remuneration excludes Rs. 202,831 (Previous Year 214,225) paid/payable towards service tax for which service tax input credit has been availed.

SCHEDULE 13

COST OF GOODS SOLD

	Year ended March 31, 2011	Year ended March 31, 2010
Materials Packed & Unpacked		
Opening Stock	14,215,470	12,991,141
Add: Purchases	50,895,073	49,953,474
	65,110,543	62,944,615
Less: Closing Stock	12,990,100	14,215,470
Less: Cost of Samples & Replacements	496,598	500,616
	51,623,845	48,228,529
Packing Materials		
Opening Stock	1,553,104	1,407,641
Add: Purchases	15,926,609	13,381,254
	17,479,713	14,788,895
Less: Closing Stock	1,907,527	1,553,104
	15,572,186	13,235,791
Repacking Expenses	5,445,006	4,319,111
(Decrease)/Increase in Excise Duty on finished goods	(427,208)	844,032
Municipal Cess Tax	727,696	687,651
	72,941,525	67,315,114

Schedules Forming Part of the Consolidated Profit and Loss Account for the Year Ended March 31, 2011

(All amounts are in Indian rupees unless otherwise stated)

	Year ended March 31, 2011	Year ended March 31, 2010
SCHEDULE 14		
MARKETING AND SELLING EXPENSES		
Incentives	6,036,568	6,440,248
Product Promotion Expenses	16,396,921	12,288,814
Rebates and Discounts	11,452,825	12,502,496
Miscellaneous Expenses	5,589,574	5,760,567
	39,475,888	36,992,125
SCHEDULE 15		
INTEREST AND FINANCE CHARGES		
Interest on Fixed Term Loans	117,763,626	75,943,045
Bank Charges and Commission	1,730,125	1,199,481
Other Finance Charges	4,580,191	3,513,998
	124,073,942	80,656,524

Schedules Forming Part of the Consolidated Accounts for the Year Ended March 31, 2011

SCHEDULE 16

SIGNIFICANT ACCOUNTING POLICIES

1. Background

Hindustan Oil Exploration Company Limited ('the Company') was incorporated in India on September 22, 1983 under the provisions of the Companies Act, 1956 and is listed on the National Stock Exchange ('NSE') and Bombay Stock Exchange ('BSE'). The Company is engaged in the exploration, development and production of crude oil and natural gas in India, both onshore and offshore.

The Company is participant in various Oil and Gas blocks/fields (which are in the nature of jointly controlled assets) granted by the Government of India through Production Sharing Contracts ('PSC') entered into between the Company and Government of India and other venture partners. The Company has seven onshore assets of which three are located in Cambay basin in the state of Gujarat, one in Assam Arakan basin in the state of Assam, two in Jaisalmer basin in the state of Rajasthan and one in Pranhita Godavari basin in the state of Andhra Pradesh. The Company has three offshore assets of which two assets are located in the Cauvery basin on the east coast of India, and one in Gulf of Cambay on the west coast of India. Details of Company's participating interest are fully discussed in Note 9 to Schedule 17.

The Company has one subsidiary as at the year end:

HOEC Bardahl India Limited (HBIL) – A wholly owned subsidiary of the Company incorporated on November 24, 1988 in the state of Gujarat. HBIL is engaged in the business of marketing "Bardahl" brand of auto additives from U.S.A and is the sole authorised distributor for Bardahl products in India, Nepal and Sri Lanka.

The Company, along with HBIL, shall hereinafter, be collectively referred to as 'the Group'.

2. (I) Basis of Preparation

The financial statements have been prepared to comply in all material respects with the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year. The financial statements of the Group reflect its share of assets, liabilities, income and expenditure of the Unincorporated Joint Ventures which are accounted on the basis of available information in the audited/unaudited 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 Group 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 disclosures required under the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006, (as amended), other pronouncements of The Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956 have been made in the financial statements of the Group based on audited/unaudited financial statement of the Unincorporated Joint Venture.

(II) Principles of Consolidation

(a) The Consolidated Financial Statements ('CFS') of the Group have been prepared based on a line-by-line consolidation of the Balance Sheet as at March 31, 2011 and statement of profit and loss and cash flows of the Group for the year ended March 31, 2011.

(b) The financial statements of the Subsidiary considered for the purpose of consolidation are drawn for the same reporting period as that of the Company i.e. year ended March 31, 2011.

(c) The CFS have been prepared using uniform accounting policies, except as stated otherwise, for similar transactions and are presented to the extent possible, in the same manner as the Company's separate financial statements.

(d) All material inter-company transactions and balances between the entities included in the CFS have been eliminated on consolidation.

3. 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.

4. Fixed Assets and Exploration and Development Costs

Fixed Assets includes Fixed Assets and Producing Properties.

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets which take a substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

Schedules Forming Part of the Consolidated Accounts for the Year Ended March 31, 2011

SCHEDULE 16 — SIGNIFICANT ACCOUNTING POLICIES (Contd.)

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 "Exploration Expenditure". 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 "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 "Exploration Expenditure" and retained in exploration expenditure-work-in-progress 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 "Exploration Expenditure-work-in-progress" 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.

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

The carrying amounts of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

After impairment, depreciation/depletion is provided in subsequent periods on the revised carrying amount of the asset over its remaining useful life.

A previously recognised impairment loss is increased or reversed depending on changes in circumstances. However the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

Schedules Forming Part of the Consolidated Accounts for the Year Ended March 31, 2011

SCHEDULE 16 — SIGNIFICANT ACCOUNTING POLICIES (Contd.)

7. Depreciation

(i) Depreciation is provided on the "Written Down Value" method at the rates specified in Schedule XIV of the Companies Act, 1956 or as per the estimated useful lives of the assets, whichever is higher.

(ii) Improvements to Leasehold premises are amortised over the remaining primary lease period.

(iii) Computer software is amortised over the license period or 10 years, whichever is lower.

(iv) Assets individually costing less than or equal to Rs. 5,000 are fully depreciated in the year of acquisition.

8. Investments

Investments are capitalised at cost plus brokerage and stamp charges. Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are valued at lower of cost and fair value determined on an individual investment basis. Long term investments are valued at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

9. Inventories

(a) Closing stock of crude oil, condensate and natural gas in saleable condition is valued at estimated Net Realisable Value. Estimated Net Realisable Value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

(b) Stores, spares, capital stock and drilling tangibles are valued at cost on first in first out (FIFO)/weighted average basis, as applicable or estimated Net Realisable Value, whichever is lower.

(c) 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 provisions made.

10. Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

(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) Service Income is recognised on accrual basis as per the contractual terms and is net of Service Tax.

(iii) Interest Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

(iv) Dividend Income is recognised when the right to receive the dividend is unconditional.

(v) 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.

(vi) Delayed Payment charges, retrospective revision in prices, 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.

11. Employee Benefits

(a) Defined Contribution Plan

(i) <u>Provident Fund:</u> Contributions towards employees' provident fund are made to the Employees Provident Fund Scheme in accordance with the statutory provisions. Contributions towards Employees' Provident Fund are recognized as an expense in the year incurred. There are no obligations other than the contribution payable to the respective fund.

(ii) <u>Superannuation Fund:</u> 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.

Schedules Forming Part of the Consolidated Accounts for the Year Ended March 31, 2011

SCHEDULE 16 — SIGNIFICANT ACCOUNTING POLICIES (Contd.)

(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.

12. Borrowing Cost

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Eligible borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

13. Foreign Currency Transactions

The Company translates foreign currency transactions into Indian Rupees at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into Indian Rupees at the rate of exchange prevailing at the Balance Sheet date. Exchange differences arising on the settlement of monetary items or on reporting the Company's monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, excluding long term foreign currency monetary items (see below), are recognised as income or as expenses in the period in which they arise.

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.

14. 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 measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date. Deferred tax assets and deferred tax liabilities are offset and relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

At each Balance Sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

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.

15. 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.

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

Schedules Forming Part of the Consolidated Accounts for the Year Ended March 31, 2011

SCHEDULE 17

NOTES TO THE CONSOLIDATED ACCOUNTS

1. Information relating to HOEC Bardahl India Limited

(100% subsidiary of Hindustan Oil Exploration Company Limited)

Information required pursuant to General Circular No. 2/2011 No: 5/12/2007-CL-III dated February 08, 2011 issued by Ministry of Corporate Affairs.

Amount in Rupees

Particulars	HOEC Bardahl India Limited	
	Year ended March 31, 2011	Year ended March 31, 2010
Capital	5,000,200	5,000,200
Reserves	75,782,288	62,422,966
Total Assets	65,214,110	52,514,791
Total Liabilities	38,213,220	29,982,838
Investments *(Refer Note 1 below)*	53,781,598	44,891,213
Turnover	170,151,377	168,883,635
Profit Before Taxation	27,673,856	36,408,862
Provision for Taxation	(14,314,534)	(12,014,990)
Profit After Taxation	13,359,322	24,393,872
Proposed Dividend	0	0

Note 1:

Details of Investments of HOEC Bardahl India Limited:

Amount in Rupees

Current Unquoted (Non-Trade) UNITS OF LIQUID/LIQUID PLUS SCHEMES OF MUTUAL FUNDS	Year ended March 31, 2011	Year ended March 31, 2010
HDFC Liquid Fund – Treasury Advantage Plan – Daily Dividend Reinvestment	40,906,017	0
Prudential ICICI Flexible Income Plan – Premium – Daily Dividend Reinvestment	12,875,581	0
HDFC Liquid Fund – Daily Dividend Plan	0	38,872,407
Prudential ICICI Liquid Fund – Daily Dividend Plan	0	6,018,806
Total	53,781,598	44,891,213

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. 311,495,432 as at March 31, 2011 (Rs. 479,900,983 as at March 31, 2010), 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. Also see Note 3 of Schedule 17.

(b) The term loans from Axis Bank amounting to Rs. 275,321,991 as at March 31, 2011 (Rs. 347,276,208 as at March 31, 2010) is 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. Also see Note 3 of Schedule 17.

3. Bank Balances – Scheduled Banks

(a) Current Accounts with Scheduled Banks include Lien Marked Accounts Rs. 941,993 as at March 31, 2011 (Rs. 1,261,453 as at March 31, 2010). Also see Note 2 of Schedule 17.

(b) Deposits with Scheduled Banks include:

— Lien Marked Deposits Rs. 60,534,613 as at March 31, 2011 (Rs. 39,298,606 as at March 31, 2010). Also see Note 2 of Schedule 17.

— Deposits amounting to Rs. 264,294,120 as at March 31, 2011 (Rs. 227,273,440 as at March 31, 2010) placed as "Site Restoration Fund" under Section 33ABA of the Income Tax Act, 1961.

4. Bank Balances – Non-Scheduled Banks

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. 6,586,423 as at March 31, 2011 (Rs. 24,381,396 as at March 31, 2010) and Banque ENI, Belgium (a ENI Group Entity) amounting to Rs. Nil as at March 31, 2011 (Rs. Nil as at March 31, 2010). The maximum amounts outstanding at any time during the year in respect of these accounts were Rs. 35,839,383 (Previous Year Rs. 103,143,622) and Rs. Nil (Previous Year Rs. 6,165,000,000) respectively.

Schedules Forming Part of the Consolidated Accounts for the Year Ended March 31, 2011

SCHEDULE 17 — NOTES TO THE CONSOLIDATED ACCOUNTS (Contd.)

5. Managerial Remuneration

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

Amount in Rupees

Particulars	2010-2011	2009-2010
Basic Pay	8,073,000	7,020,000
Allowances	9,851,428	8,564,871
Perquisites and Bonus	2,678,546	2,538,275
Contribution to Provident and Superannuation Funds	2,179,710	1,895,400
Total (See Notes 1 and 2 below)	**22,782,684**	**20,018,546**

Notes:

1. 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.
2. Further, the remuneration does not include provisions made for gratuity and leave benefits, as they are determined on an actuarial basis for group as a whole. Also refer Note 6 of Schedule 17.

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

Amount in Rupees

Particulars	2010-2011	2009-2010
Sitting Fees	195,000	170,000
Provision towards Directors Commission	3,000,000	6,000,000

Note:

In addition, 17,680 Employee Stock Options were granted during the year 2010-11, to the Independent Director(s) of the Company for the year 2009-10 (5,550 Employee Stock Options granted during the year 2009-10 for the year 2008-09), pursuant to LTIP scheme 2005. Also see Note 6 of Schedule 17.

6. 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 31, 2011 approved grant of 17,680 options (Previous Year 16,828 options approved on January 27, 2010) eligible Independent 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 year ended March 31, 2011 an aggregate amount of Rs. 20,000,000 (Previous Year Rs. 16,200,000) 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. 6,527,308 (Previous Year Rs. 8,813,666) based on the approval/ratification of the Board of Directors of the Company, at its meeting held on April 22, 2011 (Previous Year 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	
	2010-2011	2009-2010
Outstanding at the beginning of the Year	34,441	32,682
Granted during the Year	17,680	16,828
Forfeited/lapsed during the Year	3,011	0
Exercised during the Year	0	15,069
Outstanding at the end of the Year	49,110	34,441
– Vested	0	0
– Yet to Vest	49,110	34,441

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.

Schedules Forming Part of the Consolidated Accounts for the Year Ended March 31, 2011

SCHEDULE 17 — NOTES TO THE CONSOLIDATED ACCOUNTS (Contd.)

7. Employee Benefits

a. Gratuity

The Group's obligation towards the Gratuity Fund is a Defined Benefit Plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with Life Insurance Corporation of India in the form of a qualifying insurance policy.

The following tables summarize the components of net benefit expense recognised in the Profit and Loss Account and the funded status and amounts recognised in the Balance Sheet.

Details of Actuarial Valuation as at March 31, 2011:

Amount in Rupees

Particulars	2010-2011	2009-2010
Reconciliation of opening and closing balances of the present value of defined benefit obligations		
Projected Benefit Obligation as at the Beginning of the Year	8,608,804	9,924,725
Reversal of Excess Liability	—	(2,876,908)
Service Cost	1,467,758	1,194,946
Interest Cost	704,504	577,411
Actuarial (Gains)/Losses	(619,983)	(169,499)
Benefits Paid	(763,315)	(41,871)
Projected Benefit Obligation at the End of the Year	**9,397,768**	**8,608,804**
Change in fair value of Plan Assets		
Fair Value of Plan Assets as at the Beginning of the Year	5,072,866	3,216,749
Expected Returns on Plan Assets	475,188	354,849
Employer's Contribution	1,177,313	1,493,899
Benefits Paid	(763,315)	(41,871)
Actuarial Gains	14,369	49,240
Fair Value of Plan Assets as at the End of the Year	**5,976,421**	**5,072,866**
Reconciliation of present value of obligation and fair value of Plan Assets		
Amount Recognised in the Balance Sheet		
Present Value of Obligations as at the End of the Year	9,397,768	8,608,804
Fair Value of Plan Assets as at the End of the Year	5,976,421	5,072,866
Liability Recognised in the Balance Sheet	**3,421,347**	**3,535,938**
Gratuity Cost for the Year		
Current Service Cost	1,467,758	1,194,946
Interest on Obligation	704,504	577,411
Expected Return on Plan Assets	(475,188)	(354,849)
Net Actuarial (Gain)/Loss	(634,352)	(218,739)
Net Cost Recognised in the Profit and Loss Account	**1,062,722**	**1,198,769**

Schedules Forming Part of the Consolidated Accounts for the Year Ended March 31, 2011

SCHEDULE 17 — NOTES TO THE CONSOLIDATED ACCOUNTS (Contd.)

Amount in Rupees

Particulars	2010-2011	2009-2010
Defined Benefit Obligation	9,397,768	8,608,804
Plan Assets	5,976,421	5,072,866
Surplus/(Deficit)	(3,421,347)	(3,535,938)
Experience adjustments on Plan Liabilities	(619,983)	(169,499)
Experience adjustments on Plan Assets	14,369	49,240
Assumptions		
Discount Rate	8.00% -8.25%	8.00% -8.25%
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	LIC (1994-96) published table
Expected Rate of Return on Plan Assets	9.00%	9.00%

Amount in Rupees

	2010-11	2009-10	2008-09	2007-08	2006-07
Defined benefit Obligations as at the End of the Year	**(9,397,768)**	(8,608,804)	(9,924,725)	(7,928,531)	(5,244,414)
Plan Assets Value at the end of year	**5,976,421**	5,072,866	3,216,749	1,689,742	1,550,406
Surplus/(Deficit)	**(3,421,347)**	(3,535,938)	(6,707,976)	(6,238,789)	(3,694,008)
Experience adjustments on Plan Liabilities	**(619,983)**	(169,499)	264,343	1,259,092	(124,326)
Experience adjustments on Plan Assets	**14,369**	49,240	50,721	21,521	13,586

Note:

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

b. Compensated Absences

The key assumptions used in computation of provision for long term compensated absences 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%

8. Segmental Reporting

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

Amount in Rupees

	Particulars	2010-2011	2009-2010
1	Segment Revenue		
	— Hydro Carbon	3,298,166,749	1,547,011,704
	— Oil Additives	167,361,566	166,768,096
	— Inter-Company Elimination	(7,056,000)	(7,056,000)
	— Unallocated	77,371,852	44,004,187
	Gross Sales/Income from Operations	3,535,844,167	1,750,727,987
2	Segment Results		
	— Hydro Carbon	1,228,394,989	689,300,897
	— Oil Additives	25,078,443	34,522,448
	— Unallocated	(46,702,090)	(36,652,337)
	Total Profit before Tax	1,206,771,342	687,171,008

Schedules Forming Part of the Consolidated Accounts for the Year Ended March 31, 2011

SCHEDULE 17 — NOTES TO THE CONSOLIDATED ACCOUNTS (Contd.)

Amount in Rupees

	Particulars	2010-2011	2009-2010
3	Segment Assets		
	— Hydro Carbon	17,037,077,751	17,847,980,051
	— Oil Additives	50,223,358	44,995,243
	— Unallocated	2,322,096,832	1,261,941,150
	Total Assets	19,409,397,941	19,154,916,444
4	Segment Liabilities		
	— Hydro Carbon	(1,335,647,485)	(1,477,925,386)
	— Oil Additives	(38,213,220)	(29,982,838)
	— Unallocated	(6,217,271,721)	(6,568,016,215)
	Total Liabilities	(7,591,132,426)	(8,075,924,439)
5	Addition in Tangible & Intangible Fixed Assets		
	— Hydro Carbon	430,037,854	5,891,818,396
	— Oil Additives	442,959	730,249
	— Unallocated	0	0
	Total Addition in Tangible & Intangible Fixed Assets	430,480,813	5,892,548,645
6	Depreciation and Amortisation		
	— Hydro Carbon	1,222,879,767	471,949,918
	— Oil Additives	408,893	498,322
	— Unallocated	0	0
	Total Depreciation and Amortisation	1,223,288,660	472,448,240
7	Non-Cash Expenses other than Depreciation and Amortisation		
	— Hydro Carbon	0	0
	— Oil Additives	160,075	22,499
	— Unallocated	0	0
	Non-Cash Expenses other than Depreciation and Amortisation	160,075	22,499

Note:

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

9. 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 and participating interest of venture partners are as follows:

Sl. No.	Unincorporated Joint Ventures	Partners	Share (%) As at March 31, 2011	Share (%) As at March 31, 2010
	Licensed Production Sharing Contracts:			
1	PY–1	Hindustan Oil Exploration Company Limited	**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 Limited	**40.00**	40.00
		Hindustan Oil Exploration Company Limited	**21.00**	21.00
		Tata Petrodyne Limited	**21.00**	21.00
3	Asjol	Hindustan Oil Exploration Company Limited	**50.00**	50.00
		Gujarat State Petroleum Corporation Limited	**50.00**	50.00
4	North Balol	Hindustan Oil Exploration Company Limited	**25.00**	25.00
		Gujarat State Petroleum Corporation Limited	**45.00**	45.00
		Heramec Limited	**30.00**	30.00
5	CB-ON/7 (Palej)	Hindustan Oil Exploration Company Limited	**35.00**	35.00
		Gujarat State Petroleum Corporation Limited	**35.00**	35.00
		Oil and Natural Gas Corporation Limited	**30.00**	30.00

Schedules Forming Part of the Consolidated Accounts for the Year Ended March 31, 2011

SCHEDULE 17 — NOTES TO THE CONSOLIDATED ACCOUNTS (Contd.)

Sl. No.	Unincorporated Joint Ventures	Partners	Share (%) As at March 31, 2011	Share (%) As at March 31, 2010
6	CB-OS/1	**Exploration Area**		
		Oil and Natural Gas Corporation Limited	**32.89**	32.89
		Hindustan Oil Exploration Company Limited	**57.11**	57.11
		Tata Petrodyne Limited	**10.00**	10.00
		Development Area		
		Oil and Natural Gas Corporation Limited	**55.26**	55.26
		Hindustan Oil Exploration Company Limited	**38.07**	38.07
		Tata Petrodyne Limited	**6.67**	6.67
7	GN-ON-90/3 (Pranhita Godavari)	Hindustan Oil Exploration Company Limited	**75.00**	75.00
		Mafatlal Industries Limited*	**25.00**	25.00
8	AAP-ON-94/1	Hindustan Oil Exploration Company Limited	**40.323**	40.323
		Indian Oil Corporation Limited	**43.548**	43.548
		Oil India Limited	**16.129**	16.129
9	RJ-ONN-2005/1	Hindustan Oil Exploration Company Limited	**25.00**	25.00
		Bharat Petro Resources Limited	**25.00**	25.00
		Jindal Petroleum Limited**	**25.00**	25.00
		IMC Limited	**25.00**	25.00
10	RJ-ONN-2005/2	Oil India Limited	**60.00**	60.00
		Hindustan Oil Exploration Company Limited	**20.00**	20.00
		HPCL & Mittal Energy Limited	**20.00**	20.00

Note:

All the Unincorporated Joint Ventures are for the blocks awarded within the territorial limits of India.

* 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, 2011.

** 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.

10. Details of Oil and Gas Reserves

As at March 31, 2011, the internal estimates of the Management of Proved and Probable Reserves on working interest basis for the Company is as follows:

		Opening Balance	Addition	Deduction	Production	Closing Balance
Oil	MMBOE	9.1	0.9	0	0.3	9.7
Gas	MMSCM	6,927.0	0	0	366.7	6,560.3

11. Related Party Disclosures

(i) The related parties of the Company as at March 31, 2011 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 Limited (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

Schedules Forming Part of the Consolidated Accounts for the Year Ended March 31, 2011

SCHEDULE 17 — NOTES TO THE CONSOLIDATED ACCOUNTS (Contd.)

(C) Unincorporated Joint Ventures:
As per details given in Note 9 of Schedule 17.

(D) Key Management Personnel:

1. Mr. Luigi Ciarrocchi – Managing Director
2. Mr. Manish Maheshwari – Joint Managing Director

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

Amounts in Rupees

Particulars	Promoter Group	Other Group Entities	Unincorporated Joint Ventures' Partners	Key Management Personnel
EXPENDITURE				
Field Operating Expenditure	0 (0)	39,362,625 (16,258,135)	0 (0)	0 (0)
— Remuneration to Joint Managing Director (See Note 5(a) of Schedule 17)	0 (0)	0 (0)	0 (0)	22,782,684 (20,018,546)
Professional Fee	0 (0)	23,884,733 (0)	0 (0)	0 (0)
— Recovery of Expenses	0 (0)	0 (0)	75,921,519 (37,125,996)	0 (0)
— Interest Paid	0 (0)	77,136,005 (46,695,729)	0 (0)	0 (0)
— Dividends Paid	30,784,567 (0)	0 (0)	0 (0)	0 (0)
— Bank Charges	0 (0)	26,492 (48,297)	0 (0)	0 (0)
LOAN				
— Unsecured Loan Taken*	0 (0)	0 (5,697,500,000)	0 (0)	0 (0)
— Unsecured Loan Repaid*	0 (0)	390,025,000 (0)	0 (0)	0 (0)
CAPITAL EXPENDITURE				
— Exploration Expenditure	0 (0)	24,992,454 (665,798)	0 (0)	0 (0)
— Development Expenditure	0 (0)	121,684,535 (160,438,827)	0 (0)	0 (0)
AS AT YEAR END				
Loan Outstanding as at Year End*	0 (0)	5,307,475,000 (5,697,500,000)	0 (0)	0 (0)
Amounts Payable as at Year End	0 (0)	208,534,245 (169,875,356)	0 (0)	0 (0)

* Amount relates to ENI Coordination Center S.A., Belgium.

Note:
Figures in brackets relate to the Previous Year

Schedules Forming Part of the Consolidated Accounts for the Year Ended March 31, 2011

SCHEDULE 17 — NOTES TO THE CONSOLIDATED ACCOUNTS (Contd.)

12. Earnings Per Share (EPS)

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

Particulars	2010-2011	2009-2010
Net Profit after Tax	Rs. 815,356,808	Rs. 440,318,466
Weighted Average Number of Equity Shares	130,493,289	130,493,289
Basic/Diluted Earnings per Share (EPS)	Rs. 6.25	Rs. 3.37
Nominal Value per Share	Rs. 10	Rs. 10

Note:

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

13. 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. 232,000,000 (Previous Year Rs. 108,000,000) 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.

(ii) Deferred Tax (Liabilities)/Asset (Net)

The net Deferred Tax Liability of Rs. 322,533,226 as at March 31, 2011 (Deferred Tax Asset of Rs. 54,510,902 as at March 31, 2010) comprises the following components:

Amount in Rupees

Particulars	2010-2011	2009-2010
Deferred Tax Asset		
Exploration Expenses	301,077,000	301,210,000
Doubtful Debts/Advances	5,739,543	5,729,780
Employee Related Costs	3,850,276	2,950,535
Unabsorbed Business Losses and Depreciation	1,475,979,919	1,050,577,919
Others	19,932	78,177
Site Restoration	5,014,000	0
Sub Total (A)	**1,791,680,670**	**1,360,546,411**
Deferred Tax Liability		
Depreciation and Depletion	2,114,213,896	1,291,665,509
Foreign Currency Monetary Item Translation Difference Account	0	830,000
Site Restoration	0	13,540,000
Sub Total (B)	**2,114,213,896**	**1,306,035,509**
Net Deferred Tax Asset (A – B)	**(322,533,226)**	**54,510,902**

Schedules Forming Part of the Consolidated Accounts for the Year Ended March 31, 2011

SCHEDULE 17 — NOTES TO THE CONSOLIDATED ACCOUNTS (Contd.)

14. Commitments and Contingencies

Amount in Rupees

	Particulars	As at March 31, 2011	As at March 31, 2010
(i)	Counter Guarantees on account of Bank Guarantees	165,287,440	71,824,538
(ii)	Estimated amount of Contracts remaining to be Executed on Capital Account and not Provided for:	77,610,531	119,934,054
(iii)	Claims against the Company Not Acknowledged as Debt		
	— Dispute with Contractors under Arbitration	0	3,245,248
	— Income Tax Demands under Appeal	602,982,957	894,530,068
	— Fringe Benefit Tax Demand where the matter is in appeal	523,345	523,345
	— Central Excise demand where the matter is in appeal	300,844	0
	— Customs Demand where the matter is in appeal	540,464	540,464
(iv)	Dispute with Government of India under Arbitration	349,341,475	327,033,332
(v)	Service Tax Liability	2,139,321	2,139,321
(vi)	Hire Charges	51,694,208	51,694,208

15. Provision for Site Restoration

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

Amount in Rupees

Provision for Site Restoration	2010-2011	2009-2010
Opening Balance	801,505,000	286,112,500
Add: Provision for the Year	0	546,210,000
Effects of Changes in Foreign Exchange Rates	(7,072,500)	(30,817,500)
Closing Balance	794,432,500	801,505,000

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

16. 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. 12,728,726 (Previous Year Rs. 57,969,229) recovered as parent company overhead pursuant to the respective Production Sharing Contracts.

17. Accounting Standard 11 – The Effects of Changes in Foreign Exchange Rates

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

Amount in Rupees

Particulars	2010-2011	2009-2010
Exchange Differences capitalised to Fixed Assets (Development Expenditure) during the Year	60,418,155	261,532,172
Closing Balance of Foreign Currency Monetary Item Translation Difference Account as at the end of the year to be amortised in subsequent periods	0	2,501,863
Amount of Net Amortisation of Foreign Currency Monetary Item Translation Difference Account charged to the Profit and Loss Account for the Year	(1,175,363)	7,655,662

18. Impairment

As of March 31, 2011, 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, 2011.

Schedules Forming Part of the Consolidated Accounts for the Year Ended March 31, 2011

SCHEDULE 17 — NOTES TO THE CONSOLIDATED ACCOUNTS (Contd.)

19. Particulars of Unhedged Foreign Currency Exposure

The particulars of unhedged Foreign Currency Exposure of the Group, are as under:

Amount in Rupees

Particulars	Exposure as at March 31, 2011	Exposure as at March 31, 2010
Secured Loans	370,817,423	491,177,191
Unsecured Loans	5,307,475,000	5,697,500,000
Sundry Debtors	248,180,869	145,421,449
Loans and Advances	0	100,921,368
Sundry Creditors	279,760,668	24,750,149
Bank Account and Deposit	36,888,166	319,240,724

20. Previous Year Figures

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

The figures of Previous Year were audited by a firm of Chartered Accountants other than S. R. Batliboi & Associates.

In terms of our report of even date attached.

For S. R. Batliboi & Associates
(Firm Registration No. 101049W)
Chartered Accountants

per Subramanian Suresh
Partner
Membership No. 83673

Place : New Delhi
Date : May 09, 2011

On behalf of the Board of Directors

R. Vasudevan
Chairman

Manish Maheshwari
Joint Managing Director

Sanjay Tiwari
Chief Legal Counsel & Company Secretary

Place : New Delhi
Date : May 09, 2011

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
IPP	–	Independent Power Plant; PPGC, an IPP, is end user of PY-1 Gas.
ISDA	–	International Swap and Derivatives Association, Inc.
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
mmboe	–	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
NEDs	–	Non Executive Directors
NELP	–	New Exploration Licensing Policy
OGP	–	International Association of Oil & Gas Producers
ONGC	–	Oil & Natural Gas Corporation Limited
PI	–	Participating Interest
PMC	–	Project Management Consultant
PSA	–	Petroleum Service Agreement between Eni and HOEC
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
SIMOPs	–	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

HINDUSTAN OIL EXPLORATION COMPANY LIMITED

Regd. Office: 'HOEC House', Tandalja Road, Vadodara - 390 020

ATTENDANCE SLIP

[To be presented at the entrance]

I hereby record my presence at the 27th ANNUAL GENERAL MEETING of the Company held on Wednesday, September 28, 2011 at 10:30 A.M. at 'Tropicana Hall', The Gateway Hotel Vadodara, Akota Gardens, Akota, Vadodara - 390 020.

Folio No. ____________ DP ID No. ____________ Client ID No. ____________

Name of the Shareholder/Proxy : ____________

No. of Shares : ____________

Date: September 28, 2011

Signature of the Shareholder/Proxy

TEAR HERE

HINDUSTAN OIL EXPLORATION COMPANY LIMITED

Regd. Office: 'HOEC House', Tandalja Road, Vadodara - 390 020

PROXY FORM

Folio No. ____________ DP ID No. ____________ Client ID No. ____________

No. of Shares : ____________

I/We ____________ of ____________ in the district of ____________ being a Member(s) of Hindustan Oil Exploration Company Limited hereby appoint ____________ of ____________ or failing him/her ____________ of ____________ as my/our proxy to attend and vote for me/us and on my/our behalf at the 27th Annual General Meeting of the Company to be held on Wednesday, September 28, 2011 at 10:30 A.M. and at any adjournment thereof.

Signed this ____________ day of ____________ 2011.

Affix 15 Paise Revenue Stamp
(.....Signature....)

Note: The Proxy Form must be deposited at the Registered Office of the Company not less than 24 hours before the commencement of the Meeting.

HOEC

Hindustan Oil Exploration Company Limited
Website: www.hoec.com