28th Annual Report 2011-2012

HOEC

Hindustan Oil Exploration Company Limited

28th Annual General Meeting

Date : September 26, 2012

Day : Wednesday

Time : 10:30 A.M.

Place : "Tropicana Hall"
The Gateway Hotel Vadodara
Akota Gardens, Akota
Vadodara-390 020, Gujarat (India)

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)
Secretarial Department	Mr. Minesh Bhatt Assistant 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, Extn.: 103 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
Cost Auditor	Mr. K. Suryanarayanan
Bankers	• Axis Bank • HDFC Bank • IDBI Bank • State Bank of India
Lenders	• Axis Bank • ENI Finance International S.A., Belgium (earlier known as ENI Coordination Center S.A., Belgium) • HDFC Bank • IDBI Bank
Advocates & Solicitors	Amarchand & Mangaldas & Suresh A. Shroff & Co.
Registrars & Share Transfer Agent	Link Intime India Pvt. Limited (Unit: Hindustan Oil Exploration Company 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, 75 years, holds B.A. (Hons.) (Economics) degree from the University of Madras, M.A. (Economic Statistics) degree from the University of Delhi and 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. Sunil Behari Mathur
Non-Executive Independent Director

Mr. Sunil Behari Mathur, 68 years, is a Chartered Accountant. He has more than 45 years of experience in the fields of insurance and housing finance. He was the Chairman of Life Insurance Corporation of India. 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 various Government bodies, authorities and corporations. He is presently the ex-officio Secretary General of Life Insurance Council and Director of General Insurance Corporation of India.

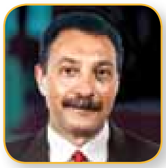
Mr. Paolo Carmosino
Non-Executive Director

Mr. Paolo Carmosino, 58 years, holds a degree in law from the University "La Sapienza" of Rome and pursued a career within the Eni Group spanning 34 years in finance and planning control areas. He is Eni's Senior Vice President for Finance, Chairman of eni finance international (efi) and Banque Eni SA and he is also a Director of EniADFin (formerly Sofid SpA).

Mr. Luigi Ciarrocchi
Non-Executive Director

Mr. Luigi Ciarrocchi, 51 years, holds a degree in Petroleum Engineering from the Politecnico of Turin and has pursued an international career, spanning 25 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 Agip 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. Marcello Simoncelli
Non-Executive Director



Mr. Marcello Simoncelli, 57 years, has a Liceo Scientifico Statale Cavour & Graduate degree in Geology cum Laude from Roma, Italy. He has more than 31 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 Director of Exploration with Eni Oil do Brasil.

Mr. V. Srinivasa Rangan
Non-Executive Non-Independent Director

Mr. V. Srinivasa Rangan, 52 years, holds a Bachelor's degree in Commerce and is an associate member of the Institute of Chartered Accountants of India (ICAI) and Institute of Cost and Works Accountants of India. Mr. Rangan is an Executive Director of Housing Development Finance Corporation Limited (HDFC) besides being on the Board of other companies.

Mr. Rangan was conferred the "Best CFO in the Financial Sector for 2010" by ICAI for exceptional performance and achievements.

Mr. Sergio Adriano Laura
Managing Director

Mr. Sergio A. Laura, 54 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 also the Managing Director of Eni India Limited and Director of Burren Shakti Limited and Burren Energy India Limited.

Mr. Mukesh Butani
Non-Executive Independent Director

Mr. Mukesh Butani, 48 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. 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
Managing Director

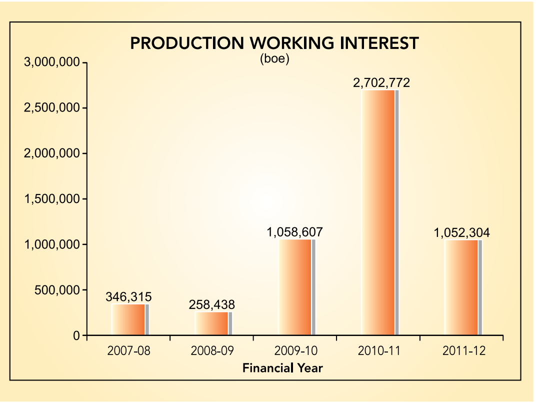
Mr. Manish Maheshwari, 44 years, holds Bachelor (Hons.) degree in Chemical Engineering and Masters in Business Administration from Strathclyde University, U.K. and received Danida Fellowship. He has diversified business experience of more than 24 years. Prior to his appointment as the Managing Director of the Company, he held the office of the Chief Financial Officer of the Company.

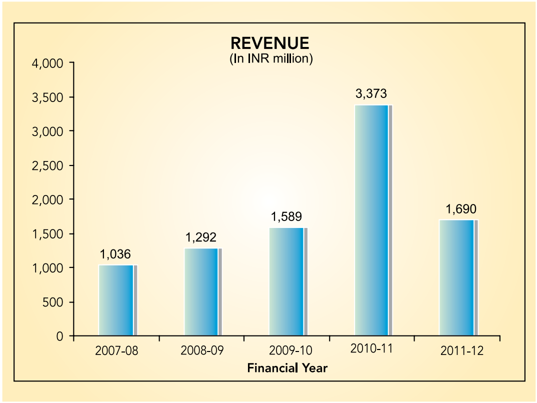
Mr. Manish Maheshwari is also the Chairman of HOEC Bardahl India Limited, the wholly owned subsidiary of the Company.

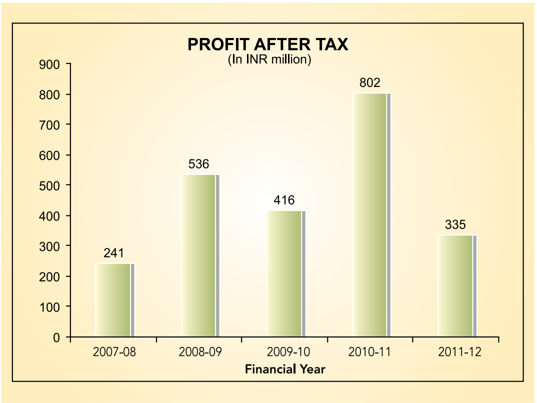
Highlights of FY 2011-2012

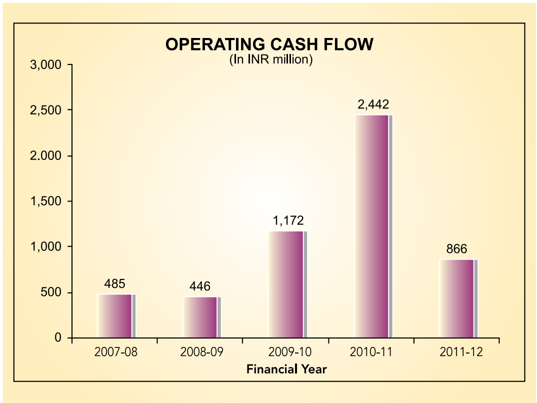
FINANCIAL HIGHLIGHTS*

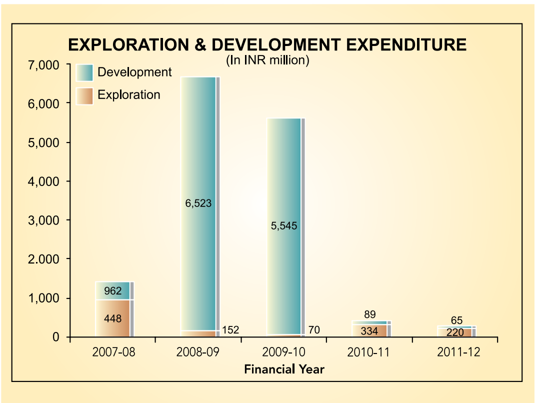
- Average Production** 2,875 boepd (FY 2010-2011: 7,405 boepd)
- Revenue of INR 1,690 million (FY 2010-2011: INR 3,373 million)
- Profit After Tax of INR 335 million (FY 2010-2011: INR 802 million)
- Operating Cash Flow*** of INR 866 million (FY 2010-2011: INR 2,442 million)

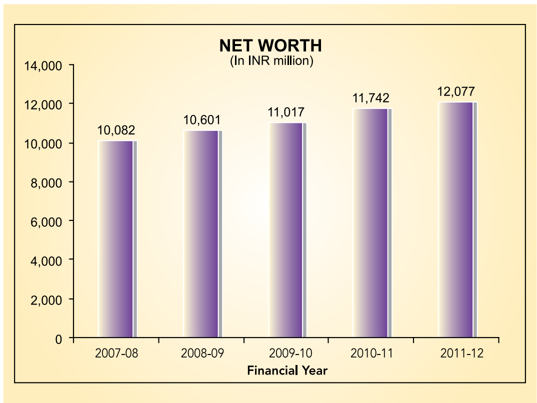












* *Figures have been regrouped / reclassified in accordance with the Revised Schedule VI (of the Companies Act, 1956) requirements.*
** *Average Production is on working interest basis.*
*** *Operating Cash Flow is before Working Capital Changes and Taxes.*
All figures have been rounded off.

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 of JPL under consideration by the Government.
- 3D Seismic Acquisition completed; Processing of Seismic data in progress.

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

- OIL (Operator) has initiated acquisition of 3D Seismic data in the Block.

North Balol HOEC PI: 25% (O)

- Production: approx. 1.1 mmscfd

Asjol HOEC PI: 50% (O)

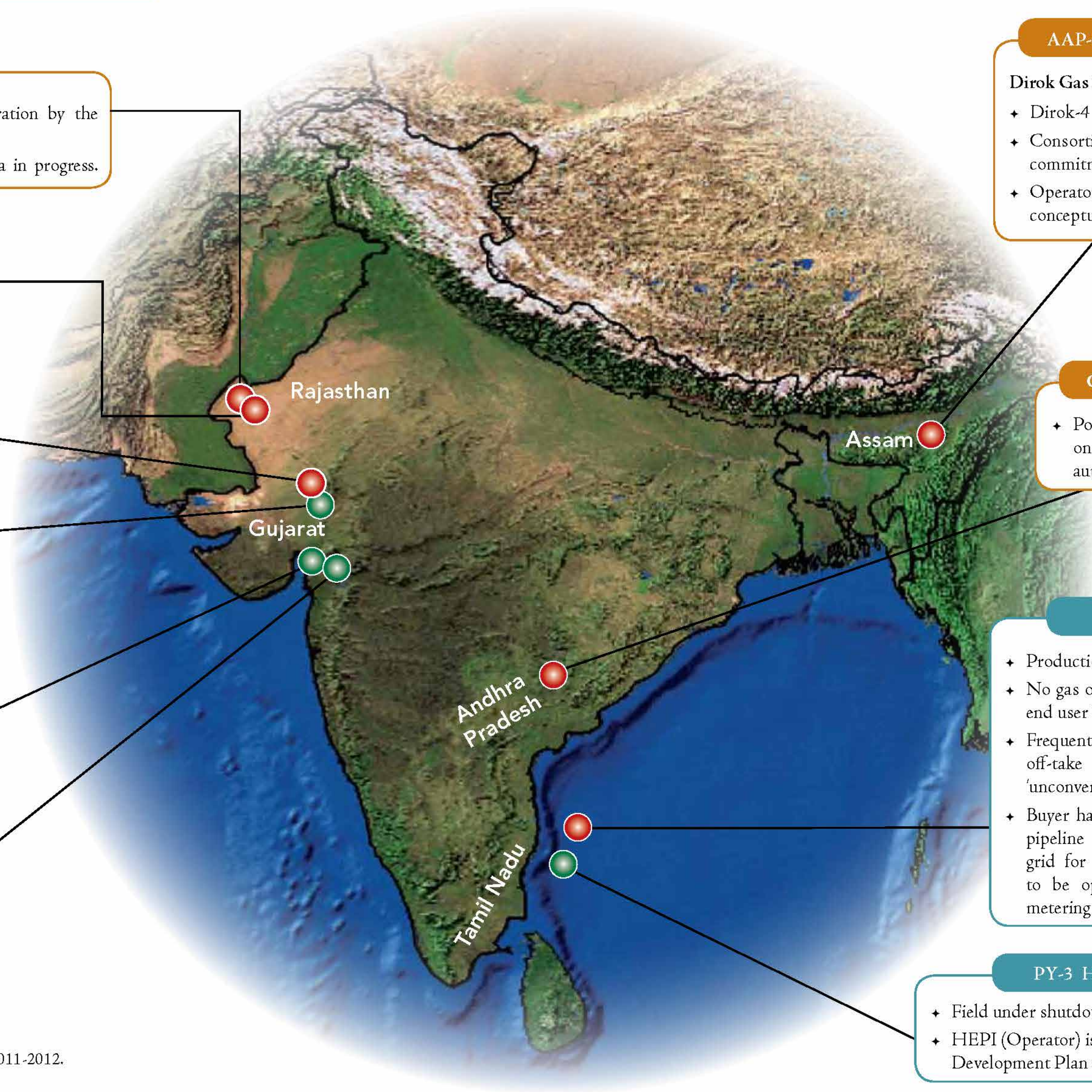
- Production: approx. 18 bopd

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

- ONGC (Operator) has prepared revised development scheme for Gulf "A" Discovery to meet CRZ requirements.
- HOEC has provided technical inputs to the Operator in finalisation of the revised development scheme.

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

- Production: approx. 186 boepd



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

Dirok Gas Discovery

- Dirok-4 well successfully drilled and tested.
- Consortium completed firm Work Programme commitments for Appraisal.
- Operator preparing report for DoC and conceptualising PoD.

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

- Post favourable arbitration award, decision on forward plan of action awaited from the authorities.

PY-1 HOEC PI: 100% (O)

- Production: approx. 2,600 boepd.
- No gas off-take by the Buyer for 159 days due to end user limitation.
- Frequent production shutdowns due to no gas off-take aggravated to the complexity of this 'unconventional' granitic basement reservoir.
- Buyer has installed an alternate gas transmission pipeline connecting PY-1 Gas Terminal to grid for continuous evacuation of gas; pipeline to be operationlised after calibration of fiscal metering system.

PY-3 HOEC PI: 21%

- Field under shutdown since July 31, 2011.
- HEPI (Operator) is required to submit Full Field Development Plan to the authorities.

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 2011-2012.
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 28th Annual Report including the Audited Financial Statements for the year ended March 31, 2012.

1. FINANCIAL HIGHLIGHTS

INR million

Particulars	Standalone		Consolidated	
	2011-2012	2010-2011	2011-2012	2010-2011
Turnover	1,440	3,285	1,633	3,443
Other Income	250	88	252	92
Revenue	1,690	3,373	1,885	3,535
Profit before Depreciation / Depletion / Amortization / Taxation	997	2,402	1,020	2,429
Less : Depreciation / Depletion / Amortisation	555	1,223	555	1,223
Profit Before Tax	442	1,179	465	1,206
Less : Provision for Tax	107	377	120	391
Profit After Tax	335	802	345	815
Profit / (Loss) brought forward	2,596	1,870	2,670	1,930
Profit available for Appropriation	2,931	2,672	3,015	2,745
Balance carried to the Balance Sheet	2,931	2,596	3,015	2,670

Figures have been rounded off.

During the year, your Company produced 1.05 mmboe of crude oil and gas (previous year 2.7 mmboe), the decrease being on account of: (a) lower production and no off-take of gas for 159 days by the buyer from PY-1 Field; and (b) shut down of production in PY-3 Field since July 2011. The lower production has resulted in a Turnover of INR 1,440 million, a decrease of 56.1% over the previous year. The Revenue for the year was INR 1,690 million, nearly 50% of the previous year, for the aforesaid reason.

The Profit-Before-Tax was INR 442 million, a decrease of 62.5% over the previous year.

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

During the year under review, your Company had a Profit-After-Tax of INR 335 million, a decrease of 58.2% over the previous year.

2. DIVIDEND

In view of foreseeable capital expenditure for redevelopment / enhanced recoveries in existing producing fields and potential development of Assam Discovery, the Directors have not recommended any dividend for the Financial Year 2011-2012.

3. DIRECTORS' COMMISSION

The Independent Directors have chosen not to accept commission as a gesture to support the Company in its immediate endeavors.

4. CAPITAL EXPENDITURE

During the year under review, the Company invested capital expenditure of INR 65.50 million towards development activities and INR 220.10 million towards exploration activities, primarily covering appraisal programme in Block AAP-ON-94/1.

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 second appraisal well Dirok-4 and conducted drill stem test (DST) in two of the multiple hydrocarbon bearing sands encountered during drilling. During the DST, the gas flow rate was around 2 million standard cubic feet per day along with approx. 32 bbls of condensate per day.

The Company has a 40.323% participating interest during exploration / appraisal period in the said Block. Subsequent to the Government nominee's back-in right under the PSC during the development and production phase, the participating interest of the Company in the Block shall be 26.882%.

7. 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, technical support from Eni towards reservoir modelling and management in PY-1, exploration support for finalisation of appraisal programme in Assam, and continuous improvement in HSE standards besides deputation of technical personnel at HOEC.

Further, Eni Finance International has agreed to provide external commercial borrowing of USD 60 million to the Company to part finance its ongoing capex programme.

8. 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.

9. 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 order to pursue best Corporate Governance practices.

10. 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 Cost Accounting Records of the Company for Financial Year 2011-2012 were audited by Mr. K. Suryanarayanan, a qualified Cost Accountant.

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

During the year under review, net income of HBIL, HOEC's wholly owned subsidiary, was INR 189.9 million being approximately 11.5% higher as against previous year of INR 170.2 million. The net profit was INR 10.5 million during the year as against INR 13.4 million in the previous year. The decrease in the net profit was mainly on account of higher input 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. 25 of the Consolidated Financial Statements.

12. 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 2011-2012 are appended to and form part of this Annual Report.

13. CREDIT RATING

ICRA has reaffirmed the long-term rating of [ICRA] A+ (pronounced as ICRA A plus) for the line of credit and the outlook on the long-term rating is "stable".

14. AUDITORS' REPORT AND DIRECTORS' EXPLANATION

In response to the specific observations in the Auditors' Report, the Directors' explanation is as hereunder:

(i) Auditors have made an observation vide para 6 to the Auditors' Report about non exclusion of exchange differences as Borrowing Cost to the extent that the same can be regarded as an adjustment to interest costs as required by Paragraph 4(e) of Accounting Standard 16.

As per the Company's Accounting Policy, which is in compliance with GSR 225 (E) dated March 31, 2009 and Paragraph 46A of the Accounting Standard-11 inserted vide notification no. GSR 914 (E) dated December 29, 2011 by the Government of India, exchange differences arising on reporting of long term foreign currency monetary items including *inter-alia* long term foreign currency borrowing, as defined in the Accounting Standard-11, relating to the acquisition of a depreciable capital asset, have been added to / deducted from the cost of the asset consistently since March 31, 2009. The Auditors, in their Report for the Financial Year 2011-2012, have observed that the Company has not considered any part of the foreign exchange fluctuations on the underlying borrowing as interest cost, as required under AS-16. In this regard, the Directors have to state the following:

(a) Company's business is significantly denominated in United States Dollar (USD), which is also considered as a controlling currency under the Production Sharing Contracts with the Government of India. Company's decision to borrow in USD was never driven on the basis of interest cost arbitrage but to meet the end use of such borrowing to finance USD denominated capital expenditure. Consequently, any exchange difference is incidental and in the view of the Directors, the same should not be recognized as part of the interest cost. Accordingly, the applicability of Paragraph 4(e) of AS-16 does not arise in the present context and hence the Directors believe that the Company's accounting treatment is appropriate.

(b) Even if Paragraph 4(e) of AS-16 was to be applied, the Company does not have any comparative interest rate in INR for a structured borrowing undertaken in year 2009 to compute the interest rate differential given the fact that the Company never evaluated option to borrow in local currency in year 2009 considering the end use of such borrowing as explained hereinabove.

(c) Finally, AS 16 states that borrowing costs may include exchange differences to the extent they are regarded as an adjustment to interest costs – it does not therefore mandate such specific adjustment to be effected to the borrowing cost.

In view of the explanation stated above, the Directors do not regard such exchange differences as an adjustment to interest cost. Consequently, Paragraph 4(e) of AS-16 is not applicable to the referred borrowing and the Company is in compliance with the Accounting Standards.

Further, subsequent to the date of approval of audited Financial Statements by the Board, the Government of India, vide circular no. 25/2012 dated August 9, 2012, has confirmed that Paragraph 4(e) of AS-16 shall not apply to a company which is applying clause 46A of AS-11. Accordingly the accounting treatment of the foreign exchange fluctuations as considered by the Company is revalidated to be in compliance with AS-11 and AS-16.

(ii) Auditors have made an observation vide para 7 to the Auditors' Report about capitalisation of the costs of surveys and studies relating to exploration activities under the Successful Efforts Method in line with the "Guidance Note on Accounting for Oil and Gas Producing Activities" (Guidance Note) issued by the Institute of Chartered Accountants of India.

As per the Company's Accounting Policy, the survey costs are initially capitalized as "Exploration Expenditure" and subsequently either expensed if the exploration activity is determined as unsuccessful or transferred to "Producing Properties" in case the activities are determined to be successful. The Auditors, for the first time, have observed in their Audit Report dated May 18, 2012, non-adherence of Guidance Note (Accounting for Oil and Gas Producing Activities, issued by the Institute of Chartered Accountants of India in 2003) requirement that costs of surveys relating to exploration activities is to be expensed in the year incurred. In this regard, the Directors have to state that:

(a) the Company's Financial Statements have been prepared in compliance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;

(b) the aforesaid Guidance Note, issued by the Institute of Chartered Accountants of India, is not mandatory and only recommendatory in nature and does not form part of the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;

(c) the Company's Accounting Policy, which has been followed consistently during the earlier quarters in the Financial Year 2011-2012 and in the earlier Financial Years with reference to treatment of survey cost, is in compliance with international Oil and Gas Industry accounting practices and International Financial Reporting Standards, and has been accepted by the auditors in the past without modification; and

(d) the accounting for the cost of surveys is in compliance with the terms of the Production Sharing Contract signed with the Government of India.

In view of explanation stated above, the Company is in compliance with the Accounting Standards referred to in the Companies Act, 1956.

15. 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.

16. 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.

17. DIRECTORS

Mr. Deepak S. Parekh resigned as Director of the Company with effect from December 05, 2011. Mr. Parekh's association with the Company dates back to its formative years and the Company gained tremendously with his visionary leadership and valuable guidance all along his tenure as a Director of the Company. Your Directors wish to place on record their sincere gratitude to Mr. Parekh for his enriching contribution to the growth of the Company.

In accordance with the Articles of Association of the Company and provisions of the Companies Act, 1956, Mr. R. Vasudevan, Mr. Paolo Carmosino and Mr. Sergio Adriano Laura will retire by rotation and being eligible, have offered themselves for reappointment as Directors.

Mr. V. Srinivasa Rangan's term, who was appointed Additional Director of the Company on January 23, 2012, will expire at the conclusion of the ensuing Annual General Meeting. Company has received a notice under Section 257 proposing the appointment of Mr. V. Srinivasa Rangan as a Director.

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

The information on the particulars of Directors seeking re-appointment / appointment as required under clause 49 of the listing agreement executed with the BSE Limited and National Stock Exchange of India Limited have been given in the Notice convening the 28th Annual General Meeting of the Company.

18. EMPLOYEES STOCK OPTION SCHEME

During the Financial Year 2011-2012, an aggregate of 34,524 stock options were granted to the Non Executive Independent Directors.

While performance bonus was awarded to the employees, no stock options were granted to them during the Financial Year 2011-2012.

The ESOS disclosure as at March 31, 2012 is as below:

	PARTICULARS		HOEC EMPLOYEE STOCK OPTION SCHEME-2005
(a)	Stock Options outstanding as at April 01, 2011	:	49,110
(b)	Options Exercised during the year from Stock Options outstanding as at April 01, 2011	:	15,991
(c)	Option Granted during the year	:	34,524
(d)	Pricing Formula	:	Nil
(e)	Options Vested during the year	:	Nil
(f)	The total number of shares arising upon / after exercise of Option	:	34,524
(g)	Options Lapsed during the year	:	Nil
(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, 2012	:	67,643
(k)	Details of Options granted during the Financial Year 2011-2012:		
	Non-Executive Directors		
	Mr. R. Vasudevan	:	14,216
	Mr. Mukesh Butani	:	10,154
	Mr. Sunil Behari Mathur	:	10,154
	Executive Directors		
	Mr. Manish Maheshwari	:	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 2.57
(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 123.10

Note:

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

19. 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 equipments with preference for BEE Star rated equipments, wherever feasible.

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:

   Several measures have been implemented during drilling of appraisal well, Dirok-4, 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 and use of renewable energy like solar panels at onshore and offshore locations.

4. The Company regularly monitored air emission sources and ambient air quality and ensured that emission levels at all times remain lower than the statutory limits.

5. 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 and CB-ON-7 sites.

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

C. Technology absorption, adaptation and innovation:

Various technology absorption, adaption and innovation initiatives were taken including *inter-alia* use of vortex bottom hole drilling assembly, aluminium drill pipes, torque and drag reducers to drill multi-lateral extended reach horizontal well in PY-1 Field. The Company continued to use bio degradable base oil in mud system for drilling applications.

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	2011-2012	2010-2011
A.	Foreign Exchange Earnings	0.01	0.62
B.	Foreign Exchange Used		
	• Cash Call Payment to Joint Ventures	113.55	444.65
	• Expenditure in Foreign Currency	158.99	266.54
	• Repayment of Foreign Currency Loan	675.01	453.27
	Total Foreign Exchange Used (B)	947.55	1,164.46
Net Foreign Exchange Used (B-A)		947.54	1,163.84

20. 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 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.

21. 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.

22. 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 July 31, 2012, 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.

23. 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.

24. 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 to achieve the corporate goals.

For and on behalf of the Board

R. Vasudevan

Date: August 21, 2012 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, 2012.

Name	Designation	Remuneration received (in INR) (Refer Note 1)	Stock options granted during the year (No. of shares)	Nature of employment	Nature of duties of the employee	Qualifications of the employee	Experience of the employee (in years)	Date of commencement of employment	Age	The last designation and employment held by such employee before joining the company	The number of equity shares held by the employee	The percentage of equity shares held by the employee	Period of Employment during the Financial year	
Mr. Bhuwan Chandra Garia	Chief Geophysicist	6,002,347	Nil	Permanent	Geophysical activities	M.Sc. (Physics)	28	5-Sept-08	51	Chief Geophysicist – Oil and Natural Gas Corporation Limited	Nil	Nil	1-Apr-11	31-Mar-12
Mr. K. Sriram	Exploration Manager	6,621,697	Nil	Permanent	Exploration Activities	M.Sc. (Geology)	24	01-Mar-11	48	Technical Leader Exploration – Eni India Limited	Nil	Nil	1-Apr-11	31-Mar-12
Mr. Manish Maheshwari	Managing Director	24,685,792	Nil	Permanent	Overall management of the Company Operations	B.E. (Hons), MBA (UK)	24	1-Oct-03	44	Senior Investment Manager – Danish International Investment Fund	14,088	Negligible	1-Apr-11	31-Mar-12
Mr. Rajiv Hura (Refer Note 4)	Chief Geologist	6,382,661	Nil	Permanent	Operations Geological activities	Masters in Applied Geology (IIT Bombay)	29	14-Mar-05	53	Deputy Chief Geologist – Oil India Limited	850	Negligible	1-Apr-11	24-Feb-12

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 and Managing Director.

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. Rajiv Hura resigned from the Company on February 24, 2012; remuneration includes payment of gratuity (INR 736,337) and leave encashment (INR 54,699) paid on separation.

Management Discussion and Analysis Report

INDUSTRY STRUCTURE, DEVELOPMENT AND OPPORTUNITIES

Energy remains as one of the most important building blocks in human development and acts as a key factor in determining the economic development of countries.

FY 2011-2012 was an unusually eventful year with unprecedented economic uncertainty transcending across geographies and sectors. One may recall that the tumultuous events of the 'Arab Spring' shook energy markets and underscored the importance of maintaining spare capacity and strategic stockpiles for dealing with supply disruptions. The earthquake and tsunami in Japan was a humanitarian disaster, and one with immediate implications - in Japan and around the world - for nuclear power and other fuels. Oil prices hit an all-time record high averaging USD 114.6 per barrel, about 32% above 2010-11's average of USD 86.7 per barrel. Brent crude oil prices traded in a band of USD 102/bbl to USD 128/bbl during the financial year, with quarterly average being Q1:117/bbl; Q2:113/bbl; Q3:109/bbl and Q4:122/bbl. Crude oil prices exceeded USD 128/bbl on March 8, 2012, the highest level since October 2008. Regarding the gas price landscape, the revolution in shale gas production drove natural gas prices in the US lowest amongst the OECD countries, reaching record discounts to oil. However the Asian gas prices remained high with spot prices touching USD 13.6 /mmbtu.

With all the uncertainty in play, global energy consumption grew by 2.5% in 2011-2012, broadly in line with the historical average but well below the 5.1% seen in the previous financial year. Once again emerging economies accounted for the net growth in energy consumption, with demand in the OECD falling for a third time in the last four years. The centre of gravity for world energy consumption continues to shift from OECD to emerging economies, especially in Asia like China and India.

On the production side, the loss of oil supplies in Libya and elsewhere was eventually more than offset by large increases among Middle Eastern OPEC members, leading to record production in Saudi Arabia, the UAE, and Qatar.

In an effort to meet the demands of an emerging economy, Indian energy sector remains poised for a rapid growth. However, resource augmentation and growth in energy supply have failed to meet the ever increasing demands exerted by rapid urbanization and progressing economy. The import of crude oil in India has increased to nearly 80% with the oil import bill being close to USD 140 billion in 2011-2012. The import of LNG and use of rLNG has increased and accounts for nearly 25% of consumption, India's need for primary energy is likely to more than double by 2020.

In this context, the exploration and production of domestic oil and gas assumes a critical dimension for India's energy security and economic growth. As the largest consumption centre coupled with the fact that India remains vastly unexplored with only 20% of its sedimentary basins been moderately explored and developed, the Oil and Gas sector in India presents significant opportunities to the industry.

HOEC operates in the Oil & Gas Exploration and Production (E & P) Industry, with its current portfolio of assets centric to India. With energy security being one of the most strategic challenges for our country, central to 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, execute and enhance value. The Company seeks out opportunities which have the potential to establish and transform 'resources' to 'assets' and thus generate shareholder value. 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 in existing and new acreages. In executing this strategy, Company intends to preserve a robust capital structure targeting an optimal mix of borrowings and shareholders' equity.

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, 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 focus on the application of technology and developing relationships based on a commitment to long-term partnerships.

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 exploration, 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 evaluate technical performance of existing projects and take initiatives to mitigate risks/enhance recoveries;
- 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;
- Build capability along the value chain across Exploration, Development, Production and Enhanced Recovery Phases of E & P Projects; and
- Improve ongoing focus on safety, people and performance.

We expect to organically replace reserves and grow long-term production by maturing opportunities available through our existing assets. To recapitulate, the key elements of our Company's strategy continue as follows:

- To increase our production by redevelopment programmes in existing producing properties and development of new 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.

The initiatives taken by the Company to pursue the objectives set for the fiscal year are summarized below:

- Based on the dynamic study and continuous monitoring of reservoir performance in the highly complex 'granitic basement' PY-1 Field, the Company, as Operator, defined and undertook several initiatives involving - both surface and sub-surface interventions - to mitigate the adverse impact caused by non-offtake of gas (nearly 44% downtime) by the buyer; surface initiatives included provision of onshore compression units to operate gas processing terminal at low pressure, installation of alternate gas evacuation pipeline by the buyer to the local grid network; sub-surface interventions included N_2 activation job, additional perforations in existing wells; and drilling of a multi-lateral producer well, Surya, which is in progress.
- HOEC, as a non-operator, has been pursuing with all the stakeholders to bring PY-3 Field back on production and in this initiative has even offered to prepare and submit a full field development plan as directed by the authorities.
- Collaborated with the Operator to develop and finalise alternate development scheme 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
- Completed acquisition of 3D seismic data in RJ-ONN-2005/1 acreage for mapping drillable prospects.

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 2011-12

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 has proved 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.

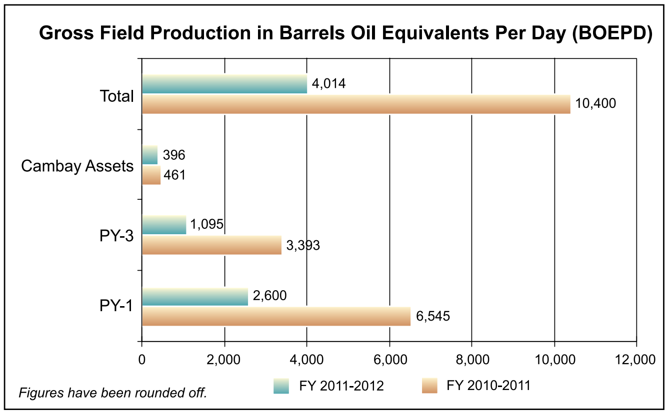
OPERATIONS REVIEW

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.

Product-wise Performance

The Company's aggregate production during the FY 2011-2012 was 1,052,304 barrels of oil equivalent (boe) (crude oil: 145,102 bbls; gas: 142,641,782 scm) as against 2,702,772 barrels of oil equivalent (boe) (crude oil: 368,936 bbls; gas: 366,955,275 scm) during the previous year. This decrease of 61% was primarily on account of frequent shut downs of PY-1 Field aggregating to 159 days during the year under review due to no off-take of gas by the buyer and continued shut down of PY-3 Field since July 31, 2011.



Reserves

As of March 31, 2012, the internal estimates of Proved and Probable (P+P) reserves on working interest basis for the Company were 50.4 mmboe.

CAUVERY BASIN

PY-1 Gas Field

PY-1 Field is a unique *unconventional* fractured granitic basement reservoir and has been one of the first non-associated natural gas field of its kind to be developed and put on commercial production in India.

As a quick recapitulation, the Company implemented a Plan of Development which *inter-alia* covered drilling of three producer wells, namely Earth, Mercury and Jupiter, installing an offshore well-head platform "Sun" with nine well slots, constructing a sub-sea pipeline of approx. 57 kms from the Sun platform to the landfall point, and commissioning an onshore gas processing terminal at Pillaiperumalnallur (PPN) village at Thirukadaiyur (Tamil Nadu). Commercial production from the PY-1 Gas Field started in year 2009 with sale of gas to GAIL and condensate to Chennai Petroleum Corporation Ltd. (CPCL), a subsidiary of Indian Oil Corporation Ltd.

Based on the dynamic performance data of the Field, the Company revisited the petrophysical characterisation and with Eni's technical expertise updated the geological and reservoir model.

Rig 'Perro Negro 3' cantilevered to 'Sun' Platform


Team at work on Perro Negro 3 Rig Floor

The performance of PY-1 Field has been impacted on account of water ingress in existing well(s) due to frequent stoppage of production (44% downtime) on account of no off-take of gas by the buyer and pressure decline at a rate higher than predicted from the simulation studies of this complex and unique reservoir.

Based on the results of the updated reservoir studies carried out by ENI team, the Company defined significant programmes dealing with both surface (rigless) and sub-surface (rig based) interventions. With a view to augment production in the immediate term, the Company took a series of surface initiatives involving *inter-alia* the commissioning of onshore compression units to allow operation of gas processing terminal at low pressure, installation of alternate onshore gas evacuation pipeline by the buyer to continuously evacuate gas and thus help in avoiding build up of water column in the well(s). The sub-surface interventions include *inter-alia* N_2 activation job, additional perforations in existing wells, and drilling of a multi-lateral producer well, Surya. To execute the sub-surface programme, the Company has charter hired a jackup drilling unit, Perro Negro 3, and the defined programme is under implementation.

Forward Plan

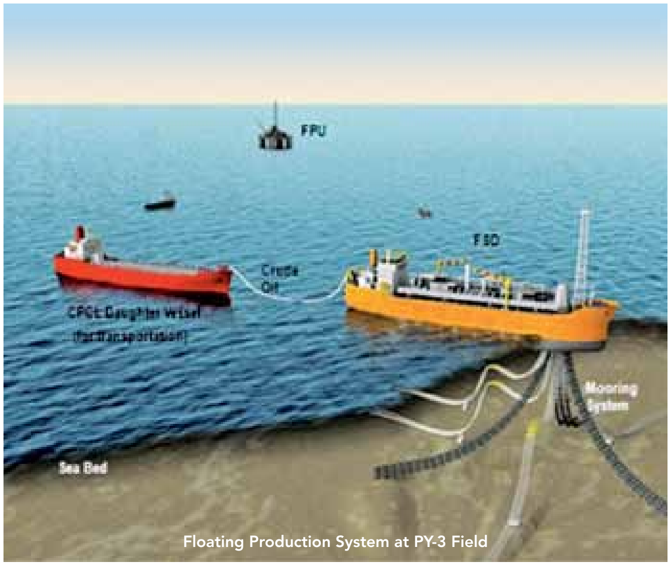
Based on the results of the sub-surface interventions, the Company shall formulate a forward plan for this Field.

PY-3 Field

PY-3, operated by HEPI, is a conventional sandstone reservoir, and the Field has been producing high quality light crude (49°API).

To recapitulate, the Field was developed in year 1997 using floating production facilities and subsea wellheads, a first for an offshore field in India. The production facilities at PY-3 consist of a floating production unit a floating storage and offloading unit, and a single buoy mooring. The sub-sea wells are tied back to the floating production unit, which has a three-stage crude oil separation system. The stabilised crude oil is pumped from floating production unit to the storage unit for eventual offloading to the shuttle tankers. Crude oil from PY-3 Field is sold to CPCL for processing at it's refinery located at Nagapattinam.

A part of the associated natural gas is used as fuel gas and the balance gas is flared. The flaring of the gas can be eliminated with the installation of approx. 6 kms. pipeline by the PY-3 Joint Venture, connecting the floating production unit located in PY-3 Field to an existing sub-sea gas pipeline (from PY-1 Platform to the landfall point at Pillaiperumalnallur in Tamil Nadu). In this regard, HOEC has provided all the technical and operating details of PY-1 gas pipeline to the PY-3 Operator.



Floating Production System at PY-3 Field

The Field performed as projected until it was shut-in at the end of July 2011. Prior to the shut-in, the production from the Field was at an average gross daily rate of 3300 bopd. On an annualised basis, the average gross production from the Field translates to 1,095 bopd during the FY 2011-2012 (as compared to 3,393 bopd during the previous year), the decrease being due to Field shutdown for 245 days during the year under review.

Forward Outlook

Operator has been directed by the Management Committee to submit a comprehensive plan of development for PY-3 Field. An immediate priority for PY-3 Joint Venture is to ensure compliances with various regulatory requirements and restart the production of crude oil from PY-3 Field at the earliest. HOEC, as a non-operator, has been pursuing with all the stakeholders to progress in this direction and has offered to prepare and submit a comprehensive full field development plan as directed by the authorities.

CAMBAY BASIN

Block CB-ON-7

The gross production from CB-ON-7 Block averaged 186 boepd as compared to 250 boepd in the previous year. Production on working interest basis to HOEC averaged 65 boepd during the year, the decrease being predominantly 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. DGH has circulated a draft PSC for this ring-fenced "R2" area and the Joint Venture Partners have submitted their observations to the draft PSC. In the event your Company decides to execute the PSC, we shall be required to acquire 3D seismic data and drill two additional wells in the said area.


Crude Oil Inlet Manifold at Pramoda Field (CB-ON-7)

North Balol Gas Field

North Balol Field produced 11,035,062 scm of natural gas during the year with an average production rate of 30,150 scmd, a nominal decrease of 2% over the previous year attributable to natural decline.

Forward Plan

The Joint Venture Partners have submitted proposal to carry out work-over operations in four wells in the FY 2012-2013 to increase the production from the Field, which shall be implemented upon receipt of approvals from the Management Committee.


Gas Processing Terminal at North Balol

Asjol Field

The Field produced at an average rate of 18 bopd during the year with an aggregate production of 6,508 bbls.

Forward Plan

The Joint Venture Partners have submitted proposal to carry out work-over operations in one of the existing wells to arrest the decline and increase the production from the Field, which shall be implemented upon receipt of approvals from the Management Committee.

Block CB-OS/1

ONGC, the Operator, revised the development scheme for Gulf "A" Discovery taking CRZ aspects into consideration. Operator plans to submit the revised Plan of Development to the authorities for regulatory approvals.

ASSAM-ARAKAN BASIN

Block AAP-ON-94/1

The Company, as Operator, has successfully drilled and conducted drill stem tests (DST) in two of the several gas bearing sands encountered during drilling the final appraisal well, Dirok-4.

Drilling of Well Dirok-4 in progress using Rig 'Sher 3'

Forward Plan

Integrating the geological, geophysical and reservoir data secured during drilling of discovery well and appraisal wells, the Company is preparing a Commercial Discovery Report (CDR) in accordance with the PSC provisions.

RAJASTHAN BASIN

Block RJ-ONN-2005/1

Subsequent to the receipt of the necessary approvals from Ministry of Defence, the Company, as Operator, undertook and completed the acquisition of 2D and 3D Seismic data in a record time of 5 months and within budget. The processing and interpretation of the aforesaid data is expected to be completed by March 31, 2013 with the key deliverables being generation of prospect inventory and prioritisation of prospects for drilling exploratory wells.

Fleet of Vibroseis Trucks at Jaisalmer Block

Block RJ-ONN-2005/2

The Operator, Oil India Limited, awarded the contract for the acquisition of 3D seismic data and the acquisition has commenced in mid July 2012.

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.
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.

DESCRIPTION OF RISK	MITIGATION
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 helps 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 provides the Company with certainty in terms of cash inflows from sale of gas, assuming that there is no interruption in off-take of gas by the buyer.
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 1.66% 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.
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. 31 of the Financial Statements), 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 2011-12 was INR 1,440 million as compared to INR 3,285 million of previous year. This decrease is primarily on account of lower production for reasons as detailed in the section 'Operations Review' of the Management Discussion & Analysis Report. The Company's Production on working interest basis during the year was 1,052,304 boe, 61% lower than the previous year and sales volume was 1,053,818 boe. The net entitlement volume was 2,790 boepd.

Other Income was INR 250 million as compared to INR 88 million in the previous year, the increase being on account of interest on Income Tax refunds pursuant to favorable award by honorable Income Tax Appellate Tribunal; receipt of interest and reversal of provisions pursuant to favorable arbitration award in relation to GN-ON-90/3 Block.

The average sale price of crude oil was USD 112/bbl (FY 2010-2011: USD 87/bbl) and net gas price realisation remained at USD 3.63 per mmbtu.

Operating Profit

Cost of sales decreased from INR 2,009 million to INR 1,084 million in FY 2011-12, 46% lower than the previous year, the decrease being primarily due to lower operating expenditures in PY-1 and PY-3 Fields due to shut downs. Depletion charge, computed on a 'Unit of Production' method, for the year was INR 549 million as against INR 1,218 million in the previous year, the decrease primarily being corresponding to lower production relating to PY-1 and PY-3 Fields. The Company has also provided additional depreciation of INR 50.2 million during the FY 2011-2012 to comply with minimum rate of depreciation under Schedule XIV of the Companies Act, 1956.

Interest and finance charges were INR 109 million as compared to INR 124 million in the previous year, the decrease being due to lower outstanding loans following repayment during the year. Consequently, the Operating Profit was INR 551 million during FY 2011-12 as compared to INR 1,303 million in the previous year.

Net Profit

The total tax charge after MAT Credit entitlement was INR 107 million for the year compared to total tax charge of INR 377 million in the previous year. The lower tax charge in the year under review was due to lower income from Operations. The Company has accounted the MAT credit as the financial performance projections from ongoing projects indicate that sufficient future taxable income will be available against which MAT Credit can be realized. Profit After Tax decreased to INR 335 million as compared to INR 802 million in the previous year.

Cash Flow and Capital Expenditure

Cash from Operation before working capital and taxes was INR 866 million as compared to INR 2,442 million in the previous year. The lower internal accruals are due to production shut downs as explained earlier in PY-1 and PY-3 Fields. During the year under review, the Company incurred exploration expenditure of approximately INR 220 million (FY 2010-2011: INR 334 million) and development expenditure of approximately INR 65 million (FY 2010-2011: INR 89 million).

Financial Position

Liquidity

At the year end, HOEC had cash and cash equivalent of approx INR 1,121 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.

ICRA has reaffirmed the long-term rating of [ICRA] A+ (pronounced as ICRA A plus) for the line of credit and the outlook on the long-term rating is "stable".

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 re-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 Discovery Report (CDR) for Dirok Discovery in AAP-ON-94/1 Block, 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 year 2010 to 2030. Fossil fuels are expected still to be satisfying as much as 80% of the world's energy needs in year 2030. The outlook for oil price in year 2012 is expected to remain robust, mainly supported by a steady tightening of physical supply and due to global geo-political events. Based on analysts reports, Brent Crude Oil price is expected to trade in a corridor of USD 100-120/bbl through FY 2012-2013.

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 get linked/indexed to energy equivalent pricing mechanism.

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 having 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.

HOEC's talent base, as on March 31, 2012, stands at 62 (previous year: 58) 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 2011-2012 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), 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 2011-12, 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	2011-2012	2010-2011
Fatalities Accident Rate (FAR)	0	0
No. of LTI incidents	0	0
Days since last LTI	1,005	640
Oil Spill Incidents	0	0
	2011-2012 Results	Industry Statistics OGP Report dated May, 2012
Fatal Accident Rate	0	0
LTI Frequency	0	0.45
LTI Severity	0	37.5

The Company, as part of its Corporate Social Responsibility (CSR) measure, continues to participate in sustainable community development programmes in its area of operations and earmarked an amount of INR 14.1 million during this year towards development of rural infrastructure for eg. road construction and repair; plantation & fencing of trees; and maintenance of community centre.

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 generally 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.

Site Restoration Liability

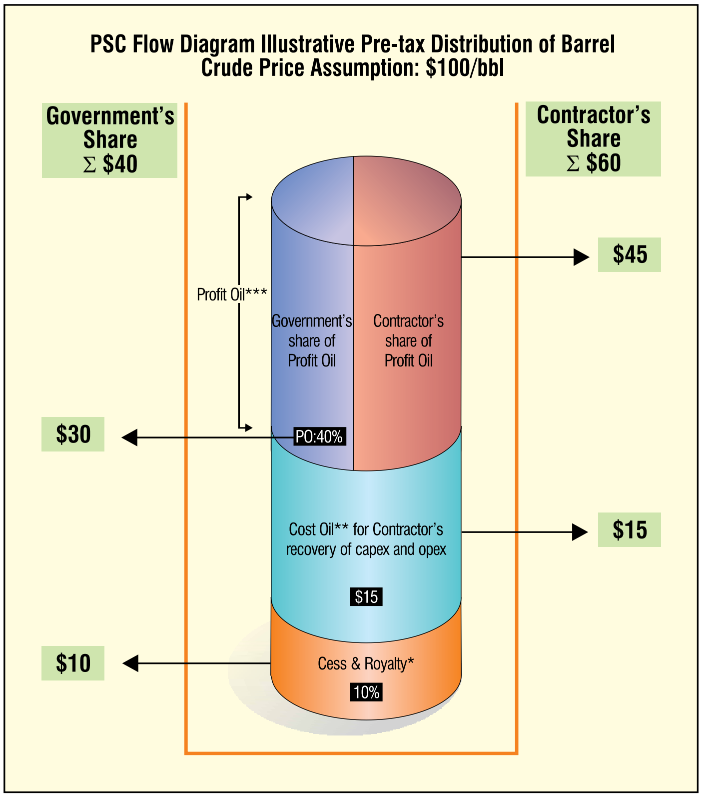
Our site restoration liability consist of estimated costs of dismantling and abandoning producing well sites and facilities, site reclamation and similar activities associated with our oil and gas properties. The recognition of Site Restoration Liability requires that management make estimates, assumptions 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 INR 904.1 million as at March 31, 2012.

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/reclassified in accordance with Revised Schedule VI (of the Companies Act, 1956) requirements; 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 Oil + Contractors' Profit Oil – Production Costs – Notional Income Tax

Investment = Exploration Costs + Development Costs

Report on Corporate Governance

In accordance with Clause 49 of the Listing Agreement with the BSE Limited (BSE) and the National Stock Exchange of India Limited (NSE) ("Clause 49") and some of the best practices followed internationally on Corporate Governance, the report containing the details of corporate governance systems, processes and practices at Hindustan Oil Exploration Company Limited (HOEC) is as under:

1. STATEMENT ON COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Corporate Governance is a set of systems and practices to ensure that the affairs of the company are managed to ensure accountability, transparency and fairness in all its transactions and meet its stakeholders aspirations and societal expectations. Good governance practices stem from a progressive culture and positive mindset of an organisation.

It is crucial to foster and sustain a culture that integrates all components of good governance by carefully balancing the complex interrelationship among the board of directors, audit committee, accounting & corporate secretarial team, auditors and senior management.

HOEC not only adheres to the prescribed corporate governance practices as per Clause 49 but is also committed to adopt emerging best principles and practices worldwide and in this initiative it is helped by Eni, the promoters of the Company. It is our endeavor to achieve higher standards and provide oversight and guidance to the management in strategy implementation, risk management and fulfillment of stated goals and objectives.

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

The Board's actions and decisions are aligned with the Company's best interests. It is committed to the goal of sustainably increasing the Company's value. The Company has defined guidelines and established framework for the meetings of the Board and its Committees. These guidelines seek to systematise the decision-making process at the meeting of the Board and the Committees in an informed and efficient manner.

The Board critically evaluates strategic direction of the Company, management policies and their effectiveness. The agenda for Board reviews include strategic review from each of the Board committees, a detailed analysis and review of annual strategic plans, operating plans, capital allocation, budgets and financial reports.

Over the years governance processes and systems have been strengthened at HOEC. Corporate governance is a journey for constantly improving sustainable value creation. We have undertaken several initiatives towards maintaining the highest standards of governance and these include formulating the following codes, policies and MSG's etc. :

1. HOEC Guideline for Prohibition of Insider Trading
2. HOEC Directors' Code of Conduct
3. Whistle Blower Policy
4. HOEC Anti Corruption Guideline
5. HOEC Management and Control Model
6. Our People Policy
7. Corporate Governance Policy
8. Procurement Management System Guideline
9. Human Resources Guideline
10. Operational Excellence Policy
11. Health Safety and Environment (HSE) Policy

2. BOARD OF DIRECTORS

(i) Board Composition and Category of Directors

As on March 31, 2012, the Company has nine Directors out of which seven Directors are Non-Executive 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 the Managing Directors. 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.

(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.

This pool of diverse experience enriches and adds value to the 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, 2012 are summarised below:

Name of Directors	Category	No. of attendance at the Board Meeting	Whether attended last AGM	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	9,274 refer Note 5 (% Negligible)
Mr. Sunil Behari Mathur (DIN 00013239)	Non-Executive, Independent Director	5 of 6	Yes	11 refer Note 2	Chairmanship – 3 Membership – 4	Nil
Mr. Mukesh Butani (DIN 01452839)	Non-Executive, Independent Director	6 of 6	Yes	1 refer Note 2	Membership – 1	Nil
Mr. Paolo Carmosino (DIN 02688754)	Non-Executive Director	1 of 6	No	Nil refer Note 3	Nil	Nil
Mr. Luigi Ciarrocchi (DIN 02357053)	Non-Executive Director	0 of 6	No	Nil refer Note 3	Nil	Nil
Mr. Marcello Simoncelli (DIN 03316543)	Non-Executive Director	4 of 6	Yes	Nil refer Note 3	Nil	Nil
Mr. V. Srinivasa Rangan (appointed w.e.f. January 23, 2012) (DIN 00030248)	Non-Executive, Non-Independent Director	1 of 1	N.A.	11 refer Note 2	Membership – 7	Nil
Mr. Sergio Adriano Laura (DIN 02670514)	Managing Director	5 of 6	Yes	Nil refer Note 3	Nil	Nil
Mr. Manish Maheshwari refer Note 4 (DIN 01791004)	Managing Director	6 of 6	Yes	1	Nil	14,088 refer Note 5 (% 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 Excludes directorships/trusteeships and advisory role on the Board of various private limited companies, trusts and the Government bodies/authorities/corporations.
Note 3 Excludes directorships on the Board of foreign companies registered outside India.
Note 4 Mr. Manish Maheshwari is also the Chairman of HOEC Bardahl India Limited, wholly owned subsidiary of this Company.
Note 5 The number of shares mentioned above represents the stock options exercised as per the terms of ESOS scheme of the Company.

Mr. Deepak S. Parekh, resigned as Director of the Company from December 05, 2011. Mr. Parekh's association with the Company dates back to its formative years and the Company gained tremendously with his visionary leadership and valuable guidance all along his tenure as a Director of the Company. Your Directors wish to place on record their sincere gratitude to Mr. Parekh for his enriching contribution to the growth of the Company.

With effect from January 23, 2012, Mr. V. Srinivasa Rangan has been appointed as Additional Director on the Board of the Company. His term expires at the ensuing Annual General Meeting of the Company. He, being eligible, has offered himself for reappointment.

(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 89 days and 16 days respectively.

The dates on which the Board meetings were held during the Financial Year 2011-2012 were April 22, 2011, May 09, 2011, August 05, 2011, September 28, 2011, November 09, 2011 and February 07, 2012.

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

Mr. R. Vasudevan, Mr. Paolo Carmosino and Mr. Sergio Adriano Laura, Directors, will retire at the ensuing Annual General Meeting of the Company. Being eligible, they have offered themselves for re-appointment.

Mr. V. Srinivasa Rangan's term, who was appointed Additional Director of the Company on January 23, 2012, will expire at the conclusion of the ensuing Annual General Meeting. Company has received a notice under Section 257 of the Companies Act, 1956, proposing the re-appointment of Mr. V. Srinivasa Rangan as a Director.

The brief profile and expertise of Mr. R. Vasudevan, Mr. Paolo Carmosino, Mr. Sergio Adriano Laura and Mr. V. Srinivasa Rangan, Directors, are given in the Notice of the 28th 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 Directors and the Company Secretary jointly give certificate of compliance to the Board for its review and noting. These certificates also contain 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 the Codes are available on the intranet for reference and compliance by all the employees. 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.

(x) Information provided to the Board:

The Board of the Company is presented with information under the following heads.

- Annual operating plans of business, capital budget and any updates / revisions duly reviewed and recommended by the Audit Committee.

- Quarterly results of the Company along with various reports.
- Annual Financial results of the Company, Auditors' Report and the Report of the Board of Directors'.
- Minutes of the Audit Committee, Shareholders / Investors Grievance Committee and Compensation & Remuneration Committee of the Board.
- Information on recruitment and remuneration of senior officers just below the Board level, including appointment or removal or resignation of the senior officers and the Company Secretary.
- Materially important litigations, show cause, demand, prosecution and penalty notices.
- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems etc.
- Any material default in financial obligation to and by the Company.
- Any issue, which involves liability claims of substantial nature, including any judgment or order, which may have passed strictures on the conduct of the Company.
- Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.
- Non-compliance of any regulatory, statutory, or listing requirements and shareholders service such as non payment of dividend, delay in share transfer etc.
- Sale of material nature, of investments, subsidiary, assets, which is not in normal course of business.
- Status of each of the projects and criticalities, if any.
- Prior approval for award of contract on behalf of the JV for HOEC operated Projects beyond a threshold value as decided by the Board.
- General notices of interest of Directors.
- Appointment, remuneration and resignation of Directors.
- Formation / Reconstitution of Board Committees.
- Terms of reference of Board Committees.
- The minutes of the Board meetings of unlisted subsidiary company.
- Declaration of independent directors at the time of appointment / annually.
- Dividend declaration.
- Quarterly summary of all long-term borrowings made, bank guarantees issued, loans and investments made.
- Significant changes in accounting policies and internal controls.
- Statement of significant transactions, related party transactions and arrangements entered by unlisted subsidiary company.
- Appointment of and the fixing of remuneration of the Auditors as recommended by the Audit Committee.
- Internal Audit Findings and Reports (through the Audit Committee).
- Proposals for major investment, mergers and acquisitions.
- Details of any joint venture, acquisitions of companies or collaboration agreement.
- Status of business risk exposures, its management and related action plans.
- Investment of surplus funds.
- Significant labour problems and their proposed solutions. Any significant development in Human Resources / Industrial Relations front like implementation of Voluntary Retirement Scheme, etc.
- Brief on statutory developments, changes in government policies, etc. with impact thereof, directors' responsibilities arising out of any such developments.
- Compliance Certificate certifying compliance with all Laws as applicable to the Company.
- Reconciliation of Share Capital Audit Report under SEBI (Depositories and Participants) Regulations, 1996.

The agenda and notes on agenda are circulated to the Directors, in advance, in the defined agenda format. All material information is incorporated in the agenda for facilitating meaningful and focused discussions at the meeting. Where it is not practicable to attach any document to the agenda, the same is tabled before the meeting with specific reference to this effect in the agenda. In special and exceptional circumstances, additional or supplementary item(s) on the agenda are permitted by the Chairman.

The Company Secretary records the minutes of the proceedings of each Board and Committee meeting. Draft minutes are circulated to all the members of the Board / Committee for their comments. The minutes are entered in the Minutes Book within 30 days from conclusion of the meeting.

The Company Secretary, while preparing the agenda, notes on agenda, minutes, etc. of the meeting(s), is responsible for and is required to ensure adherence to all the applicable laws and regulations including the Companies Act, 1956 read with the Rules and regulations issued thereunder alongwith Secretarial Standards recommended by the Institute of Company Secretaries of India. The aforesaid are submitted generally as part of the agenda papers / Board Notes in advance of the Board Meetings and / or presented during the Board Meeting.

3. AUDIT COMMITTEE

(i) Terms of Reference

The terms of reference of the Audit Committee *inter-alia* includes:

- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- Recommending to the Board, the appointment, reappointment and, if required, the replacement or removal of Statutory Auditors including Cost auditors and fixation of audit fees.
- Approval of payment to Statutory Auditors including Cost auditors for any other services rendered by them.
- Reviewing with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
    - Matters required to be included in the Directors' Responsibility Statement to be included in the Directors' Report in terms of sub-section (2AA) of Section 217 of the Companies Act, 1956.
    - Changes, if any, in accounting policies and practices and reasons for the same.
    - Major accounting entries involving estimates based on the exercise of judgment by the management.
    - Significant adjustments made in the financial statements arising out of audit findings.
    - Compliance with listing and other legal requirements relating to financial statements.
    - Disclosure of related party transactions.
    - Qualifications in draft audit report.
- Reviewing with the management, the quarterly financial statements before submission to the Board for approval.
- Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
- Reviewing with the management, the performance of Statutory Auditors including Cost Auditors and Internal Auditors, adequacy of internal control systems.
- Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
- Discussion with Internal Auditors, any significant findings and follow up thereon.
- Reviewing the findings of any internal investigations by the Internal Auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- Discussion with Statutory Auditors including Cost Auditors about the post audit discussion to ascertain any area of concern.
- To look into the reasons for substantial defaults, if any, in the payment to the depositors, shareholders (in case of non payment of declared dividends) and creditors.
- To review the functioning of the Whistle Blower Mechanism.
- Carrying out such other functions as may be specifically referred to the Committee by the Board of Directors and / or other Committees of Directors of the Company.
- To review the following information:
    - The management discussion and analysis of financial condition and results of operations;
    - Statement of significant related party transactions (as defined by the Audit Committee), submitted by management;
    - Management letters / letters of internal control weaknesses issued by the Statutory Auditors;
    - Internal audit reports relating to internal control weaknesses, if any; and

- The appointment, removal and terms of remuneration of Internal Auditors.

- Reviewing the financial statements and the investments made by HBIL, the unlisted subsidiary of the Company.

(ii) Composition of Audit Committee

Audit Committee consists of five 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.

The Board nominated Mr. V. Srinivasa Rangan, Director as the Member of the Audit Committee effective from February 07, 2012.

All the members of this Committee possess good knowledge of finance, accounts and 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, six (6) Audit Committee Meetings were held on, April 22, 2011, May 09, 2011, August 05, 2011, September 28, 2011, November 09, 2011 and February 07, 2012.

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	6 of 6
2.	Mr. R. Vasudevan, Member	6 of 6
3.	Mr. Sunil Behari Mathur, Member	5 of 6
4.	Mr. Paolo Carmosino, Member	1 of 6
5.	Mr. V. Srinivasa Rangan, Member	Appointed w.e.f. February 07, 2012

The Chairman of the Audit Committee was present at the last Annual General Meeting

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.

Sr. No.	Name	Position
1.	Mr. R. Vasudevan	Chairman
2.	Mr. Mukesh Butani	Member
3.	Mr. Sunil Behari Mathur	Member
4.	Mr. Sergio Adriano Laura	Member
5.	Mr. Marcello Simoncelli	Member

(iii) Attendance during the year

During the year under review, four (4) Compensation & Remuneration Committee meetings were held on May 09, 2011, August 05, 2011, November 09, 2011 and February 07, 2012.

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	4 of 4
2.	Mr. Mukesh Butani, Member	4 of 4
3.	Mr. Sunil Behari Mathur, Member	4 of 4
4.	Mr. Sergio Adriano Laura, Member	4 of 4
5.	Mr. Marcello Simoncelli, Member	3 of 4

(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 DURING THE FINANCIAL YEAR 2011-2012.

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

Company has two Managing Directors, Mr. Sergio Adriano Laura and Mr. Manish Maheshwari.

Mr. Sergio Adriano Laura does not draw any remuneration from the Company as per the terms of the appointment made by the Members of the Company at their 27th Annual General Meeting held on September 28, 2011.

The remuneration package of Mr. Manish Maheshwari, Managing Director, comprises of salary, allowances, perquisites and bonuses as approved by the Members at the 27th Annual General Meeting held on September 28, 2011 and as revised by the Board from time to time. It may be noted that Mr. Manish Maheshwari, Managing Director, has declined for any annual increment in the salary for FY 2011-2012.

The details of remuneration received by the Managing Director during the Financial Year 2011-2012 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	
	INR	INR	INR	INR (A)	INR		INR (B)	INR (A+B)
Mr. Manish Maheshwari, Managing Director	8,073,000	2,179,710	9,933,082	20,185,792	4,500,000	Nil	4,500,000	24,685,792

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 2011-2012.

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.

The details of sitting fees paid during the financial year 2011-2012 are given hereunder:

Sr. No.	Name of Director	Sitting Fees (INR)
1.	Mr. R. Vasudevan	400,000
2.	Mr. Sunil Behari Mathur	280,000
3.	Mr. Mukesh Butani	320,000
4.	Mr. V. Srinivasa Rangan	20,000

Directors are also eligible to Stock Options in accordance with ESOP Schemes of the Company. The Employee Stock Option Scheme is not applicable 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 below. None of the Directors are related to each other.

Name of the Non-executive Independent Director	Number of Stock Options granted during the FY 2011-2012
Mr. R. Vasudevan	14,216
Mr. Mukesh Butani	10,154
Mr. Sunil Behari Mathur	10,154

During the year, no commission was distributed to the Non-Executive Independent Directors (NEDs) as NEDs voluntarily chose to support initiatives of 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, Company Secretary and 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. Company Secretary also acts as a Compliance Officer to the Shareholders / Investors Grievance Committee.

During the year under review, four (4) Shareholders / Investors Grievance Committee meetings were held on May 09, 2011, August 05, 2011, November 09, 2011 and February 07, 2012. 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	4 of 4
2.	Mr. Paolo Carmosino, Member	1 of 4
3.	Mr. Manish Maheshwari, Member	4 of 4

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

Any queries regarding the Company may please be addressed to the Assistant Company Secretary & Compliance Officer at the following address:

Mr. Minesh Bhatt
Assistant 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 Extn. 103
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 31.03.2012
Received from Investors	31	31	Nil
Received from NSDL/CDSL	01	01	Nil
Referred by SEBI	01	01	Nil
Referred by Stock Exchanges	05	05	Nil
Total	38	38	Nil

There were 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.

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

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

Year	Location	Date	Time
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.
2010-2011	"Tropicana Hall" The Gateway Hotel Vadodara Akota Gardens Akota, Vadodara – 390 020.	September 28, 2011	10:30 a.m.

(b) 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, 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).

b. Appointment of Mr. Manish Maheshwari as the Managing Director of the Company w.e.f. September 28, 2011 until the conclusion of the 30th Annual General Meeting of the Company (passed at the 27th AGM held on September 28, 2011 at Sr. No. 7 of Notice).

c. Appointment of Mr. Sergio Adriano Laura as the Managing Director of the Company w.e.f. September 28, 2011 until the conclusion of the 30th Annual General Meeting of the Company (passed at the 27th AGM held on September 28, 2011 at Sr. No. 8 of Notice).

Special Resolution passed through postal ballot, if any:

No Special Resolution was passed through postal ballot during the last three years. 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) **Disclosure on materially significant related party transactions i.e. transactions of the Company of material nature, with its Promoters, the Directors and the management, their relatives or subsidiaries, etc. that may have potential conflict with the interests of the Company at large**

None of the transactions with any of the related parties were in conflict with the interest of the Company. Attention of members is drawn to the disclosure of transactions with the related parties set out in Note No. 30 of the Financial Statements, forming part of the Annual Report.

All related party transactions are negotiated on arms length basis and are intended to further the interests of the Company.

(b) **Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchanges or SEBI, or any other statutory authority, on any matter related to capital markets, during the last three years.**

There has been no instance of non-compliance by the Company on any matter related to capital markets during the last three years and hence no penalties or strictures have been imposed on the Company by the Stock Exchanges or SEBI or any other statutory authority.

(c) 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.

9. MEANS OF COMMUNICATION

(a) Quarterly / Annual Results:

Quarterly / Annual Results of the Company are published in the Economic Times / Business Line (all editions) / Vadodara Samachar / Indian Express and also are displayed on the Company's website www.hoec.com

(b) News Releases, Presentations, etc.:

Official news releases and Official Media Releases are sent to the Stock Exchanges.

(c) Website:

The Company's website www.hoec.com contains a separate dedicated section 'Investor Relations' where shareholders information is available. The Annual Report of the Company is also available on the website in a user-friendly and downloadable form.

(d) Annual Report:

Annual Report containing, *inter-alia*, Audited Annual Accounts, Consolidated Financial Statements, Directors' Report, Auditors' Report and other important information is circulated to members and others entitled thereto. The Management's Discussion and Analysis (MD&A) Report forms part of the Annual Report and is displayed on the Company's website www.hoec.com.

(e) Chairman's Communique:

Printed copy of the Chairman's Speech is distributed to all the shareholders at the Annual General Meeting. The same is also placed on the website of the Company.

(f) SEBI Complaints Redress System (SCORES):

The investor complaints are processed in a centralized web based complaints redress system. The salient features of this system are: Centralised database of all complaints, online upload of Action Taken Reports (ATRs) by the concerned companies and online viewing by investors of actions taken on the complaint and its current status.

(g) NSE Electronic Application Processing System (NEAPS):

The NEAPS is a web based application designed by NSE for Corporates. The Shareholding pattern and Corporate Governance Report are also filed electronically on NEAPS.

(h) Designated Exclusive email-id:

The Company has designated email-id hoecshare@hoec.com exclusively for investor servicing.

(i) 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 to the 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 / sole-holder quoting details of Folio No. 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.

10. COMPLIANCE CERTIFICATE OF THE AUDITORS

Certificate from CS Niraj Trivedi, Company Secretary in practice, confirming compliance with the conditions of Corporate Governance as stipulated under Clause 49, is attached to the Directors' Report forming part of the Annual Report.

This Certificate has also been forwarded to the Stock Exchanges where the securities of the Company are listed.

11. ADOPTION OF MANDATORY AND NON-MANDATORY REQUIREMENTS OF CLAUSE 49 OF THE LISTING AGREEMENT.

The Company has complied with all mandatory requirements and has adopted following non-mandatory requirements of Clause 49.

(a) Compensation & Remuneration Committee

The Company has constituted Compensation & Remuneration Committee to recommend / review remuneration of the Managing Director and senior management personnel based on their performance and defined assessment criteria.

(b) Training of Board Members

The Board members are provided with the necessary documents / brochures, reports and internal policies to enable them to familiarize with the Company's procedures and practices.

Periodic presentations are made at the Board and Board Committee Meetings, on business and performance updates of the Company, global business environment, business strategy and risks involved.

Quarterly updates on relevant statutory changes and landmark judicial pronouncements encompassing important laws are regularly circulated to the Directors.

(c) Whistle Blower policy

The Company promotes ethical behavior in all its business activities and has put in place a mechanism of reporting illegal or unethical behavior. The Company has a whistle blower policy wherein the employees are free to report violations of laws, rules, regulations or unethical conduct to their immediate supervisor or such other person as may be notified by the management to the workgroups. 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

The confidentiality of those reporting violations is maintained and they are not subjected to any discriminatory practice.

(d) CEO and CFO Certification

Managing Directors of the Company give annual certification on financial reporting and internal controls to the Board in terms of Clause 49. The Managing Directors also give quarterly certification on financial results while placing the financial results before the Board in terms of Clause 41 of the Listing Agreement.

(e) Non-mandatory requirements

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 INR 1,047,961 being the amount of unclaimed/unpaid dividend for the financial year 2003-2004 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) Quarterly compliance report

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 Company Secretary / Compliance Officer, pursuant to Clause 49 of the Listing Agreement.

(i) Reconciliation of Share Capital Audit Report under SEBI (Depositories and Participants) Regulations, 1996.

A qualified company secretary in practice 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.

12. GENERAL SHAREHOLDERS INFORMATION

Day, Date, Time and Venue of 28th Annual General Meeting.	Wednesday, 26th day of September, 2012 at 10:30 a.m. at "Tropicana Hall" The Gateway Hotel Vadodara Akota Gardens, Akota Vadodara – 390 020, Gujarat (India).
Financial Year	April 1, to March 31
Quarterly Financial Information	Results for the quarter ending on: June 30, 2012 September 30, 2012 December 31, 2012 March 31, 2013 Within 45/60 days from the close of the quarter
Book Closure Date	September 24, 2012 to September 26, 2012 (both days inclusive).
Dividend Payment Date	The Board has not recommended dividend for the FY 2011-2012.

(a) Listing on Stock Exchanges

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

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

The Company has paid annual listing fees for the Financial Year 2012-2013 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).

(b) Stock Code

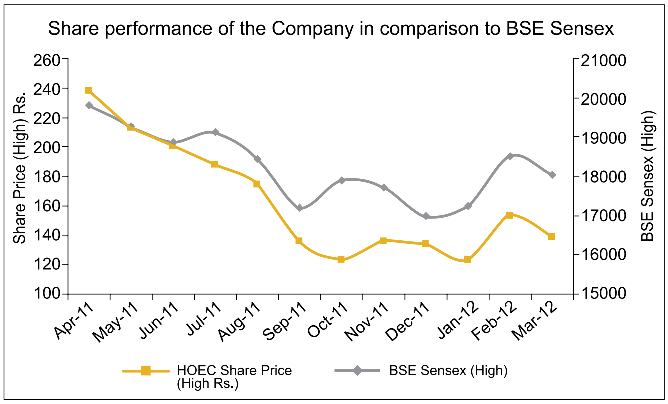
BSE Limited (formerly known as Bombay Stock Exchange Limited) (BSE)	:	500186
National Stock Exchange of India Limited (NSE)	:	HINDOILEXP Series : Eq

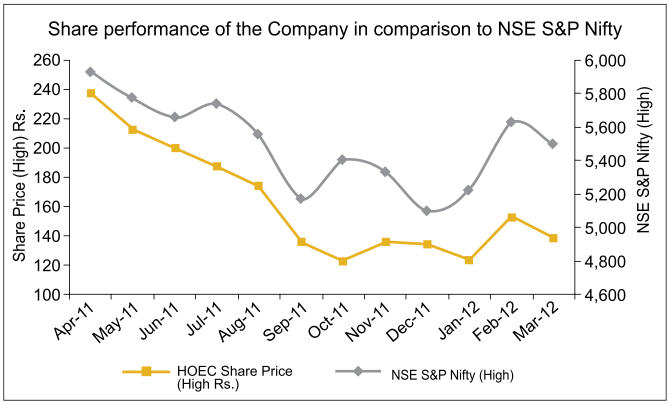
The Company has established the connectivity for trading of equity shares in the depository system with both depositories viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). International Security Identification Number (ISIN) of the Company's equity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

(c) Market Price Data

Month	BSE Share Price High Price (Rs.)	BSE Share Price Low Price (Rs.)	BSE Sensex (High)	NSE S&P Nifty (High)
April 2011	237.55	200.85	19,811.14	5,928.65
May 2011	212.40	170.05	19,253.87	5,775.25
June 2011	200.40	162.50	18,873.39	5,657.90
July 2011	187.30	168.80	19,131.70	5,740.40
August 2011	174.05	110.75	18,440.07	5,551.90
September 2011	135.50	102.80	17,211.80	5,168.40
October 2011	122.75	99.30	17,908.13	5,399.70
November 2011	135.90	102.00	17,702.26	5,326.45
December 2011	134.05	86.70	17,003.71	5,099.25
January 2012	123.45	87.35	17,258.97	5,217.00
February 2012	152.70	115.15	18,523.78	5,629.95
March 2012	138.60	104.90	18,040.69	5,499.40

(d) Share Price Chart





(e) 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 Limited
Near Radhakrishna Char Rasta, Akota
Vadodara-390020, Gujarat (India).
Email : vadodara@linkintime.co.in
Tel : +91 (0265) 2356573, 2356794
Fax : +91 (0265) 2356791

(f) 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.

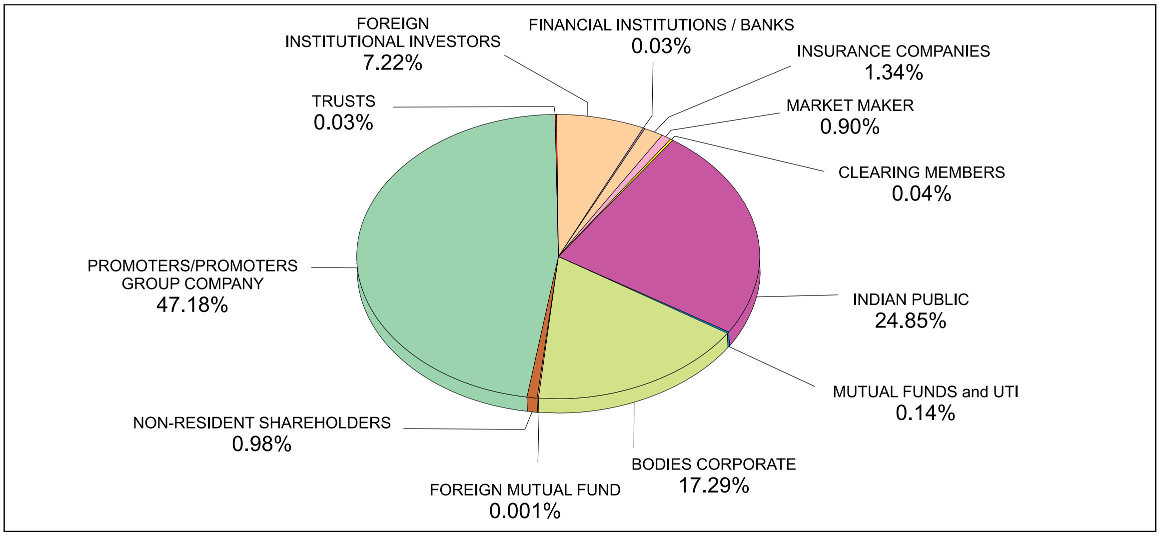
As on March 31, 2012, 92,906,994 equity shares representing 71.20% of total equity shares, are dematerialized.

(g) Distribution of Shareholding as on March 31, 2012

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	11,243	2,112,016	45,389	13,316,853	23,281	5,238,722	79,913	20,667,591
5,001 to 10,000	0	0	261	1,936,221	103	737,361	364	2,673,582
10,001 to 20,000	1	12,766	130	1,917,843	37	543,490	168	2,474,099
20,001 to 30,000	1	20,600	35	857,571	14	344,981	50	1,223,152
30,001 to 40,000	0	0	12	411,708	1	33,119	13	444,827
40,001 to 50,000	0	0	19	880,046	2	89,329	21	969,375
50,001 to 1,00,000	0	0	30	2,124,089	5	403,857	35	2,527,946
Above 1,00,000	1	35,440,913	36	62,578,014	4	1,493,790	41	99,512,717
TOTAL	11,246	37,586,295	45,912	84,022,345	23,447	8,884,649	80,605	130,493,289

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

(h) Shareholding Pattern as on March 31, 2012



(i) Shareholding Pattern as on March 31, 2012

1(a) Statement showing Shareholding Pattern

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)	Promoter and Promoter Group							
1.	Indian	0	0	0	0	0	0	0
2.	Foreign (Foreign Companies)	3	61,569,134	26,115,455	47.18	47.18	0	0
	Sub Total (A)(2)	3	61,569,134	26,115,455	47.18	47.18	0	0
	Total Shareholding of Promoter and Promoter Group (A) = (A)(1) + (A)(2)	3	61,569,134	26,115,455	47.18	47.18	0	0
(B)	Public shareholding							
1.	Institutions							
(a)	Mutual Funds/UTI	7	185,100	182,000	0.14	0.14	0	0
(b)	Financial Institutions/Banks	11	33,419	31,159	0.03	0.03	0	0
(c)	Insurance Companies	1	1,750,537	1,750,537	1.34	1.34	0	0
(d)	Foreign Institutional Investors	41	9,418,295	9,417,295	7.22	7.22	0	0
(e)	Foreign Mutual Fund	1	3,000	3,000	0	0	0	0
	Sub-Total (B)(1)	61	11,390,351	11,383,991	8.73	8.73	0	0
2.	Non-institutions							
(a)	Bodies Corporate	1,405	22,567,786	22,522,796	17.29	17.29	0	0
(b)	Individuals							
i	Individual shareholders holding nominal share capital up to Rs. 1 lakh	77,170	20,261,680	18,476,036	15.53	15.53	0	0
ii	Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	163	12,156,726	12,156,726	9.32	9.32	0	0
(c)	Clearing Member	44	56,320	56,320	0.04	0.04	0	0
(d)	Market Makers	265	1,168,716	1,168,716	0.90	0.90	0	0
(e)	Non Resident Shareholders	1,488	1,282,224	986,602	0.98	0.98	0	0
(f)	Trusts	6	40,352	40,352	0.03	0.03	0	0
	Sub-Total (B)(2)	80,541	57,533,804	55,407,548	44.09	44.09	0	0
	Total Public Shareholding (B) = (B) (1)+ (B) (2)	80,602	68,924,155	66,791,539	52.82	52.82	0	0
	TOTAL (A)+(B)	80,605	130,493,289	92,906,994	100.00	100.00	0	0
(C)	Shares held by Custodians and against which Depository Receipts have been issued	0	0	0	0	0	0	0
C1	Promoter and Promoter Group	0	0	0	0	0	0	0
C2	Public	0	0	0	0	0	0	0
	GRAND TOTAL (A)+(B)+(C)	80,605	130,493,289	92,906,994	100.00	100.00	0	0

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 have declared that no shares of the Company have been pledged by them.

1(b) 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			Details of warrants		Details of convertible securities		Total shares (including underlying shares assuming full conversion of warrants and convertible securities) as a % of diluted share capital
		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)	Number of warrants held	As a % total number of warrants of the same class	Number of convertible securities held	As a % total number of convertible securities of the same class	
I	II	III	IV	V	VI = V / III x 100	VII	VII	VIII	IX	X	XI
1.	Eni UK Holding plc.	26,115,455	20.01	0	0	0	0	0	0	0	0
2.	Burren Shakti Limited	35,440,913	27.16	0	0	0	0	0	0	0	0
3.	Burren Energy India Limited	12,766	0.01	0	0	0	0	0	0	0	0
	Total	61,569,134	47.18	0	0	0	0	0	0	0	0

1(c)(i) 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}	Details of warrants		Details of convertible securities		Total shares (including underlying shares assuming full conversion of warrants and convertible securities) as a % of diluted
				Number of warrants held	As a % total number of warrants of the same class	Number of convertible securities held	Percentage w.r.t. total number of convertible securities of the same class	
1.	Housing Development Finance Corporation Limited	14,826,303	11.36	0	0	0	0	0
2	Jhunjhunwala Rakesh Radheshyam	4,935,143	3.78	0	0	0	0	0
3.	HSBC Bank (Mauritius) Limited	3,795,000	2.91	0	0	0	0	0
4.	Jhunjhunwala Rekha Rakesh	2,662,273	2.04	0	0	0	0	0
5.	Nomura Singapore Limited	2,000,000	1.53	0	0	0	0	0
6.	General Insurance Corporation of India	1,750,537	1.34	0	0	0	0	0
7.	OHM Stock Broker Pvt. Limited	1,460,000	1.12	0	0	0	0	0
	Total	31,429,256	24.08	0	0	0	0	0

1(c)(ii) Statement showing Shareholding of persons belonging to the category "Public" and holding more than 5% 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}	Details of warrants		Details of convertible securities		Total shares (including underlying shares assuming full conversion of warrants and convertible securities) as a % of diluted
				Number of warrants held	As a % total number of warrants of the same class	Number of convertible securities held	% w.r.t total number of convertible securities of the same clas	
1	Housing Development Finance Corporation Limited	14,826,303	11.36	0	0.00	0	0.00	0.00
	Total	14,826,303	11.36	0	0.00	0	0.00	0.00

1(d) Statement showing details of locked-in shares

Sr. No.	Name of the shareholder	Category of Shareholders (Promoters / Public)	Number of locked-in shares	Locked-in shares as a percentage of total number of shares {i.e., Grand Total (A)+(B)+(C) indicated in Statement at para (I)(a) above}
		NIL		

II(a) Statement showing details of Depository Receipts (DRs)

Sr. No.	Type of outstanding DR (ADRs, GDRs, SDRs, etc.)	Number of outstanding DRs	Number of shares underlying outstanding DRs	Shares underlying outstanding DRs as a percentage of total number of shares {i.e., Grand Total (A)+(B)+(C) indicated in Statement at para (I)(a) above}
COMPANY HAS NOT ISSUED ADRS/GDRS/SDRS ETC.				

II(b) Statement showing Holding of Depository Receipts (DRs), where underlying shares are in excess of 1% of the total number of shares

Sr. No.	Name of the DR Holder	Type of outstanding DR (ADRs, GDRs, SDRs, etc.)	Number of shares underlying outstanding DRs	Shares underlying outstanding DRs as a percentage of total number of shares {i.e., Grand Total (A)+(B)+(C) indicated in Statement at para (I)(a) above}
NOT APPLICABLE				

III(a) Statement showing the voting pattern of shareholders, if more than one class of shares / securities is issued by the issuer.

Sr. No.	Category of shareholder	Number of Voting Rights held in each class of securities			Total Voting Rights (III+IV+V)	Total Voting Rights i.e. (VI)	
		Class X	Class Y	Class Z		As a C of (A+B)	As a % of (A+B+C)
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)
(A)	**Promoter and Promoter Group**						
(1)	Indian						
(a)	Individuals/Hindu Undivided Family	0	0	0	0	0	0
(b)	Central Government/State Government(s)	0	0	0	0	0	0
(c)	Bodies Corporate	0	0	0	0	0	0
(d)	Financial Institutions/Banks	0	0	0	0	0	0
(e)	Any Other	0	0	0	0	0	0
	Sub-Total (A)(1)	0	0	0	0	0	0
(2)	**Foreign**						
(a)	Individuals (Non-Resident Individuals/Foreign Individuals)	0	0	0	0	0	0
(b)	Bodies Corporate	0	0	0	0	0	0
(c)	Institutions	0	0	0	0	0	0
(d)	Any Other	0	0	0	0	0	0
	Sub-Total (A)(2)	0	0	0	0	0	0
	Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)	0	0	0	0	0	0
(B)	**Public shareholding**						
(1)	**Institutions**						
(a)	Mutual Funds/UTI	0	0	0	0	0	0
(b)	Financial Institutions/Banks	0	0	0	0	0	0
(c)	Central Government/State Government(s)	0	0	0	0	0	0
(d)	Venture Capital Funds	0	0	0	0	0	0
(e)	Insurance Companies	0	0	0	0	0	0
(f)	Foreign Institutional Investors	0	0	0	0	0	0
(g)	Foreign Venture Capital Investors	0	0	0	0	0	0
(h)	Any Other	0	0	0	0	0	0
	Sub-Total (B)(1)	0	0	0	0	0	0
(2)	**Non-institutions**						
(a)	Bodies Corporate	0	0	0	0	0	0
(b)	**Individuals**	0	0	0	0	0	0
	i. Individual Shareholders Holding Nominal Share Capital up to Rs. 1 Lakh						
	ii. Individual Shareholders Holding Nominal Share Capital in excess of Rs. 1 Lakh	0	0	0	0	0	0
(c)	Any Other	0	0	0	0	0	0
	Sub-Total (B)(2)	0	0	0	0	0	0
	Total Public Shareholding (B)= (B) (1) + (B) (2)	0	0	0	0	0	0
	TOTAL (A)+(B)	0	0	0	0	0	0
(C)	Shares held by Custodians and against which Depository Receipts have been issued	0	0	0	0	0	0
C1	Promoter and Promoter Group	0	0	0	0	0	0
C2	Public	0	0	0	0	0	0
	GRAND TOTAL (A)+(B)+(C)	0	0	0	0	0	0

Note: Company has only one class of security which is Equity Shares

13. OUTSTANDING ADR/GDR/WARRANTS ETC. :

Not Applicable

14. 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:

(i) PY-1 Offshore Production Facility

SUN Platform

Offshore Cauvery Basin
Block PY-1, (Tamil Nadu), India.

PY-1 Gas Processing Plant
Pillaiperumalnallur, Thirukadaiyur-609 311
Nagapattinam District (Tamil Nadu), India.

(ii) Palej Production Facilities (PPF)

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

(iii) North Balol Gas Collection Station (GCS)

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

(iv) Asjol Early Production System (EPS)

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

(v) 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.

15. ADDRESS FOR CORRESPONDENCE

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

For and on behalf of the Board

Date: August 21, 2012

R. Vasudevan
Chairman

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, 2012.

For and on behalf of the Board

Date: July 31, 2012

Manish Maheshwari
Managing Director

CEO/CFO CERTIFICATION UNDER CLAUSE 49

We, Manish Maheshwari and Sergio Adriano Laura in our capacity as the Managing Directors 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 2011-2012 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.

Manish Maheshwari
Managing Director

Sergio Adriano Laura
Managing Director

Date: May, 18, 2012

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, 2012 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 : July 31, 2012

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, 2012 and also the Statement of Profit and Loss 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 207,405,350, INR 11,012,935, INR Nil and INR Nil respectively as at March 31, 2012 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 net fixed assets, net current assets, expenses and cash flows aggregating to INR 589,354,182, INR Nil, INR 143,010,507 and INR Nil respectively as at March 31, 2012 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. *In accordance with the accounting policy detailed in Note B(xii) to the financial statements, the Company has either capitalized or accumulated in foreign currency monetary item translation difference account, exchange loss of INR 764.57 million in respect of long term borrowings in foreign currency outstanding as at March 31, 2012. However, in determining the amount of exchange loss to be accounted in this manner, the Company has not excluded exchange differences to the extent that the same can be regarded as an adjustment to interest costs as required by Paragraph 4(e) of Accounting Standard 16, "Borrowing Costs". The Company has not computed / estimated the extent of such adjustment to interest costs and, in the absence of such information, we are unable to comment on the extent to which the finance costs are stated lower and also the consequential impact on profits for the year and the reserves and surplus as at March 31, 2012.*

7. *The Company follows "Successful Efforts Method" of accounting for its exploration and production activities and as detailed in Note B(iii) to the financial statements, the Company has capitalised costs of INR 64.49 million (including INR 6.33 million to March 31, 2011), incurred in respect of surveys and studies relating to exploration activities.*

   The "Guidance Note on Accounting for Oil and Gas Producing Activities" (Guidance Note) issued by the Institute of Chartered Accountants of India requires costs of surveys and studies relating to exploration activities to be expensed when incurred under the "Successful Efforts Method" of accounting. Had the Company followed the recommendation of the Guidance Note, survey costs of INR 64.49 million (including prior period charge of INR 6.33 million) would have been written off as an expense and the net profit for the year and reserves and surplus after considering the related tax effects would have been lower by INR 43.06 million.

8. Further to our comments in the Annexure referred to above, we report that:

   i. *Except for the effects of the matter referred to in paragraphs 6 above*, 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, statement of profit and loss and cash flow statement dealt with by this report are in agreement with the books of account;

   iv. *Except for the effects of the matters referred to in paragraphs 6 above*, in our opinion, the balance sheet, statement of profit and loss 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, 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2012 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, *except for the effects of the matters referred to in paragraphs 6 above*, the said accounts give the information required by the Companies Act, 1956, in the manner so required and *except for the effects of the matters referred to in paragraphs 6 and 7 above*, the said accounts 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, 2012;

b) in the case of the statement of profit and loss, 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
Chartered Accountants
Firm registration number: 101049W

per Subramanian Suresh
Partner
Membership No.: 83673

Place : New Delhi
Date : May 18, 2012

ANNEXURE REFERRED TO IN PARAGRAPH 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 INR 6,129,000,000 and the year-end balance of loans taken from that party was INR 5,539,475,000.

(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 Companies Act, 1956 that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 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) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.

(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.

(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 (INR)	Period to which the amount relates	Forum where Dispute is Pending
Income Tax Act, 1961	Tax and Interest	342,679,519	Assessment Year 2007-2008	Income Tax Appellate Tribunal
	Less: Refunds Adjusted *	(277,359,710)		
	Net Amount	65,319,809		
	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 Companies Act, 1956.

(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
Chartered Accountants
Firm registration number: 101049W

per Subramanian Suresh
Partner
Membership No.: 83673

Place : New Delhi
Date : May 18, 2012

BALANCE SHEET AS AT 31 MARCH 2012

(All amounts are in Indian Rupees, unless otherwise stated)

	Notes	31 March 2012	31 March 2011
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	1	1,305,093,005	1,305,093,005
Reserves and Surplus	2	10,772,321,481	10,437,390,222
		12,077,414,486	11,742,483,227
Non-current Liabilities			
Long-term borrowings	3	5,241,119,064	5,254,010,419
Deferred tax liabilities (net)	11	430,852,081	323,852,081
Long-term provisions	4	908,136,407	798,255,482
		6,580,107,552	6,376,117,982
Current Liabilities			
Trade payables	5	182,011,309	180,881,675
Other current liabilities	5	1,080,287,441	999,849,564
Short-term provisions	4	1,718,563	3,388,840
		1,264,017,313	1,184,120,079
TOTAL		19,921,539,351	19,302,721,288
ASSETS			
Non-current Assets			
Fixed Assets:			
Tangible assets	6	94,299,434	97,345,747
Intangible assets	7	1,108,763	325,978
Producing Properties	8	15,251,378,396	14,799,516,144
Exploration / Development work in progress	9	1,238,848,894	1,010,869,277
Non-current Investment	10	5,000,201	5,000,201
Long-term loans and advances	12	1,040,122,411	795,640,378
Other bank balances	16	370,813,315	305,615,980
Other non-current assets	13	3,989,192	7,126,446
Foreign Currency Monetary Item Translation Difference Account (See Note 35)		4,119,003	0
		18,009,679,609	17,021,440,151
Current Assets			
Current investments	14	712,907,617	1,097,907,172
Inventories	15	468,893,866	440,428,339
Trade receivables	13	199,652,972	473,980,559
Cash and bank balances	16	423,684,414	163,673,748
Short-term loans and advances	12	101,772,696	99,576,123
Other current assets	13	4,948,177	5,715,196
		1,911,859,742	2,281,281,137
TOTAL		19,921,539,351	19,302,721,288
Background	A		
Significant Accounting Policies	B		

The accompanying notes are an integral part of the Financial Statements.

As per our report of even date

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

per Subramanian Suresh
Partner
Membership No. 83673

Place : New Delhi
Date : May 18, 2012

For and on behalf of the Board of Directors

R. Vasudevan — Chairman
Manish Maheshwari — Managing Director
Sergio Adriano Laura — Managing Director
Mukesh Butani — Director
S. B. Mathur — Director

Sanjay Tiwari — Chief Legal Counsel & Company Secretary

Place : New Delhi
Date : May 18, 2012

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2012

(All amounts are in Indian Rupees, unless otherwise stated)

	Notes	31 March 2012	31 March 2011
Income			
Revenue from Operations	17	1,513,923,485	3,298,495,019
(Decrease) in inventories of Crude Oil, Condensate and Natural Gas	18	(73,922,559)	(13,895,394)
Other Income	19	250,126,221	88,149,165
Total Revenue (I)		**1,690,127,147**	**3,372,748,790**
Expenses			
Operating and Administrative expenses	20	584,616,020	846,991,993
Depletion, depreciation and amortization expense	6 to 8	554,598,357	1,222,879,767
Finance costs	21	108,981,511	123,879,544
Total Expenses (II)		**1,248,195,888**	**2,193,751,304**
Profit Before Tax (I - II)		**441,931,259**	**1,178,997,486**
Tax expenses			
Current tax		69,000,000	232,000,000
Less: MAT credit entitlement		(69,000,000)	(232,000,000)
Net current tax expense		0	0
Deferred tax		107,000,000	377,000,000
Total Tax Expenses		107,000,000	377,000,000
Net Profit		**334,931,259**	**801,997,486**
Earnings per equity share in INR computed on the basis of profit for the year [nominal value of share INR 10 (Previous Year: INR 10)] Basic and Diluted	22	2.57	6.15

The accompanying notes are an integral part of the Financial Statements.

As per our report of even date

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

per Subramanian Suresh
Partner
Membership No. 83673

Place : New Delhi
Date : May 18, 2012

For and on behalf of the Board of Directors

R. Vasudevan	Chairman
Manish Maheshwari	Managing Director
Sergio Adriano Laura	Managing Director
Mukesh Butani	Director
S. B. Mathur	Director
Sanjay Tiwari	Chief Legal Counsel & Company Secretary

Place : New Delhi
Date : May 18, 2012

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2012

(All amounts are in Indian Rupees, unless otherwise stated)

	31 March 2012	31 March 2011
CASH FLOW FROM OPERATING ACTIVITIES		
Profit Before Tax	441,931,259	1,178,997,486
Adjustments for:		
Depletion, depreciation and amortization expense	554,598,357	1,222,879,767
Provision for compensated absences	299,571	449,482
Unrealized foreign exchange (gain) (net)*	(767,336)	(1,809,014)
Amortization of Foreign Currency Monetary Item Translation Difference Account	1,175,478	2,501,862
Excess Liabilities / Provisions Written Back	(24,463,158)	(9,968,767)
Net gain on sale of assets	(214,731)	(960,283)
Interest on Fixed Term Loans	103,440,520	117,763,626
Other finance charges	5,540,991	6,115,918
Interest income	(117,340,976)	(23,622,752)
Dividend income	(98,177,693)	(49,999,006)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	866,022,282	2,442,348,319
Movements in working capital :		
(Decrease) in trade payables and other liabilities	(192,884,494)	(367,313,628)
Decrease / (Increase) in trade receivables	275,094,923	(59,845,603)
(Increase) in inventories	(28,465,528)	(7,943,778)
(Increase) / Decrease in loans and advances and other assets	(56,584,563)	52,313,182
CASH GENERATED FROM OPERATIONS	863,182,620	2,059,558,492
Taxes paid (net of refunds)	(231,964,740)	(428,594,520)
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	631,217,880	1,630,963,972
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets (including CWIP and capital advances)	(103,908,060)	(255,645,602)
Proceeds from sale of fixed assets	543,788	1,836,631
Proceeds from sale of investments	0	78
Interest received	117,430,312	23,904,987
Dividend received	98,177,693	49,999,006
NET CASH FLOW FROM / (USED IN) INVESTING ACTIVITIES (B)	112,243,733	(179,904,900)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term borrowings	(753,099,746)	(569,966,612)
Dividend Paid (including Dividend Tax)	0	(76,083,298)
Interest paid	(105,166,572)	(119,407,766)
NET CASH FLOW (USED IN) FINANCING ACTIVITIES (C)	(858,266,318)	(765,457,676)
NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C)	(114,804,705)	685,601,396
Cash and cash equivalents at the beginning of the year	1,236,019,958	550,418,562
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	1,121,215,253	1,236,019,958
COMPONENTS OF CASH AND CASH EQUIVALENTS		
Cash on hand	2,024	2,795
Balances with banks* (See Note 16)		
– on deposit account	683,582,067	385,998,319
– on current accounts	106,635,292	77,931,362
Adjustment for Lien Marked Deposits / Accounts (See Note 16)	(91,308,414)	(61,476,606)
Adjustment for Site Restoration Deposits (See Note 16)	(290,554,369)	(264,294,120)
Current Investment – Units of Liquid and Liquid Plus Schemes of Mutual Funds (See Note 14)	712,858,653	1,097,858,208
TOTAL CASH AND CASH EQUIVALENTS	1,121,215,253	1,236,019,958
* Includes effect of exchange loss of INR Nil (Previous Year: INR 341,711) on translation of foreign currency cash and cash equivalent		

The accompanying notes are an integral part of the Financial Statements.

As per our report of even date

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

per Subramanian Suresh
Partner
Membership No. 83673

Place : New Delhi
Date : May 18, 2012

For and on behalf of the Board of Directors

R. Vasudevan — Chairman
Manish Maheshwari — Managing Director
Sergio Adriano Laura — Managing Director
Mukesh Butani — Director
S. B. Mathur — Director

Sanjay Tiwari — Chief Legal Counsel & Company Secretary

Place : New Delhi
Date : May 18, 2012

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

(All amounts are in Indian Rupees, unless otherwise stated)

A. 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 disclosed in Note 28.

B. 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 recognized prospectively.

(iii) Fixed Assets and depreciation, depletion and amortization

Fixed assets comprises the following:

- Tangible assets:

  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.

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

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

- Intangible assets:

  Intangible assets comprising computer software is amortised over the license period or 10 years, whichever is lower.

- Producing properties and Exploration / Development work-in-progress:

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

(All amounts are in Indian Rupees, unless otherwise stated)

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 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) above 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 Properties 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 Properties.

(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.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

(All amounts are in Indian Rupees, unless otherwise stated)

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 INR 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 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) <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 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.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

(All amounts are in Indian Rupees, unless otherwise stated)

(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 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 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 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, 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.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

(All amounts are in Indian Rupees, unless otherwise stated)

	31 March 2012	31 March 2011
1. Share Capital		
Authorised Shares		
200,000,000 (Previous Year: 200,000,000) equity shares of INR 10 each	2,000,000,000	2,000,000,000
Issued Shares		
130,563,363 (Previous Year: 130,563,363) equity shares of INR 10 each	1,305,633,630	1,305,633,630
Subscribed and Fully Paid up		
130,493,289 (Previous Year: 130,493,289) equity shares of INR 10 each	1,304,932,890	1,304,932,890
Add : Amount Paid-up on Shares Forfeited	160,115	160,115
Total issued, subscribed and fully paid-up share capital	**1,305,093,005**	**1,305,093,005**

(a) Reconciliation of equity shares outstanding at the beginning and at the end of the reporting period

	31 March 2012		31 March 2011	
	No.	INR	No.	INR
At the beginning of the period	130,493,289	1,304,932,890	130,493,289	1,304,932,890
Issued during the period	0	0	0	0
Outstanding at the end of the period	**130,493,289**	**1,304,932,890**	**130,493,289**	**1,304,932,890**

(b) Terms / rights attached to equity shares

The Company has only one class of equity shares having par value of INR 10 per share. Each holder of equity shares is entitled to one vote per share.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive assets of the Company remaining after settlement of all liabilities. The distribution will be in proportion to the number of equity shares held by the shareholders.

(c) Details of shareholders holding more than 5% shares in the Company

	31 March 2012		31 March 2011	
	No.	% holding	No.	% holding
Housing Development Finance Corporation Limited	14,826,303	11.36	14,826,303	11.36
Shares held by Promoter and Promoter Group				
Burren Shakti Limited 35,440,913 (Previous Year: 35,440,913) shares of INR 10 each	35,440,913	27.16	35,440,913	27.16
Burren Energy India Limited 12,766 (Previous Year: 12,766) shares of INR 10 each	12,766	0.01	12,766	0.01
Eni UK Holding Plc 26,115,455 (Previous Year: 26,115,455) shares of INR 10 each	26,115,455	20.01	26,115,455	20.01
	61,569,134	**47.18**	**61,569,134**	**47.18**

As per records of the Company, including its register of shareholders / members, the above shareholding represents legal ownerships of shares.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

(All amounts are in Indian Rupees, unless otherwise stated)

	31 March 2012	31 March 2011
2. Reserves and Surplus		
Securities premium account	7,841,521,473	7,841,521,473
Surplus in the Statement of Profit and Loss		
Balance as per last financial statements	2,595,868,749	1,869,954,561
Profit for the Year	334,931,259	801,997,486
Less: Interim Dividend	0	(65,246,645)
Less: Tax on Interim Dividend	0	(10,836,653)
Net surplus in the Statement of Profit and Loss	2,930,800,008	2,595,868,749
Total Reserves and Surplus	10,772,321,481	10,437,390,222

	Non-current portion		Current maturities	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
3. Long-term Borrowings				
Term Loans (Secured)				
From banks (Foreign Currency) (See Note a below)	157,044,064	266,335,419	78,521,826	104,482,004
From banks (Rupee) (See Note b below)	59,900,000	131,900,000	72,000,000	84,100,000
Loan from Related Party (Unsecured)				
ENI Finance International S.A., (Foreign Currency) *(Earlier known as ENI Coordination Center S.A., Belgium)* (See Note c below)	5,024,175,000	4,855,775,000	515,300,000	451,700,000
	5,241,119,064	5,254,010,419	665,821,826	640,282,004
The above amount includes				
Amount disclosed under the head "other current liabilities" (See Note 5)	0	0	(665,821,826)	(640,282,004)
Net amount	5,241,119,064	5,254,010,419	0	0

Notes:

a. The term loans from banks (Foreign Currency) include:

(I) Loan from State Bank of India: INR Nil (Previous Year: INR 95,495,432); term loan was 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.

(II) Loan from Axis Bank Limited: INR 235,565,890 (Previous Year: INR 275,321,991); term loan 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 the PY-1 Trust and Retention Accounts. The Loan is to be paid in variable installments over a period upto Financial Year 2014-2015.

b. The term loan from banks (Rupee) includes: Loans from HDFC Bank Limited and Axis Bank Limited INR 131,900,000 (Previous Year: INR 216,000,000); term loans 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; the loans are to be paid in variable installments over a period upto Financial Year 2013-2014.

c. Loan from Related Party (Unsecured) includes: Unsecured loan USD 107,500,000 (Previous Year: USD 117,500,000) is to be paid in variable installments over a period upto Financial Year 2015-2016.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

(All amounts are in Indian Rupees, unless otherwise stated)

	Long-term		Short-term	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
4. Provisions				
Provision for employee benefits				
Provision for gratuity	0	0	1,124,722	2,942,768
Provision for compensated absences	3,993,907	3,822,982	128,646	0
	3,993,907	3,822,982	1,253,368	2,942,768
Other provisions				
Provision for site restoration (See Note a below)	904,142,500	794,432,500	0	0
Provision for Wealth Tax (net of advance tax)	0	0	465,195	446,072
	904,142,500	794,432,500	465,195	446,072
Total Provisions	908,136,407	798,255,482	1,718,563	3,388,840

Note :

	31 March 2012	31 March 2011
a. Provision for site restoration		
Opening balance	794,432,500	801,505,000
Effect of changes in Foreign Exchange Rates	109,710,000	(7,072,500)
Closing balance	904,142,500	794,432,500

	31 March 2012	31 March 2011
5. Current Liabilities		
Trade payables (See Note a below)		
Micro, Small & Medium Enterprises (See Note b below)	248,230	218,937
Others	181,763,079	180,662,738
	182,011,309	180,881,675
Other current liabilities		
Current maturities of long-term borrowings	665,821,826	640,282,004
Unclaimed / Unpaid Dividend (See Note c below)	3,840,125	4,919,031
Unclaimed / Unpaid Share Application Money (See Note c below)	438,221	438,221
Creditor for Capital Expenditure	258,433,960	241,882,907
Other Payables		
Statutory dues payable	42,073,012	30,071,319
Security Deposits	8,500,000	6,000,000
Other Payable	101,180,297	76,256,082
	1,080,287,441	999,849,564

Notes:

a. Includes Security Deposit of INR 8,500,000 (Previous Year: INR 6,000,000) received from HOEC Bardahl India Ltd., the Wholly Owned Subsidiary of the Company.

b. Details of dues to Micro, Small & Medium Enterprises as per MSMED Act, 2006.

	31 March 2012	31 March 2011
Principal amount payable (but not due) to suppliers under the MSMED Act as at year end	248,230	218,937
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
	248,230	218,937

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

c. There are no amounts due and outstanding to be credited to the Investor Education and Protection Fund.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

(All amounts are in Indian Rupees, unless otherwise stated)

	Fixed Assets	GROSS BLOCK					DEPLETION, DEPRECIATION AND AMORTIZATION EXPENSES				NET BLOCK	
		Balance as at 1 April 2011	Additions	(Disposals)/ Transfers	Exchange Differences	Balance as at 31 March 2012	Balance as at 1 April 2011	For the year	(Disposals)	Balance as at 31 March 2012	Balance as at 31 March 2012	Balance as at 31 March 2011
6	Tangible Assets											
	Land	22,752,173	0	0	0	22,752,173	0	0	0	0	22,752,173	22,752,173
	Buildings (See Note a below)	104,331,788	0	0	0	104,331,788	33,580,360	3,537,571	0	37,117,931	67,213,857	70,751,428
	Furniture & Fixture	5,954,533	268,548	(617,907)	0	5,605,174	5,381,820	148,683	(598,101)	4,932,402	672,772	572,713
	Vehicles	5,342,931	1,286,675	(1,565,905)	0	5,063,701	4,833,303	414,681	(1,371,304)	3,876,680	1,187,021	509,628
	Office Equipments	9,649,717	358,233	(1,280,170)	0	8,727,780	7,982,138	267,735	(1,179,126)	7,070,747	1,657,033	1,667,579
	Computers	6,669,421	282,345	(789,287)	0	6,162,479	5,577,195	544,386	(775,680)	5,345,901	816,578	1,092,226
		154,700,563	2,195,801	(4,253,269)	0	152,643,095	57,354,816	4,913,056	(3,924,211)	58,343,661	94,299,434	97,345,747
	Previous Year	159,209,973	1,699,218	(6,208,628)	0	154,700,563	57,700,101	5,032,705	(5,377,990)	57,354,816	97,345,747	
7	Intangible Assets											
	Computer Software	24,250,713	1,526,160	0	0	25,776,873	23,924,735	743,375	0	24,668,110	1,108,763	325,978
	Previous Year	24,133,844	116,869	0	0	24,250,713	23,707,417	217,318	0	23,924,735	325,978	
8	Producing Properties (See Note b, c, d below)	17,643,725,111	131,927,793	(1,287,349)	870,163,734	18,644,529,289	2,844,208,967	548,941,926	0	3,393,150,893	15,251,378,396	14,799,516,144
	Previous Year	17,572,116,781	139,144,695	(45,710)	(67,490,655)	17,643,725,111	1,626,579,223	1,217,629,744	0	2,844,208,967	14,799,516,144	
9	Exploration/Development work in progress											
	Development Expenditure	31,468,754	65,490,721	(57,610,904)	0	39,348,571	0	0	0	0	39,348,571	31,468,754
	Exploration Expenditure	979,400,523	220,131,845	(32,045)	0	1,199,500,323	0	0	0	0	1,199,500,323	979,400,523
		1,010,869,277	285,622,566	(57,642,949)	0	1,238,848,894	0	0	0	0	1,238,848,894	1,010,869,277
	Previous Year	654,301,550	423,525,961	(66,958,234)	0	1,010,869,277	0	0	0	0	1,010,869,277	

Notes

a. Gross block and net block of Buildings include an amount of INR 28,238,883 (Previous Year: INR Nil) and INR 11,216,890 (Previous Year: INR Nil) respectively for assets given on operating lease.

b. Producing Properties include assets used in connection with petroleum operations.

c. Due to high production shutdown (44%) in PY-1 Field on account of buyer not able to off-take gas, the Company has charged additional depreciation (over and above the Unit of Production "(UOP)" method) in line with its accounting policy to comply with minimum rates of depreciation under Schedule XIV of the Companies Act, 1956. Depreciation on Producing Properties includes additional depreciation (over and above "UOP") of INR 50,219,383 for the year ended March 31, 2012.

d. Addition to Producing Properties (Exchange Differences) includes increase in undiscounted estimated future Site Restoration cost of INR 109,710,000 (Previous Year: decrease of INR 7,072,500).

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

(All amounts are in Indian Rupees, unless otherwise stated)

	31 March 2012	31 March 2011
10. Non-Current Investment		
Trade Investment		
Unquoted Equity Instrument (Investment in subsidiary)		
50,002 (Previous Year: 50,002) Equity Shares of INR 100 each of HOEC Bardahl India Limited	5,000,200	5,000,200
Non-Trade Investment		
Unquoted Equity Instrument		
100,000 (Previous Year: 100,000) Equity Shares of INR 10 each of Gujarat Securities Limited	1,000,000	1,000,000
Less : Provision for diminution in value of investment in Gujarat Securities Limited	(999,999)	(999,999)
Total	5,000,201	5,000,201
Aggregate amount of unquoted investment	6,000,200	6,000,200

	31 March 2012	31 March 2011
11. Deferred Tax Liabilities (net)		
Deferred Tax Asset		
Exploration Expenses	294,014,049	301,077,000
Doubtful Advances	439,507	5,168,000
Employee Related Costs	3,325,198	3,404,000
Unabsorbed Business Losses and Depreciation	1,768,725,559	1,475,979,919
Others	12,634,387	5,014,000
Sub Total (A)	2,079,138,700	1,790,642,919
Deferred Tax Liability		
Depreciation, Depletion and amortization of Fixed Assets	2,508,654,370	2,114,495,000
Foreign Currency Monetary Item Translation Difference Account	1,336,411	0
Sub Total (B)	2,509,990,781	2,114,495,000
Net Deferred Tax Liabilities (B – A)	430,852,081	323,852,081

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

(All amounts are in Indian Rupees, unless otherwise stated)

	Non-current		Current	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
12. Loans and advances				
Unsecured and considered good				
Capital advances	14,150,371	18,189,316	0	0
Security deposit	8,504,930	8,440,108	0	0
Advances recoverable in cash or kind (See Note a and b below)	17,260,275	787,982	87,828,644	92,021,620
(A)	**39,915,576**	**27,417,406**	**87,828,644**	**92,021,620**
Other loans and advances (unsecured and considered good)				
Advance income tax [Net of Provision for Taxation of INR 1,240,963,496 (Previous Year: INR 1,171,963,496)]	562,786,327	399,802,464	0	0
MAT credit entitlement (See Note c below)	436,362,448	367,362,448	0	0
Fringe benefit tax [Net of Provision for Fringe benefit taxation of INR 8,500,000 (Previous Year: INR 8,500,000)]	1,058,060	1,058,060	0	0
Service Tax Input credit	0	0	0	1,257,364
Prepaid expenses	0	0	13,944,052	6,297,139
(B)	**1,000,206,835**	**768,222,972**	**13,944,052**	**7,554,503**
Unsecured and considered doubtful				
Capital advances	1,354,621	1,354,621	0	0
Advances recoverable in cash or kind	0	14,202,235	0	0
Less: Provision for Doubtful claims	(1,354,621)	(15,556,856)	0	0
(C)	0	0	0	0
Total (A+B+C)	**1,040,122,411**	**795,640,378**	**101,772,696**	**99,576,123**

Notes:

	31 March 2012	31 March 2011
a. Maximum amount due from HOEC Bardahl India Limited (Wholly Owned Subsidiary) at any time during the year	2,804,372	3,242,820
b. Amount due from HOEC Bardahl India Limited (Wholly Owned Subsidiary) at the end of year.	0	0

c. 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 INR 69,000,000 (Previous Year: INR 232,000,000) 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.

	Current	
	31 March 2012	31 March 2011
13. Trade receivables and other assets		
Trade receivables		
Unsecured, considered good		
Outstanding for a period exceeding six months from the date they are due for payment	0	0
Other receivables	199,652,972	473,980,559
	1,99,652,972	**473,980,559**

	Non-current		Current	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
Other assets				
Unsecured, considered good				
Ancillary cost of arranging the borrowings	3,989,192	7,126,446	3,137,254	3,814,939
Interest accrued on deposits	0	0	1,810,923	1,900,257
	3,989,192	**7,126,446**	**4,948,177**	**5,715,196**

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

(All amounts are in Indian Rupees, unless otherwise stated)

	31 March 2012	31 March 2011
14. Current Investments		
Quoted equity instrument		
318 (Previous Year: 318) Equity Shares of INR 10 each of Reliance Industries Limited	25,975	25,975
318 (Previous Year: 318) Equity Shares of INR 5 each of Reliance Communication Ventures Limited	19,332	19,332
23 (Previous Year: 23) Equity Shares of INR 10 each of Reliance Infrastructure Limited	3,219	3,219
15 (Previous Year: 15) Equity Shares of INR 10 each of Reliance Capital Limited	166	166
79 (Previous Year: 79) Equity Shares of INR 10 each of Reliance Power Limited	272	272
(A)	48,964	48,964
Unquoted mutual funds		
Units of Liquid / Liquid plus schemes of Mutual Funds		
3,067,035 (Previous Year: 2,863,462) Units of INR 10 each of ICICI Prudential Floating Rate Plan D-Daily Dividend - Dividend Reinvestment	306,864,540	286,412,040
23,185,924 (Previous Year: Nil) Units of INR 10 each of Kotak Floater Short Term - Daily dividend	234,553,448	0
124,465 (Previous Year: 390,204) Units of INR 1,000 each of UTI Treasury Advantage Fund - Institutional Plan (Daily Dividend Option) - Reinvestment	124,492,492	390,287,807
468,568 (Previous Year: Nil) Units of INR 10 each of Birla Sun Life Cash Plus Fund - Institutional premium - Daily Dividend Reinvestment	46,948,173	0
Nil (Previous Year: 3,882,390) Units of INR 10 each of Kotak Floater Long Term Fund - Daily Dividend	0	39,133,719
Nil (Previous Year: 7,223,444) Units of INR 10 each of HDFC Cash Management Fund - Treasury Advantage Plan - Wholesale - Daily Dividend - Reinvestement	0	72,461,975
Nil (Previous Year: 28,630,123) Units of INR 10 each of Birla Sun Life Ultra Short term Fund - Institutional - Daily Dividend	0	286,458,692
Nil (Previous Year: 2,172,161) Units of INR 10 each of HDFC Cash Management Fund - Saving Plan - Daily Dividend - Reinvestment	0	23,103,975
(B)	712,858,653	1,097,858,208
Total (A)+(B)	712,907,617	1,097,907,172
For method of valuation, please refer section vii of Significant Accounting Policies (Note B)		
Aggregate amount of Quoted Investment	48,964	48,964
Market Value of Quoted Investment	290,520	402,764
Aggregate amount of Unquoted Investment	712,858,653	1,097,858,208

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

(All amounts are in Indian Rupees, unless otherwise stated)

	Current	
	31 March 2012	31 March 2011
15. Inventories		
Crude Oil, Condensate and Natural Gas	43,363,769	114,565,190
Stores, Spares, Capital Stock and Drilling Tangibles	425,530,097	325,863,149
	468,893,866	**440,428,339**

For method of valuation, please refer section viii of Significant Accounting Policies (Note B).

	Non-current		Current	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
16. Cash and bank balances				
Cash and cash equivalents				
Balances with banks:				
On current accounts (See Note a below)	0	0	106,635,292	77,931,362
Deposits with original maturity of less than 3 months (See Note b below)	0	0	308,911,768	55,632,963
Cash on hand	0	0	2,024	2,795
(A)	**0**	**0**	**415,549,084**	**133,567,120**
Other bank balances				
Unclaimed / Unpaid Dividend Accounts	0	0	3,840,125	4,919,031
Unclaimed / Unpaid Share Application Money	0	0	438,221	438,221
Deposits with original maturity of more than 3 months but less than 12 months	0	0	0	0
Deposits with original maturity of more than 12 months (See Note c below)	370,813,315	305,615,980	3,856,984	24,749,376
(B)	**370,813,315**	**305,615,980**	**8,135,330**	**30,106,628**
Total (A+B)	**370,813,315**	**305,615,980**	**423,684,414**	**163,673,748**

Notes :

a. Current accounts include lien marked amounts of INR 2,137,598 (Previous Year: INR 941,993).

b. Deposits (with original maturity of less than 3 months) include lien marked deposits of INR 8,911,869 (Previous Year: INR 19,212,753).

c. Deposits (with original maturity of more than 12 months) include (a) lien marked deposits of INR 80,258,947 (Previous Year: INR 41,321,860), and (b) deposits of INR 290,554,369 (Previous Year: INR 264,294,120) placed as "Site Restoration Fund" under Section 33ABA of Income Tax Act, 1961.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

(All amounts are in Indian Rupees, unless otherwise stated)

	31 March 2012	31 March 2011
17. Revenue from Operations		
Sales		
Sale of Crude oil, condensate and natural gas (See Notes a & b below)	1,663,227,213	3,569,940,961
Less: Profit petroleum to Government of India	(156,359,728)	(278,501,942)
(A)	1,506,867,485	3,291,439,019
Sale of services		
Warehousing Services	7,056,000	7,056,000
(B)	7,056,000	7,056,000
Total (A+B)	1,513,923,485	3,298,495,019

Notes:

a. During Financial Year ended March 31, 2012, the production from PY-1 Field was shut down for a cumulative of 159 days as the buyer was not able to off-take the gas due to end user limitations.

b. Hardy Exploration & Production (India) Inc., (Hardy), the Operator of PY-3 Field, has notified the Company that the PY-3 Field has been temporarily shut-in on July 31, 2011 pending Management Committee approval of the award of a contract for floating production system (FPS). Hardy is working closely with the authorities, contractors and certification agencies to recommence the production from PY-3 Field.

	31 March 2012	31 March 2011
18. (Decrease) in inventories of Crude Oil, Condensate and Natural Gas		
Inventories at the end of the year	43,363,769	114,565,190
Inventories at the beginning of the year	114,565,190	100,960,540
	(71,201,421)	13,604,650
Less: Profit petroleum to Government of India	2,721,138	27,500,044
Net (Decrease) in inventories	(73,922,559)	(13,895,394)

	31 March 2012	31 March 2011
19. Other Income		
Interest Income on		
Bank Deposits	31,661,157	23,622,752
Income Tax refund (See Note a below)	73,812,440	0
Other Interest (See Note b below)	11,867,379	0
	117,340,976	23,622,752
Dividend income on current investments	98,172,182	49,998,475
Dividend income on long term investments	5,511	531
Renting of Immovable property	2,800,000	0
Gain on sale / discard of asset (Net)	214,731	960,283
Exchange difference	0	1,907,086
Excess provision written back / Provision no longer required (See Note c below)	24,463,158	9,968,767
Miscellaneous Income (See Note d below)	7,129,663	1,691,271
	250,126,221	88,149,165

Notes:

a. Interest received on refund of Income Tax pursuant to favorable Income Tax Appellate Tribunal award.

b. Interest received pursuant to a favorable award from the Arbitration Tribunal in relation to a dispute with ONGC / Government of India for GN-ON-90/3 Block.

c. Includes reversal of provision of INR 14,202,235 pursuant to favorable award of ArbitrationTribunal (See Note b above).

d. Includes an amount of INR 4,250,000 received pursuant to settlement in relation to a dispute with Mafatlal Industries Limited in GN-ON-90/3 Block.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

(All amounts are in Indian Rupees, unless otherwise stated)

		31 March 2012	31 March 2011
20. Employee Benefits, Operating and Administrative Expenses			
A. Employee Benefit Expenses			
Salaries, Wages and Bonus		91,892,086	112,184,062
Contribution to :			
(i) Provident Fund		4,964,385	4,526,146
(ii) Gratuity Fund (See Note 26)		1,347,777	778,591
(iii) Superannuation Fund		5,577,951	4,984,091
Staff Welfare Expenses		4,523,966	3,953,389
Total Employee Benefit Expenses	(A)	**108,306,165**	**126,426,279**
B. Operating Expenses			
Hire Charges & Rent		76,966,913	207,699,344
Insurance		31,574,886	34,063,686
Fuel, Water and Others		8,494,746	10,326,998
Repairs and Maintenance – Plant and Machinery		45,020,363	19,588,286
Manpower Costs & Overheads		140,928,643	132,524,367
Transportation and Logistics		102,294,678	154,581,370
Consumables		1,120,597	1,384,027
Royalty, Cess & Other Duties		82,811,307	202,321,065
Other Production Expenses		45,718,621	28,438,117
Total Operating Expenses	(B)	**534,930,754**	**790,927,260**
C. Administrative Expenses			
Office and Guest House Rent		13,831,260	12,964,933
Electricity		1,861,159	2,030,645
Rates and Taxes		623,820	486,667
Repairs and Maintenance – Others		5,095,753	11,577,390
General Office Expenses		1,216,260	874,362
Travelling and Conveyance		5,635,871	9,093,059
Communication Expenses		3,419,373	4,661,666
Membership & Subscription		1,638,713	1,367,278
Legal and Professional Expenses (See Note a below)		22,799,134	47,903,425
Insurance		325,132	344,851
Directors' Sitting Fees and Commission		1,020,000	3,195,000
Printing and Stationary		2,820,831	3,631,070
Miscellaneous Expenses		5,846,045	4,690,190
Loss on Foreign Exchange		19,358,466	0
	(i)	**85,491,817**	**102,820,536**

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

(All amounts are in Indian Rupees, unless otherwise stated)

		31 March 2012	31 March 2011
20. Employee Benefits, Operating and Administrative Expenses (Contd.)			
Payment to Auditor:			
As Auditor: (See Note a, b and c below)			
Audit Fee		2,078,660	1,625,000
Tax Audit Fee		112,360	100,000
Limited Review		413,625	150,000
Reimbursements		210,375	69,236
In Other Capacity:			
Other Services		0	25,000
Cost Audit Fees		224,720	0
	(ii)	**3,039,740**	**1,969,236**
Total Administrative Expenses	C = (i+ii)	**88,531,557**	**104,789,772**
Total Employee Benefits, Operating and Administrative Expenses	(A+B+C)	**731,768,476**	**1,022,143,311**
Less: Recovery of Expenses (See Note 34)		(147,152,456)	(175,151,318)
Total Employee Benefits, Operating and Administrative Expenses		**584,616,020**	**846,991,993**

Notes:

a. Legal and Professional Expenses for the previous year includes and Auditors' Remuneration excludes INR 750,000 (excluding service tax) paid towards tax matters to a firm in which some partners of the erstwhile audit firm were partners.

b. Auditors' Remuneration for the previous year includes INR 244,236 (excluding service tax) paid to the erstwhile audit firm.

c. Auditors' Remuneration for the previous year excludes INR 202,831 paid towards service tax for which service tax input credit has been availed.

	31 March 2012	31 March 2011
21. Finance Costs		
Interest on Fixed Term Loans	103,440,520	117,763,626
Bank Charges and Commission	1,726,051	1,644,140
Amortization of Ancillary Borrowing Cost	3,814,940	4,471,778
	108,981,511	**123,879,544**

	31 March 2012	31 March 2011
22. Earnings Per Share (EPS) The following reflects the profit and share data used in the basic and diluted EPS computations:		
Profit After Tax as per Statement of Profit & Loss (used for both calculation of basic and diluted EPS)	**334,931,259**	**801,997,486**
	No.	**No.**
Weighted average number of equity shares used in calculating basic & diluted EPS	130,493,289	130,493,289
Earnings per equity share in INR computed on the basis of profit for the year Basic and Diluted	2.57	6.15

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

(All amounts are in Indian Rupees, unless otherwise stated)

23. Foreign Currency Transactions

(i) Expenditure in Foreign Currency

Particulars	2011-2012	2010-2011
Royalty, Know-how	0	0
Professional and Consultancy Fees	50,185,322	172,879,805
Interest	87,199,979	87,068,099
Travelling Expenses	517,338	817,414
Others	21,084,046	5,774,382

(ii) Earnings in Foreign Currency

Particulars	2011-2012	2010-2011
Interest	12,433	615,347

(iii) CIF Value of Imports

Particulars	2011-2012	2010-2011
Capital Goods	4,031,413	21,475,099
Components and Spare Parts	118,676,896	3,797,851

24. Dividend paid in Foreign Currency to Non-Resident Shareholders

Particulars of dividend paid to Non-Resident Shareholders (including Foreign Institutional Investors) are as under:

Particulars	2011-2012	2010-2011
Financial Year to which the Dividend relates	Nil, as the Company has not declared/ paid any dividend during FY 2011-12	2010-11
Number of Non-Resident Shareholders		371
Number of Equity Shares held by them		61,805,157
Gross Amount of Dividend in INR		30,902,579

25. 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 November 09, 2011 approved grant of 34,524 options (Previous Year 17,680 options approved on January 31, 2011) to the 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 from the end of the financial year for which the grant corresponds to. For the year ended March 31, 2012 an aggregate amount of INR Nil (Previous Year INR 20,000,000) 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 prior years amounting to INR 1,976,665 (Previous Year INR 6,527,308) 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 options are granted 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.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

(All amounts are in Indian Rupees, unless otherwise stated)

Particulars	Number of Shares Arising Out of Options	
	2011-2012	2010-2011
Outstanding at the beginning of the Year	49,110	34,441
Granted during the Year	34,524	17,680
Forfeited / lapsed during the Year	0	3,011
Exercised during the Year	15,991	0
Outstanding at the End of the Year	67,643	49,110
– Vested	0	0
– Yet to Vest	67,643	49,110

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.

26. 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, the funded status and amounts recognised in the Balance Sheet.

	2011-2012	2010-2011
Statement of Profit & Loss		
Net employee benefit expense recognized in the employee cost		
Current service cost	1,330,106	1,190,362
Interest cost on benefit obligation	548,841	521,424
Expected return on plan assets	(436,009)	(308,713)
Net actuarial (gain) / loss recognized in the Year	(95,161)	(624,482)
Past service cost	0	0
Net benefit expense	**1,347,777**	**778,591**
Actual return on plan assets	590,063	317,044
Balance Sheet		
Benefit asset / (liability)		
Present value of defined benefit obligation	(7,694,034)	(6,652,620)
Fair value of plan assets	6,569,312	3,709,852
Plan asset / (liability)	(1,124,722)	(2,942,768)
Changes in the present value of the defined benefit obligation are as follows		
Opening defined benefit obligation	6,652,620	6,320,300
Current service cost	1,330,106	1,190,362
Interest cost	548,841	521,424
Benefits paid	(896,426)	(763,315)
Actuarial (gains) / losses on obligation	58,893	(616,151)
Closing defined benefit obligation	7,694,034	6,652,620

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012
(All amounts are in Indian Rupees, unless otherwise stated)

	2011-2012	2010-2011
Changes in the fair value of plan assets are as follows:		
Opening fair value of plan assets	3,709,852	3,467,487
Expected return	436,009	308,713
Contributions by employer	3,165,824	688,636
Benefits paid	(896,426)	(763,315)
Actuarial gains / (losses)	154,053	8,331
Closing fair value of plan assets	6,569,312	3,709,852

The principal assumptions used in determining gratuity and for the Company's plans are shown below:

Particulars	2011-2012	2010-2011
Discount rate	8.50%	8.25%
Future salary increase	9.00%	9.00%
Expected rate of return on assets	9.00%	9.00%
Employee turnover	1% to 5%	1% to 5%

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.

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

Amounts for the current and previous four periods are as follows:

Particulars	2011-2012	2010-2011	2009-2010	2008-2009	2007-08
Defined benefit Obligations	(7,694,034)	(6,652,620)	(6,320,300)	(8,311,130)	(6,696,883)
Plan Assets	6,569,312	3,709,852	3,467,487	2,204,015	1,041,648
Surplus / (Deficit)	(1,124,722)	(2,942,768)	(2,852,813)	(6,107,115)	(5,655,235)
Experience adjustments on Plan Liabilities	58,893	(616,151)	(649,489)	30,916	979,387
Experience adjustments on Plan Assets	154,053	8,331	25,631	35,621	14,626

b. Compensated Absences

The key assumptions used in computation of provision for long term compensated absences are as given below:

Discount Rate (% p.a.)	8.50%
Future Salary Increase (% p.a.)	9.00%
Mortality Rate	LIC (1994-96) published table
Attrition (% p.a.)	1% to 5%

27. 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".

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

(All amounts are in Indian Rupees, unless otherwise stated)

28. Unincorporated Joint Venture Operations

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

Sl. No	Unincorporated Joint Ventures	Partners	Share (%)	
			As at March 31, 2012	As at March 31, 2011
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)	**Exploration Area**		
		Hindustan Oil Exploration Company Limited	50.00	50.00
		Gujarat State Petroleum Corporation Limited	50.00	50.00
		Development Area		
		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* (Pranhita Godavari)	Hindustan Oil Exploration Company Limited	75.00	75.00
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:

* Government approval awaited on the Operator's proposal regarding forward plan of action.

** Jindal Petroleum Limited has not submitted Bank Guarantee and Performance Guarantee as required under the Production Sharing Contract (PSC) and thus has been declared a "Defaulting Party" by the Management Committee as per the provisions of the PSC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

(All amounts are in Indian Rupees, unless otherwise stated)

29. Details of Oil and Gas Reserves

As at March 31, 2012, 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	MMBBL	9.7	0	0	0.1	9.6
Gas	MMSCM	6,560.3	0	0	142.6	6,417.7

30. Related Party Disclosures

(i) The related parties of the Company as at March 31, 2012 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 Finance International, S.A., Belgium (formerly known as 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 28 above

(E) Key Management Personnel:
1. Mr. Manish Maheshwari – Managing Director from September 28, 2011 (Joint Managing Director upto September 27, 2011)
2. Mr. Sergio Laura – Managing Director from September 28, 2011
3. Mr. Luigi Ciarrocchi – Managing Director upto September 27, 2011

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

Particulars	Wholly Owned Subsidiary Company	Promoter Group	Other Group Entities	Unincorporated Joint Ventures' Partners	Key Management Personnel
INCOME					
– Warehousing Services & Rental of Immovable Property	9,856,000 (7,056,000)	0 (0)	0 (0)	0 (0)	0 (0)
EXPENDITURE					
– Operating Expenditure	0 (0)	0 (0)	25,462,465 (39,362,625)	0 (0)	0 (0)
– Remuneration to Managing Director	0 (0)	0 (0)	0 (0)	0 (0)	24,685,792 (22,782,684)
– Professional Fee	0 (0)	0 (0)	9,159,769 (23,884,733)	0 (0)	0 (0)
– Recovery of Expenses	0 (0)	0 (0)	0 (0)	51,835,762 (75,921,519)	0 (0)
– Interest Paid*	0 (0)	0 (0)	78,945,530 (77,136,005)	0 (0)	0 (0)
– Dividends Paid	0 (0)	0 (30,784,567)	0 (0)	0 (0)	0 (0)
– Bank Charges	0 (0)	0 (0)	37,414 (26,492)	0 (0)	0 (0)
OTHERS					
– Warehouse Deposit	8,500,000 (6,000,000)	0 (0)	0 (0)	0 (0)	0 (0)
LOAN					
– Unsecured Loan Repaid*	0 (0)	0 (0)	496,942,077 (390,025,000)	0 (0)	0 (0)
– Loan Outstanding as at Year end*	0 (0)	0 (0)	5,539,475,000 (5,307,475,000)	0 (0)	0 (0)

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012
(All amounts are in Indian Rupees, unless otherwise stated)

Particulars	Wholly Owned Subsidiary Company	Promoter Group	Other Group Entities	Unincorporated Joint Ventures' Partners	Key Management Personnel
CAPITAL EXPENDITURE					
– Exploration Expenditure	0 (0)	0 (0)	14,249,373 (24,992,454)	0 (0)	0 (0)
– Development Expenditure	0 (0)	0 (0)	20,454,219 (121,684,535)	0 (0)	0 (0)
AS AT YEAR END					
Amounts Payable as at Year End	8,500,000 (6,000,000)	0 (0)	236,010,854 (208,534,245)	0 (0)	0 (0)

* Amount relates to ENI Finance International S.A., Belgium.

Note:

Figures in brackets relate to the Previous Year.

31. Commitments and Contingencies

Particulars	As at March 31, 2012	As at March 31, 2011
(i) Counter Guarantees on account of Bank Guarantees	321,035,786	165,287,440
(ii) Estimated amount of Contracts remaining to be executed and not provided for	179,634,270	77,093,031
(iii) Claims against the Company Not Acknowledged as Debt		
– Income Tax Demands under Appeal	362,690,907	597,823,033
– Dispute with Government of India under Arbitration for GN-ON-90/3 Block	0	349,341,475
(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

32. Sales Turnover

Description	2011-2012	2010-2011
Crude Oil / Condensate	807,660,616	1,466,140,829
Natural Gas	855,566,597	2,103,800,132
Less: Profit Petroleum to Government of India	156,359,728	278,501,942
Net Sales	1,506,867,485	3,291,439,019

33. Consumption of Stores and Spares

Product	2011-2012		2010-2011	
	Value in INR	%	Value in INR	%
Imported	1,528,815	9%	1,262,644	13%
Indigenous	14,991,701	91%	8,614,606	87%

34. 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 INR 10,303,863 (Previous Year: INR 12,728,726) recovered as parent company overhead pursuant to the respective Production Sharing Contracts.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

(All amounts are in Indian Rupees, unless otherwise stated)

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

Particulars	2011-2012	2010-2011
Exchange Differences capitalised / (decapitalised) to Fixed Assets (Development Expenditure) during the year	760,453,734	(60,418,155)
Closing Balance of Foreign Currency Monetary Item Translation Difference Account as at the end of the year to be amortised in subsequent periods	4,119,003	0
Amount of Net Amortisation of Foreign Currency Monetary Item Translation Difference Account charged to the Profit and Loss Account for the year	1,175,478	(1,175,363)

36. Impairment

As of March 31, 2012, 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, 2012.

37. Particulars of Unhedged Foreign Currency Exposure

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

Particulars	As at March 31, 2012	As at March 31, 2011
Secured Loans	235,565,890	370,817,423
Unsecured Loans	5,539,475,000	5,307,475,000
Sundry Debtors	46,806,017	248,180,869
Loans and Advances	10,821,287	0
Sundry Creditors	236,104,502	274,265,091
Bank Account and Deposit	0	36,888,166

38. Previous Year Figures

During the year ended 31 March, 2012, the Revised Schedule VI notified under the Companies Act 1956, became applicable to the Company. The Company has presented the Financial Statements in accordance with the requirements of Revised Schedule VI and has hence reclassified and regrouped the previous year's figures to confirm to this year's classification.

As per our report of even date.

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

per Subramanian Suresh
Partner
Membership No. 83673

Place : New Delhi
Date : May 18, 2012

For and on behalf of the Board of Directors

R. Vasudevan	Chairman
Manish Maheshwari	Managing Director
Sergio Adriano Laura	Managing Director
Mukesh Butani	Director
S. B. Mathur	Director
Sanjay Tiwari	Chief Legal Counsel & Company Secretary

Place : New Delhi
Date : May 18, 2012

AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF HINDUSTAN OIL EXPLORATION COMPANY LIMITED

1. We have audited the attached Consolidated Balance Sheet of Hindustan Oil Exploration Company Limited ('the Company'), and its subsidiary HOEC Bardahl India Limited as at March 31, 2012, and also the Consolidated Statement of Profit and Loss 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.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material 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 207,405,350, INR 11,012,935, INR Nil and INR Nil respectively as at March 31, 2012 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 net fixed assets, net current assets, expenses and cash flows aggregating to INR 589,354,182, INR Nil, INR 143,010,507 and INR Nil respectively as at March 31, 2012 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. *In accordance with the accounting policy detailed in Note B(xii) to the financial statements, the Company has either capitalized or accumulated in foreign currency monetary item translation difference account, exchange loss of INR 764.57 million in respect of long term borrowings in foreign currency outstanding as at March 31, 2012. However, in determining the amount of exchange loss to be accounted in this manner, the Company has not excluded exchange differences to the extent that the same can be regarded as an adjustment to interest costs as required by Paragraph 4(e) of Accounting Standard 16, "Borrowing Costs". The Company has not computed / estimated the extent of such adjustment to interest costs and, in the absence of such information, we are unable to comment on the extent to which the finance costs are stated lower and also the consequential impact on profits for the year and the reserves and surplus as at March 31, 2012.*

6. *The Company follows "Successful Efforts Method" of accounting for its exploration and production activities and as detailed in Note B(iv) to the financial statements, the Company has capitalised costs of INR 64.49 million (including INR 6.33 million to March 31, 2011), incurred in respect of surveys and studies relating to exploration activities.*

   The "Guidance Note on Accounting for Oil and Gas Producing Activities" (Guidance Note) issued by the Institute of Chartered Accountants of India requires costs of surveys and studies relating to exploration activities to be expensed when incurred under the "Successful Efforts Method" of accounting. Had the Company followed the recommendation of the Guidance Note, survey costs of INR 64.49 million (including prior period charge of INR 6.33 million) would have been written off as an expense and the net profit for the year and reserves and surplus after considering the related tax effects would have been lower by INR 43.06 million.

7. 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, *except for the effects of the matters referred to in paragraphs 5 and 6 above*, 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, 2012;

   (b) in the case of the consolidated statement of profit and loss, 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
Chartered Accountants
Firm registration number: 101049W

per Subramanian Suresh
Partner
Membership No.: 83673

Place : New Delhi
Date : May 18, 2012

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2012

(All amounts are in Indian Rupees, unless otherwise stated)

	Notes	31 March 2012	31 March 2011
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	1	1,305,093,005	1,305,093,005
Reserves and Surplus	2	10,858,590,301	10,513,172,510
		12,163,683,306	**11,818,265,515**
Non-current Liabilities			
Long-term borrowings	3	5,241,119,064	5,254,010,419
Deferred tax liabilities (net)	11	429,684,958	322,533,226
Long-term provisions	4	909,130,554	799,143,087
		6,579,934,576	**6,375,686,732**
Current liabilities			
Trade payables	5	210,719,196	211,372,455
Other current liabilities	5	1,082,448,513	1,000,292,509
Short-term provisions	4	2,006,366	3,780,730
		1,295,174,075	**1,215,445,694**
TOTAL		**20,038,791,957**	**19,409,397,941**
ASSETS			
Non-current Assets			
Fixed Assets			
Tangible assets	6	98,187,592	99,540,632
Intangible assets	7	1,246,311	430,466
Producing Properties	8	15,251,378,396	14,799,516,144
Exploration, development and capital work in progress	9	1,238,848,894	1,010,869,277
Non-current Investment	10	1	1
Long-term loans and advances	12	1,043,482,104	803,961,238
Other non-current assets	13.2	3,989,192	7,126,446
Other bank balances	16	370,813,315	305,615,980
Foreign Currency Monetary Item Translation Difference Account (See Note 35)		4,119,003	0
		18,012,064,808	**17,027,060,184**
Current Assets			
Current investments	14	771,702,569	1,151,688,770
Inventories	15	501,923,829	460,821,543
Trade receivables	13.1	217,682,663	495,524,674
Cash and bank balances	16	427,170,682	166,471,615
Short-term loans and advances	12	103,299,229	102,115,959
Other current assets	13.2	4,948,177	5,715,196
		2,026,727,149	**2,382,337,757**
TOTAL		**20,038,791,957**	**19,409,397,941**
Background	A		
Significant Accounting Policies	B		

The accompanying notes are an integral part of the Financial Statements.

As per our report of even date

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

per Subramanian Suresh
Partner
Membership No. 83673

Place : New Delhi
Date : May 18, 2012

For and on behalf of the Board of Directors

R. Vasudevan	Chairman
Manish Maheshwari	Managing Director
Sergio Adriano Laura	Managing Director
Mukesh Butani	Director
S. B. Mathur	Director
Sanjay Tiwari	Chief Legal Counsel & Company Secretary

Place : New Delhi
Date : May 18, 2012

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2012

(All amounts are in Indian Rupees, unless otherwise stated)

	Notes	31 March 2012	31 March 2011
Income			
Revenue from Operations (Gross)	17	1,713,840,789	3,476,562,521
Less : Excise Duty		(21,154,787)	(18,259,903)
Revenue from operations (Net)		1,692,686,002	3,458,302,618
(Decrease) in inventories of Crude Oil, Condensate, Natural Gas and Oil Additives	18	(59,207,270)	(15,120,764)
Other Income	19	251,443,050	91,436,943
Total Revenue (I)		**1,884,921,782**	**3,534,618,797**
Expenses			
Purchase of traded goods	20	74,791,740	50,524,873
Operating and Administrative Expenses	21	652,230,199	908,868,698
Repacking Cost	22	26,764,871	21,191,282
Depletion, depreciation and amortization expense	6-8	555,421,366	1,223,288,660
Finance costs	23	110,291,591	124,706,281
Total Expenses (II)		**1,419,499,767**	**2,328,579,794**
Profit Before Tax (I - II)		**465,422,015**	**1,206,039,003**
Tax expenses			
Current tax for the year		76,200,000	239,790,000
Current tax expense relating to prior years		5,652,492	5,848,067
Less: MAT credit entitlement		(69,000,000)	(232,000,000)
Net current tax expenses		12,852,492	13,638,067
Deferred tax		107,151,732	377,044,128
Total Tax Expense		120,004,224	390,682,195
Net Profit		**345,417,791**	**815,356,808**
Earnings per equity share in INR computed on the basis of profit for the year [nominal value of share INR 10 (Previous Year: INR 10)] Basic and Diluted	24	2.65	6.25

The accompanying notes are an integral part of the Financial Statements.

As per our report of even date

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

per Subramanian Suresh
Partner
Membership No. 83673

Place : New Delhi
Date : May 18, 2012

For and on behalf of the Board of Directors

R. Vasudevan	Chairman
Manish Maheshwari	Managing Director
Sergio Adriano Laura	Managing Director
Mukesh Butani	Director
S. B. Mathur	Director
Sanjay Tiwari	Chief Legal Counsel & Company Secretary

Place : New Delhi
Date : May 18, 2012

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2012

(All amounts are in Indian Rupees, unless otherwise stated)

	31 March 2012	31 March 2011
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	465,422,015	1,206,039,003
Adjustments for:		
Depletion, depreciation and amortization expense	555,421,366	1,223,288,660
Provision for compensated absences	299,571	449,482
Provision for doubtful trade and other receivables	(4,418)	73,582
Employee stock compensation expense	106,542	96,241
Unrealized foreign exchange (gain) (net)*	(767,336)	(1,809,014)
Amortization of Foreign Currency Monetary Item Translation Difference Account	1,175,478	2,501,862
Excess Liabilities / Provisions Written Back	(24,463,158)	(9,968,767)
Net gain on sale of assets	(160,330)	(830,872)
Interest on Fixed Term Loans	104,750,600	118,590,363
Other finance charges	5,540,991	6,115,918
Interest income	(117,353,450)	(23,722,179)
Dividend income	(101,995,747)	(52,689,390)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	887,972,124	2,468,134,889
Movements in working capital :		
(Decrease) in trade payables, other liabilities and provisions	(190,553,347)	(359,179,487)
Decrease / (Increase) in trade receivables	278,613,765	(66,096,263)
(Increase) in inventories	(41,102,287)	(10,759,139)
(Increase) / Decrease in loans and advances and other assets	(57,919,092)	51,402,691
CASH GENERATED FROM OPERATIONS	877,011,163	2,083,502,691
Taxes paid (net of refunds)	(240,008,233)	(443,728,164)
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	637,002,930	1,639,774,527
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets (including CWIP and capital advances)	(106,570,936)	(256,088,561)
Proceeds from sale of fixed assets	602,921	1,858,853
Proceeds from sale of investments	0	78
Interest received	117,442,786	24,004,414
Dividend received	101,995,747	52,689,390
NET CASH FLOW FROM / (USED IN) INVESTING ACTIVITIES (B)	113,470,518	(177,535,826)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term borrowings	(753,099,746)	(569,966,612)
Dividend Paid (including Dividend Tax)	0	(76,083,298)
Interest paid	(106,476,652)	(120,234,503)
NET CASH FLOW (USED IN) FINANCING ACTIVITIES (C)	(859,576,398)	(766,284,413)
NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C)	(109,102,950)	695,954,288
Cash and cash equivalents at the beginning of the year	1,292,599,423	596,645,135
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	1,183,496,473	1,292,599,423
COMPONENTS OF CASH AND CASH EQUIVALENTS		
Cash on hand	2,024	2,795
Balances with banks* (See Note 16)		
- on deposit account	683,582,067	385,998,319
- on current accounts	110,121,560	80,729,229
Adjustment for Lien Marked Deposits / Accounts (See Note 16)	(91,308,414)	(61,476,606)
Adjustment for Site Restoration Deposits (See Note 16)	(290,554,369)	(264,294,120)
Current Investment - Units of Liquid and Liquid Plus Schemes of Mutual Funds (See Note 14)	771,653,605	1,151,639,806
TOTAL CASH AND CASH EQUIVALENTS	1,183,496,473	1,292,599,423
*includes effect of exchange loss of INR Nil (Previous Year: INR 341,711) on translation of foreign currency cash and cash equivalents.		

The accompanying notes are an integral part of the Financial Statements.

As per our report of even date

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

per Subramanian Suresh
Partner
Membership No. 83673

Place : New Delhi
Date : May 18, 2012

For and on behalf of the Board of Directors

R. Vasudevan	Chairman
Manish Maheshwari	Managing Director
Sergio Adriano Laura	Managing Director
Mukesh Butani	Director
S. B. Mathur	Director
Sanjay Tiwari	Chief Legal Counsel & Company Secretary

Place : New Delhi
Date : May 18, 2012

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

(All amounts are in Indian Rupees, unless otherwise stated)

A. Background

Hindustan Oil Exploration Company Limited ('the Group') 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 disclosed in Note 29.

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'.

B. 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) 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, 2012, statement of profit and loss and cash flows of the Group for the year ended March 31, 2012.

(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, 2012.

(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.

(iii) 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 recognized prospectively.

(iv) Fixed Assets and depreciation, depletion and amortization:

Fixed assets comprises the following:

- Tangible assets:

  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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

(All amounts are in Indian Rupees, unless otherwise stated)

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

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

- Intangible assets:

  Intangible assets comprising computer software is amortised over the license period or 10 years, whichever is lower.

- Producing property and Exploration / Development work-in-progress:

  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 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) above no longer apply.

(v) 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

(All amounts are in Indian Rupees, unless otherwise stated)

(vi) 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.

(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 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

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 basis / 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 ascertained on a specific identification basis. Inventories include Packed, Unpacked stock and Packing Materials. Cost of Unpacked material includes cost of materials (net of Cenvat / VAT), Customs duty, Insurance, Freight, Clearing Charges. Cost of Packed Materials includes materials and repacking cost. Excise duty liability is included in the valuation of closing inventory of Packed Materials. Obsolescence of inventory is determined on the material consumption pattern / specific review and is accordingly provided for.

(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) 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.

(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 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 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

(All amounts are in Indian Rupees, unless otherwise stated)

(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 translations into Indian Rupees at the rates 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 recognized as income or as expenses in the period in which they arise.

Exchange differences, 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 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 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, 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.

(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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

(All amounts are in Indian Rupees, unless otherwise stated)

	31 March 2012	31 March 2011
1. Share Capital		
Authorised Shares		
200,000,000 (Previous Year: 200,000,000) equity shares of INR 10 each	2,000,000,000	2,000,000,000
Issued Shares		
130,563,363 (Previous Year: 130,563,363) equity shares of INR 10 each	1,305,633,630	1,305,633,630
Subscribed and Fully Paid up		
130,493,289 (Previous Year: 130,493,289) equity shares of INR 10 each	1,304,932,890	1,304,932,890
Add : Amount Paid-up on Shares Forfeited	160,115	160,115
Total issued, subscribed and fully paid-up share capital	1,305,093,005	1,305,093,005

(a) Reconciliation of equity shares outstanding at the beginning and at the end of the reporting period

	31 March 2012		31 March 2011	
	No.	INR	No.	INR
At the beginning of the period	130,493,289	1,304,932,890	130,493,289	1,304,932,890
Issued during the period	0	0	0	0
Outstanding at the end of the period	130,493,289	1,304,932,890	130,493,289	1,304,932,890

(b) Terms / rights attached to equity shares

The Company has only one class of equity shares having par value of INR 10 per share. Each holder of equity shares is entitled to one vote per share.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive assets of the Company remaining after settlement of all liabilities. The distribution will be in proportion to the number of equity shares held by the shareholders.

(c) Details of shareholders holding more than 5% shares in the Company

	31 March 2012		31 March 2011	
	No.	% holding	No.	% holding
Housing Development Finance Corporation Limited	14,826,303	11.36	14,826,303	11.36
Shares held by Promoter and Promoter Group				
Burren Shakti Limited 35,440,913 (Previous Year: 35,440,913) shares of INR 10 each	35,440,913	27.16	35,440,913	27.16
Burren Energy India Limited 12,766 (Previous Year: 12,766) shares of INR 10 each	12,766	0.01	12,766	0.01
Eni UK Holding Plc 26,115,455 (Previous Year: 26,115,455) shares of INR 10 each	26,115,455	20.01	26,115,455	20.01
	61,569,134	47.18	61,569,134	47.18

As per records of the Company, including its register of shareholders / members, the above shareholding represents legal ownerships of shares.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

(All amounts are in Indian Rupees, unless otherwise stated)

	31 March 2012	31 March 2011
2. Reserves and Surplus		
Securities premium account	7,841,521,473	7,841,521,473
General Reserve	2,000,000	2,000,000
Surplus in the Statement of Profit and Loss		
Balance as per last financial statements	2,669,651,037	1,930,377,527
Profit for the Year	345,417,791	815,356,808
Less: Interim Dividend	0	(65,246,645)
Less: Tax on Interim Dividend	0	(10,836,653)
Net surplus in the Statement of Profit and Loss	3,015,068,828	2,669,651,037
Total Reserves and Surplus	10,858,590,301	10,513,172,510

	Non-current portion		Current maturities	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
3. Long-term Borrowings				
Term Loans (Secured)				
From banks (Foreign Currency) (See Note a below)	157,044,064	266,335,419	78,521,826	104,482,004
From banks (Rupee) (See Note b below)	59,900,000	131,900,000	72,000,000	84,100,000
Loan and Advances from Related Party (Unsecured)				
ENI Finance International (Foreign Currency) *(earlier known as ENI Coordination Center S.A., Belgium)* (See Note c below)	5,024,175,000	4,855,775,000	515,300,000	451,700,000
	5,241,119,064	5,254,010,419	665,821,826	640,282,004
The above amount includes				
Amount disclosed under the head "other current liabilities" (See Note 5)	0	0	(665,821,826)	(640,282,004)
Net amount	5,241,119,064	5,254,010,419	0	0

Notes:

a. The term loans from banks (Foreign Currency) include:

(I) Loan from State Bank of India: INR Nil (Previous Year: INR 95,495,432); term loan was 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.

(II) Loan from Axis Bank Limited: INR 235,565,890 (Previous Year: INR 275,321,991); term loan 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 the PY-1 Trust and Retention Accounts. The Loan is to be paid in variable installments over a period upto Financial Year 2014-2015.

b. The term loan from banks (Rupee) includes: Loans from HDFC Bank Limited and Axis Bank Limited INR 131,900,000 (Previous Year: INR 216,000,000); term loans 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; the loans are to be paid in variable installments over a period upto Financial Year 2013-2014.

c. Loan from Related Party (Unsecured) includes: Unsecured loan USD 107,500,000 (Previous Year: USD 117,500,000) is to be paid in variable installments over a period upto Financial Year 2015-2016.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

(All amounts are in Indian Rupees, unless otherwise stated)

	Long-term		Short-term	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
4. Provisions				
Provision for employee benefits				
Provision for gratuity	85,476	86,689	1,412,525	3,334,658
Provision for compensated absences	4,902,578	4,623,898	128,646	0
	4,988,054	**4,710,587**	**1,541,171**	**3,334,658**
Other provisions				
Provision for site restoration (See Note a below)	904,142,500	794,432,500	0	0
Provision for Wealth Tax (net of advance tax)	0	0	465,195	446,072
	904,142,500	**794,432,500**	**465,195**	**446,072**
	909,130,554	**799,143,087**	**2,006,366**	**3,780,730**

Note:

	31 March 2012	31 March 2011
a. Provision for site restoration		
Opening balance	794,432,500	801,505,000
Effect of changes in Foreign Exchange Rates	109,710,000	(7,072,500)
Closing balance	**904,142,500**	**794,432,500**

	31 March 2012	31 March 2011
5. Current Liabilities		
Trade payables		
Micro, Small & Medium Enterprises (See Note a below)	1,281,362	652,810
Others	209,437,834	210,719,645
	210,719,196	**211,372,455**
Other current liabilities		
Current maturities of long-term borrowings	665,821,826	640,282,004
Unclaimed / Unpaid Dividend (See Note b below)	3,840,125	4,919,031
Unclaimed / Unpaid Share Application Money (See Note b below)	438,221	438,221
Creditor for Capital Expenditure	258,433,960	241,882,907
Other Payables		
Statutory dues payable	49,530,379	34,046,838
Security Deposits	2,785,001	1,860,001
Other Payable	101,180,297	76,256,082
Advances from customers	418,704	607,425
	1,082,448,513	**1,000,292,509**

Notes:

a. Details of dues to Micro, Small & Medium Enterprises as per MSMED Act, 2006

	31 March 2012	31 March 2011
Principal amount payable (but not due) to suppliers under the MSMED Act as at year end	1,281,362	682,103
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
	1,281,362	682,103

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

b. There are no amounts due and outstanding to be credited to the Investor Education and Protection Fund.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

(All amounts are in Indian Rupees, unless otherwise stated)

	Fixed Assets	GROSS BLOCK					DEPLETION, DEPRECIATION AND AMORTIZATION EXPENSE				NET BLOCK	
		Balance as at 1 April 2011	Additions	(Disposals)/ Transfers	Exchange Differences	Balance as at 31 March 2012	Balance as at 1 April 2011	For the year	(Disposals)	Balance as at 31 March 2012	Balance as at 31 March 2012	Balance as at 31 March 2011
6	Tangible Assets											
	Land	23,927,774	0	0	0	23,927,774	0	0	0	0	23,927,774	23,927,774
	Buildings (See Note a below)	104,331,788	0	0	0	104,331,788	33,580,360	3,537,571	0	37,117,931	67,213,857	70,751,428
	Plant & Equipment	1,184,665	703,000	(183,551)	0	1,704,114	757,928	280,415	(165,539)	872,804	831,310	426,737
	Furniture & Fixture	6,646,072	268,548	(667,370)	0	6,247,250	5,840,335	188,347	(633,687)	5,394,995	852,255	805,737
	Vehicles	5,732,197	1,286,675	(1,955,171)	0	5,063,701	5,158,077	414,681	(1,696,078)	3,876,680	1,187,021	574,120
	Office Equipments	10,152,960	476,712	(1,294,670)	0	9,335,002	8,372,557	302,348	(1,191,976)	7,482,929	1,852,073	1,780,403
	Others – Computer	7,356,131	404,432	(843,552)	0	6,917,011	6,081,698	659,901	(814,442)	5,927,157	989,854	1,274,433
	Improvement to Lease Hold Premises	234,000	1,666,810	0	0	1,900,810	234,000	333,362	0	567,362	1,333,448	0
		159,565,587	4,806,177	(4,944,314)	0	159,427,450	60,024,955	5,716,625	(4,501,722)	61,239,858	98,187,592	99,540,632
	Previous Year	164,005,171	2,142,177	(6,581,761)	0	159,565,587	60,194,457	5,429,988	(5,599,490)	60,024,955	99,540,632	
7	Intangible Assets											
	Computer Software	24,379,711	1,578,660	0	0	25,958,371	23,949,245	762,815	0	24,712,060	1,246,311	430,466
	Previous Year	24,262,842	116,869	0	0	24,379,711	23,720,317	228,928	0	23,949,245	430,466	
8	Producing Properties (See Note b, c, d below)	17,643,725,111	131,927,793	(1,287,349)	870,163,734	18,644,529,289	2,844,208,967	548,941,926	0	3,393,150,893	15,251,378,396	14,799,516,144
	Previous Year	17,572,116,781	139,144,695	(45,710)	(67,490,655)	17,643,725,111	1,626,579,223	1,217,629,744	0	2,844,208,967	14,799,516,144	
9	Exploration / Development work in progress											
	Development Expenditure	31,468,754	65,490,721	(57,610,904)	0	39,348,571	0	0	0	0	39,348,571	31,468,754
	Exploration Expenditure	979,400,523	220,131,845	(32,045)	0	1,199,500,323	0	0	0	0	1,199,500,323	979,400,523
		1,010,869,277	285,622,566	(57,642,949)	0	1,238,848,894	0	0	0	0	1,238,848,894	1,010,869,277
	Previous Year	654,301,550	423,525,961	(66,958,234)	0	1,010,869,277	0	0	0	0	1,010,869,277	

Notes:

a. Gross block and net block of Buildings includes an amount of INR 28,238,883 (Previous Year: INR Nil) and INR 11,216,890 (Previous Year: INR Nil) respectively for assets given on operating lease.

b. Producing Properties includes assets used in connection with petroleum operations.

c. Due to high production shut down (44%) in PY-1 Field on account of buyer not able to off-take gas, the Company has charged additional depreciation (over and above the Unit of Production "(UOP)" method) in line with its accounting policy to comply with minimum rates of depreciation under Schedule XIV of the Companies Act, 1956. Depreciation on Producing Properties includes additional depreciation (over and above "UOP") of INR 50,219,383 for the year ended March 31, 2012.

d. Addition to Producing Properties (Exchange Differences) include increase in undiscounted estimated future Site Restoration cost of INR 109,710,000 (Previous Year: decrease of INR 7,072,500).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

(All amounts are in Indian Rupees, unless otherwise stated)

	31 March 2012	31 March 2011
10. Non-Current Investment		
Non-Trade Investment		
100,000 (Previous Year: 100,000) Equity Shares of INR 10 each of Gujarat Securities Limited	1,000,000	1,000,000
Less : Provision for diminution in value of Investment in Gujarat Securities Limited	(999,999)	(999,999)
Total	1	1
Aggregate amount of unquoted investment	1,000,000	1,000,000

	31 March 2012	31 March 2011
11. Deferred Tax Liabilities (net)		
Deferred Tax Asset		
Exploration Expenses	294,014,049	301,077,000
Doubtful Advances	996,369	5,739,543
Employee Related Costs	3,647,799	3,850,276
Unabsorbed Business Losses and Depreciation	1,769,013,219	1,476,261,023
Others	12,634,387	5,033,932
Sub Total (A)	2,080,305,823	1,791,961,774
Deferred Tax Liability		
Depreciation, Depletion and amortization of Fixed Assets	2,508,654,370	2,114,495,000
Foreign Currency Monetary Item Translation Difference Account	1,336,411	0
Sub Total (B)	2,509,990,781	2,114,495,000
Net Deferred Tax Liabilities (B – A)	429,684,958	322,533,226

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

(All amounts are in Indian Rupees, unless otherwise stated)

	Non-current		Current	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
12. Loans and advances				
Unsecured and considered good				
Capital advances	14,150,371	18,539,646	0	0
Security deposit	8,504,930	8,440,108	7,899	1,006,900
Loan and advances to related parties	0	0	0	0
Advances recoverable in cash or kind	17,901,508	1,231,053	88,242,309	92,462,789
(A)	**40,556,809**	**28,210,807**	**88,250,208**	**93,469,689**
Other loans and advances				
(unsecured and considered good)				
Advance income tax [Net of Provision for Taxation of INR 1,267,556,946 (Previous Year: INR 1,195,105,129)]	565,504,699	407,329,835	0	0
MAT credit entitlement (See Note a below)	436,362,448	367,362,448	0	0
Fringe benefit tax paid [Net of Provision for Fringe Benefit Taxation of INR 9,986,322 (Previous Year: INR 9,986,322)]	1,058,148	1,058,148	0	0
Central Excise PLA Balance	0	0	183,156	144,438
Service Tax Input credit	0	0	706,297	1,968,257
Prepaid expenses	0	0	14,159,568	6,533,575
(B)	**1,002,925,295**	**775,750,431**	**15,049,021**	**8,646,270**
Unsecured and considered doubtful				
Capital advances	1,354,621	1,354,621	0	0
Advances recoverable in cash or kind	0	14,202,235	0	0
Less: provision for Doubtful claims	(1,354,621)	(15,556,856)	0	0
(C)	**0**	**0**	**0**	**0**
Total (A+B+C)	**1,043,482,104**	**803,961,238**	**103,299,229**	**102,115,959**

Note:

a. 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 INR 69,000,000 (Previous Year: INR 232,000,000) 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.

	Current	
	31 March 2012	31 March 2011
13. Trade receivables and other assets		
13.1 Trade receivables		
Secured, considered good		
Outstanding for a period exceeding six months from the date they are due for payment	0	0
Other receivables	1,923,644	1,577,313
	1,923,644	**1,577,313**
Unsecured, considered good		
Outstanding for a period exceeding six months from the date they are due for payment	187,887	501,558
Other receivables	215,571,132	493,445,803
Doubtful	1,716,060	1,720,478
Less : Provision for doubtful trade receivables	(1,716,060)	(1,720,478)
	217,682,663	**495,524,674**

	Non-current		Current	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
13.2 Other assets				
Unsecured, considered good				
Ancillary cost of arranging the borrowings	3,989,192	7,126,446	3,137,254	3,814,939
Interest accrued on deposits and investments	0	0	1,810,923	1,900,257
	3,989,192	**7,126,446**	**4,948,177**	**5,715,196**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

(All amounts are in Indian Rupees, unless otherwise stated)

	31 March 2012	31 March 2011
14. Current Investments		
Quoted equity instrument		
318 (Previous Year: 318) Equity Shares of INR 10 each of Reliance Industries Limited	25,975	25,975
318 (Previous Year: 318) Equity Shares of INR 5 each of Reliance Communication Ventures Limited	19,332	19,332
23 (Previous Year: 23) Equity Shares of INR 10 each of Reliance Infrastructure Limited	3,219	3,219
15 (Previous Year: 15) Equity Shares of INR 10 each of Reliance Capital Limited	166	166
79 (Previous Year: 79) Equity Shares of INR 10 each of Reliance Power Limited	272	272
(A)	48,964	48,964
Unquoted mutual funds		
Units of Liquid / Liquid plus schemes of Mutual Funds		
3,067,035 (Previous Year: 2,863,462) Units of INR 10 each of ICICI Prudential Floating Rate Plan D-Daily Dividend - Dividend Reinvestment	306,864,540	286,412,040
23,185,924 (Previous Year: Nil) Units of INR 10 each of Kotak Floater Short Term - Daily dividend	234,553,448	0
124,465 (Previous Year: 390,204) Units of INR 1,000 each of UTI Treasury Advantage Fund - Institutional Plan (Daily Dividend Option) - Reinvestment	124,492,492	390,287,807
468,568 (Previous Year: Nil) Units of INR 10 each of Birla Sun Life Cash Plus Fund - Institutional premium - Daily Dividend	46,948,173	0
Nil (Previous Year: 3,882,390) Units of INR 10 each of Kotak Floater Long Term Fund - Daily Dividend	0	39,133,719
Nil (Previous Year: 7,223,444) Units of INR 10 each of HDFC Cash Management Fund - Treasury Advantage Plan - Wholesale - Daily Dividend - Reinvestment	0	72,461,975
Nil (Previous Year: 28,630,123) Units of INR 10 each of Birla Sun Life Ultra Short term Fund - Institutional - Daily Dividend	0	286,458,692
Nil (Previous Year: 2,172,161) Units of INR 10 each of HDFC Cash Management Fund - Saving Plan - Daily Dividend - Reinvestment	0	23,103,975
4,367,179 (Previous Year: 4,077,757) Units of INR 10 each of HDFC Liquid Fund - Treasury Advantage Plan - Daily Dividend Reinvestment	43,809,359	40,906,017
141,728 (Previous Year: 121,772) Units of INR 100 each of ICICI Prudential Flexible Income Plan - Daily Dividend Reinvestment	14,985,593	12,875,581
(B)	771,653,605	1,151,639,806
Total (A)+(B)	771,702,569	1,151,688,770
For method of valuation, please refer section vii of Significant Accounting Policies (Note B).		
Aggregate amount of Quoted Investment	48,964	48,964
Market Value of Quoted Investment	290,520	402,764
Aggregate amount of Unquoted Investment	771,653,605	1,151,639,806

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

(All amounts are in Indian Rupees, unless otherwise stated)

	Current	
	31 March 2012	31 March 2011
15. Inventories		
Crude Oil, Condensate and Natural Gas	43,363,769	114,565,190
Stores, Spares, Capital Stock and Drilling Tangibles	425,530,097	325,863,149
A	**468,893,866**	**440,428,339**
i. Stock of traded goods		
a. Unpacked		
Oil Additives	7,536,453	5,789,769
Lubricants	2,884,916	0
Car Care	1,030,940	633,789
	11,452,309	6,423,558
b. Packed		
Oil Additives	12,076,050	4,669,654
Lubricants	2,313,905	0
Car Care	1,863,125	1,896,888
	16,253,080	6,566,542
ii. Unpacked Stock in transit	2,138,957	5,495,577
iii. Stock of Packing Material	3,185,617	1,907,527
B = (ia+ib+ii+iii)	33,029,963	20,393,204
Total (A+B)	**501,923,829**	**460,821,543**

For method of valuation, please refer section viii of Significant Accounting Policies (Note B).

	Non-current		Current	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
16. Cash and bank balances				
Cash and cash equivalents				
Balances with banks:				
On current accounts (See Note a below)	0	0	110,121,560	80,729,229
Deposits with original maturity of less than 3 months (See Note b below)	0	0	308,911,768	55,632,963
Cash on hand	0	0	2,024	2,795
(A)	**0**	**0**	**419,035,352**	**136,364,987**
Other bank balances				
Unclaimed / Unpaid Dividend Accounts	0	0	3,840,125	4,919,031
Unclaimed / Unpaid Share Application Money	0	0	438,221	438,221
Deposits with original maturity of more than 3 months but less than 12 months	0	0	0	0
Deposits with original maturity of more than 12 months (See Note c below)	370,813,315	305,615,980	3,856,984	24,749,376
(B)	**370,813,315**	**305,615,980**	**8,135,330**	**30,106,628**
Total (A+B)	**370,813,315**	**305,615,980**	**427,170,682**	**166,471,615**

Notes:

a. Current accounts include lien marked amount of INR 2,137,598 (Previous Year: INR 941,993)

b. Deposits (with original maturity of less than 3 months) include lien marked deposits of INR 8,911,869 (Previous Year: INR 19,212,753)

c. Deposits (with original maturity of more than 12 months) include (a) lien marked deposits of INR 80,258,947 (Previous Year: INR 41,321,860) and (b) deposits of INR 290,554,369 (Previous Year: INR 264,294,120) placed as "Site Restoration Fund" under Section 33ABA of Income Tax Act, 1961.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

(All amounts are in Indian Rupees, unless otherwise stated)

	31 March 2012	31 March 2011
17. Revenue from Operations		
Sales		
Sale of Crude oil, condensate and natural gas (See Notes a & b below)	1,663,227,213	3,569,940,961
Less: Profit petroleum to Government of India	(156,359,728)	(278,501,942)
(A)	**1,506,867,485**	**3,291,439,019**
Sale of traded goods	185,005,978	166,135,113
Add: Excise Duty	21,154,787	18,259,903
(B)	**206,160,765**	**184,395,016**
Other operating revenue (C)	**812,539**	**728,486**
Total (A+B+C)	**1,713,840,789**	**3,476,562,521**

Notes:

a. During Financial Year ended March 31, 2012, the production from PY-1 Field was shut down for a cumulative of 159 days as the buyer was not able to off-take the gas due to end user limitations

b. Hardy Exploration & Production (India) Inc., (Hardy), Operator of PY-3 Field, has notified the Company that the PY-3 Field has been temporarily shut-in on July 31, 2011 pending Management Committee approval of the award of a contract for floating production system (FPS). Hardy is working closely with the authorities, contractors and certification agencies to recommence the production from PY-3 Field.

	31 March 2012	31 March 2011
18. (Decrease) in inventories of Crude Oil, Condensate, Natural Gas and Oil Additives		
Inventories at the end of the year	71,069,158	127,555,290
Inventories at the beginning of the year	127,555,290	115,176,010
	(56,486,132)	**12,379,280**
Less: Profit petroleum to Government of India	2,721,138	27,500,044
Net (Decrease) in inventories	**(59,207,270)**	**(15,120,764)**

	31 March 2012	31 March 2011
19. Other Income		
Interest income on		
Bank deposits	31,661,157	23,622,752
Income Tax refund (See Note a below)	73,812,440	0
Other Interest (See Note b below)	11,879,853	99,427
Dividend income on current investments	101,990,236	52,688,859
Dividend income on long term investments	5,511	531
Renting of Immovable property	0	0
Gain on Sale / Discard of Asset (net)	214,731	960,283
Exchange difference	0	2,272,614
Excess Provision written back (See Note c below)	24,463,158	9,968,767
Miscellaneous Income (See Note d below)	7,415,964	1,823,710
	251,443,050	**91,436,943**

Notes:

a. Interest received on refund of Income Tax pursuant to favorable Income Tax Appellate Tribunal award.

b. Interest received pursuant to a favorable award from the Arbitration Tribunal in relation to a dispute with ONGC / Government of India for GN-ON-90/3 Block.

c. Includes reversal of provision of INR 14,202,235 pursuant to favorable award of Arbitration Tribunal (See Note b above).

d. Includes an amount of INR 4,250,000 received pursuant to settlement in relation to a dispute with Mafatlal Industries Limited in GN-ON-90/3 Block.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

(All amounts are in Indian Rupees, unless otherwise stated)

	31 March 2012	31 March 2011
20. Purchase of Traded Goods		
Additives	58,948,785	46,321,827
Lubricants	4,956,421	0
Car Care	8,244,951	4,573,246
Municipal Cess Tax	766,749	553,606
Increase / (Decrease) in Excise duty on closing stock	2,726,511	(427,208)
Cost of Samples & Replacements	(851,677)	(496,598)
	74,791,740	**50,524,873**

		31 March 2012	31 March 2011
21. Operating and Administrative Expenses			
A. Employee Benefit Expenses			
Salaries, Wages and Bonus		107,229,487	127,769,774
Contribution to :			
(i) Provident Fund		5,958,475	5,412,866
(ii) Gratuity Fund (See Note 27)		1,634,264	1,062,722
(iii) Superannuation Fund		5,577,951	4,984,091
Compensated Absences		128,190	106,511
Staff welfare expenses		5,265,610	4,589,910
Total Employee Benefit Expenses	(A)	**125,793,977**	**143,925,874**
B. Operating Expenses			
Hire Charges & Rent		76,966,913	207,699,344
Insurance		31,574,886	34,063,686
Fuel, Water and Others		8,494,746	10,326,998
Repairs and Maintenance – Plant and Machinery		45,020,363	19,588,286
Manpower Costs & Overheads		140,928,643	132,524,367
Transportation and Logistics		102,294,678	154,581,370
Consumables		1,120,597	1,384,027
Royalty, Cess & Other Duties		82,811,307	202,321,065
Other Production Expenses		45,718,621	28,438,117
Total Operating Expenses	(B)	**534,930,754**	**790,927,260**
C. Administrative Expenses			
Office and Guest House Rent		14,737,252	14,762,311
Warehousing Services		0	0
Product Promotion Expenses		18,409,066	16,396,921
Incentives for Marketing		6,308,499	6,036,568
Rebates & Discounts		11,848,058	11,452,825

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012
(All amounts are in Indian Rupees, unless otherwise stated)

		31 March 2012	31 March 2011
C. Administrative Expenses (Contd.)			
Sales Promotion		2,908,454	1,786,610
Field Staff Expenses		3,176,595	2,565,483
Electricity		2,003,119	2,194,105
Rates and Taxes		757,109	616,265
Repairs and Maintenance - Others		5,314,270	11,697,119
General Office Expenses		1,216,260	874,362
Travelling and Conveyance		5,635,871	9,093,059
Communication Expenses		3,419,373	4,661,666
Membership & Subscription		1,638,713	1,367,278
Legal and Professional Expenses (See Note a below)		23,318,462	48,401,958
Insurance		330,830	353,256
Directors' Sitting Fees and Commission		1,020,000	3,195,000
Printing and Stationary		2,820,831	3,631,070
Miscellaneous Expenses		10,129,679	7,684,502
Provisions for Doubtful debts		70,065	160,075
Loss on Foreign exchange		20,049,498	0
	(i)	**135,112,004**	**146,930,433**
Payment to Auditor:			
As Auditor: (See Note a, b and c below)			
Audit Fee		2,450,740	1,808,905
Tax Audit Fee		137,360	125,000
Limited Review		413,625	150,000
Reimbursements		287,675	92,344
In Other Capacity:			
Other Services		31,800	35,200
Company Law Matters		0	25,000
Cost Audit Fees		224,720	0
	(ii)	**3,545,920**	**2,236,449**
Total Administrative Expenses	C = (i+ii)	**138,657,924**	**149,166,882**
Total Employee Benefits, Operating and Administrative Expenses	(A+B+C)	**799,382,655**	**1,084,020,016**
Less: Recovery of Expenditure (See Note 33)		(147,152,456)	(175,151,318)
Total Employee Benefits, Operating and Administrative Expenses		**652,230,199**	**908,868,698**

Notes:

a. Legal and Professional Expenses for the previous year includes and Auditors' Remuneration excludes INR 750,000 (excluding service tax) paid towards tax matters to a firm in which some partners of the erstwhile audit firm were partners.

b. Auditors' Remuneration for the previous year includes INR 244,236 (excluding service tax) paid to erstwhile audit firm.

c. Auditors' Remuneration for the previous year excludes INR 202,831 paid towards service tax for which service tax input credit has been availed.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

(All amounts are in Indian Rupees, unless otherwise stated)

	31 March 2012	31 March 2011
22. Repacking Cost		
Packing Material	19,664,101	15,572,186
Repacking Cost	6,871,952	5,445,006
Municipal Cess Tax	228,818	174,090
	26,764,871	**21,191,282**

	31 March 2012	31 March 2011
23. Finance Costs		
Interest on Fixed Term Loans	103,440,520	117,763,626
Interest (Others)	1,245,775	740,752
Bank Charges and Commission	1,790,356	1,730,125
Amortization of Ancillary Borrowing Cost	3,814,940	4,471,778
	110,291,591	**124,706,281**

	31 March 2012	31 March 2011
24. Earnings Per Share (EPS) The following reflects the profit and share data used in the basic and diluted EPS computations		
Profit After Tax as per Statement of Profit & Loss (used for both calculation of basic and diluted EPS)	**345,417,791**	**815,356,808**
	No.	No.
Weighted average number of equity shares used in calculating basic & diluted EPS	130,493,289	130,493,289
Earnings per equity share in INR computed on the basis of profit for the year Basic and Diluted	2.65	6.25

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

(All amounts are in Indian Rupees, unless otherwise stated)

25. 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 is as below:

Particulars	HOEC Bardahl India Limited	
	FY 2011-2012	FY 2010-2011
Capital	5,000,200	5,000,200
Reserves	86,268,820	75,782,288
Total Assets	73,124,977	65,214,110
Total Liabilities	40,650,909	38,213,220
Investments (See note below)	58,794,952	53,781,598
Turnover	189,935,346	170,151,377
Profit Before Taxation	23,490,756	27,041,517
Provision for Taxation	(13,004,224)	(13,682,195)
Profit After Taxation	10,486,532	13,359,322
Proposed Dividend	0	0

Note:

Details of Investments of HOEC Bardahl India Limited

	2011-2012	2010-2011
Current Unquoted (Non-Trade) UNITS OF LIQUID / LIQUID PLUS SCHEMES OF MUTUAL FUNDS		
HDFC Liquid Fund – Treasury Advantage Plan – Daily Dividend Reinvestment	43,809,359	40,906,017
Prudential ICICI Flexible Income Plan – Premium – Daily Dividend Reinvestment	14,985,593	12,875,581
Total	58,794,952	53,781,598

26. 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 November 09, 2011 approved grant of 34,524 options (Previous Year 17,680 options approved on January 31, 2011) to the 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 from the end of the financial year for which the grant corresponds to. For the year ended March 31, 2012 an aggregate amount of INR Nil (Previous Year INR 20,000,000) 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 prior years amounting to INR 1,976,665 (Previous Year: INR 6,527,308) 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 options are granted 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	
	2011-2012	2010-2011
Outstanding at the beginning of the Year	49,110	34,441
Granted during the Year	34,524	17,680
Forfeited / lapsed during the Year	0	3,011
Exercised during the Year	15,991	0
Outstanding at the end of the Year	67,643	49,110
– Vested	0	0
– Yet to Vest	67,643	49,110

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

(All amounts are in Indian Rupees, unless otherwise stated)

27. 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, 2012

	2011-2012	2010-2011
Statement of Profit & Loss		
Net employee benefit expense recognized in the employee cost		
Current service cost	1,542,997	1,467,758
Interest cost on benefit obligation	768,453	704,504
Expected return on plan assets	(657,631)	(475,188)
Net actuarial (gain) / loss recognized in the year	(19,555)	(634,352)
Past service cost	0	0
Net benefit expense	**1,634,264**	**1,062,722**
Balance sheet		
Benefit asset / (liability)		
Present value of defined benefit obligation	(10,961,645)	(9,397,768)
Fair value of plan assets	9,463,644	5,976,421
Plan asset / (liability)	**(1,498,001)**	**(3,421,347)**
Changes in the present value of the defined benefit obligation are as follows:		
Opening defined benefit obligation	9,397,768	8,608,804
Current service cost	1,542,997	1,467,758
Interest cost	768,453	704,504
Benefits paid	(896,426)	(763,315)
Actuarial (gains) / losses on obligation	148,853	(619,983)
Closing defined benefit obligation	**10,961,645**	**9,397,768**
Changes in the fair value of plan assets are as follows:		
Opening fair value of plan assets	5,976,421	5,072,866
Expected return	657,631	475,188
Contributions by employer	3,557,611	1,177,313
Benefits paid	(896,426)	(763,315)
Actuarial gains / (losses)	168,407	14,369
Closing fair value of plan assets	**9,463,644**	**5,976,421**

Amounts for the current and previous four periods are as follows:

Particulars	2011-2012	2010-2011	2009-2010	2008-2009	2007-2008
Defined benefit obligation	**(10,961,645)**	(9,397,768)	(8,608,804)	(9,924,725)	(7,928,531)
Plan assets	**9,463,644**	5,976,421	5,072,866	3,216,749	1,689,742
Surplus / (deficit)	**(1,498,001)**	(3,421,347)	(3,535,938)	(6,707,976)	(6,238,789)
Experience adjustments on plan liabilities	**148,853**	(619,983)	(169,499)	264,343	1,259,092
Experience adjustments on plan assets	**168,407**	14,369	49,240	50,721	21,521

The principal assumptions used in determining gratuity and for the Company's plans are shown below:

Particulars	2011-2012	2010-2011
Discount rate	8.50%	8.50%
Future salary increase	9.00%	9.00%
Expected rate of return on assets	9.00%	9.00%
Employee turnover	1% to 5%	1% to 5%

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.

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

(All amounts are in Indian Rupees, unless otherwise stated)

b. Compensated Absences

The key assumptions used in computation of provision for long term compensated absences are as given below:

Discount Rate (% p.a.)	8.50%
Future Salary Increase (% p.a.)	9.00%
Mortality Rate	LIC (1994-96) published table
Attrition (% p.a.)	1% to 5%

28. Segmental Reporting

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

	Particulars	2011-2012	2010-2011
1	Segment Revenue		
	— Hydrocarbon	1,474,393,746	3,298,166,749
	— Oil Additives	200,820,107	166,136,196
	— Inter-Company Elimination	(9,856,000)	(7,056,000)
	— Unallocated (See Note 19)	219,563,929	77,371,852
	Gross Sales / Income from Operations	1,884,921,782	3,534,618,797
2	Segment Results		
	— Hydrocarbon	335,179,369	1,228,294,989
	— Oil Additives	20,970,308	25,078,443
	— Unallocated	109,272,338	(47,334,429)
	Total Profit before Tax	465,422,015	1,206,039,003
3	Segment Assets		
	— Hydrocarbon	17,464,553,938	17,795,616,702
	— Oil Additives	60,556,238	57,895,256
	— Unallocated	2,513,681,781	1,555,885,983
	Total Assets	20,038,791,957	19,409,397,941
4	Segment Liabilities		
	— Hydrocarbon	(1,497,366,700)	(1,335,647,485)
	— Oil Additives	(40,650,909)	(38,213,220)
	— Unallocated	(6,337,091,042)	(6,217,271,721)
	Total Liabilities	(7,875,108,651)	(7,591,132,426)
5	Addition in Tangible & Intangible Fixed Assets		
	— Hydrocarbon	1,291,436,053	430,037,854
	— Oil Additives	2,662,876	442,959
	— Unallocated	0	0
	Total Addition in Tangible & Intangible Fixed Assets	1,294,098,925	430,480,813
6	Depreciation and Amortisation		
	— Hydrocarbon	554,598,357	1,222,879,767
	— Oil Additives	823,009	408,893
	— Unallocated	0	0
	Total Depreciation and Amortisation	555,421,366	1,223,288,660
7	Non-Cash Expenses other than Depreciation and Amortisation		
	— Hydrocarbon	707,713	1,142,330
	— Oil Additives	(4,418)	73,582
	— Unallocated	0	0
	Non-Cash Expenses other than Depreciation and Amortisation	703,295	1,215,912

Note:

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

(All amounts are in Indian Rupees, unless otherwise stated)

29. Unincorporated Joint Venture Operations

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

Sl. No	Unincorporated Joint Ventures	Partners	Share (%) As at March 31, 2012	Share (%) As at March 31, 2011
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)	**Exploration Area**		
		Hindustan Oil Exploration Company Limited	50.00	50.00
		Gujarat State Petroleum Corporation Limited	50.00	50.00
		Development Area		
		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* (Pranhita Godavari)	Hindustan Oil Exploration Company Limited	75.00	75.00
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:

* Government approval awaited on the Operator's proposal regarding forward plan of action.

** 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

(All amounts are in Indian Rupees, unless otherwise stated)

30. Details of Oil and Gas Reserves

As at March 31, 2012, 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	MMBBL	9.7	0	0	0.1	9.6
Gas	MMSCM	6,560.3	0	0	142.6	6,417.7

31. Related Party Disclosures

(i) The related parties of the Company as at March 31, 2012 are as follows:

(A) Promoter Group:

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

(B) Other Group Entities:

1. ENI Finance International, S.A., Belgium (formerly known as ENI Coordination Center S.A., Belgium)
2. ENI India Limited, United Kingdom
3. Banque ENI Belgium

(C) Unincorporated Joint Ventures:

As per details given in Note 29 above.

(D) Key Management Personnel:

1. Mr. Manish Maheshwari – Managing Director from September 28, 2011 (Joint Managing Director upto September 27, 2011)
2. Mr. Sergio Laura – Managing Director from September 28, 2011
3. Mr. Luigi Ciarrocchi – Managing Director upto September 27, 2011

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

Particulars	Promoter Group	Other Group Entities	Unincorporated Joint Ventures' Partners	Key Management Personnel
EXPENDITURE				
— Operating Expenditure	0 (0)	25,462,465 (39,262,625)	0 (0)	0 (0)
— Remuneration to Managing Director	0 (0)	0 (0)	0 (0)	24,685,792 (22,782,684)
— Professional Fee	0 (0)	9,159,769 (23,884,733)	0 (0)	0 (0)
— Recovery of Expenses	0 (0)	0 (0)	51,835,762 (75,921,519)	0 (0)
— Interest Paid	0 (0)	78,945,530 (77,136,005)	0 (0)	0 (0)
— Dividends Paid	0 (30,784,567)	0 (0)	0 (0)	0 (0)
— Bank Charges	0 (0)	37,414 (26,492)	0 (0)	0 (0)
LOAN				
— Unsecured Loan Repaid*	0 (0)	496,942,077 (390,025,000)	0 (0)	0 (0)
Loan Outstanding as at Year End*	0 (0)	5,539,475,000 (5,307,475,000)	0 (0)	0 (0)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

(All amounts are in Indian Rupees, unless otherwise stated)

Particulars	Promoter Group	Other Group Entities	Unincorporated Joint Ventures' Partners	Key Management Personnel
CAPITAL EXPENDITURE				
— Exploration Expenditure	0 (0)	14,249,373 (24,992,454)	0 (0)	0 (0)
— Development Expenditure	0 (0)	20,454,219 (121,684,535)	0 (0)	0 (0)
AS AT YEAR END				
Amounts Payable as at Year End	0 (0)	236,010,854 (208,534,245)	0 (0)	0 (0)

* Amount relates to ENI Finance International S.A., Belgium.

Note:

Figures in brackets relate to the Previous Year.

32. Commitments and Contingencies

Particulars	As at March 31, 2012	As at March 31, 2011
(i) Counter Guarantees on account of Bank Guarantees	321,035,786	165,287,440
(ii) Estimated amount of Contracts remaining to be executed and not provided for	179,634,270	77,610,531
(iii) Claims against the Company not acknowledged as debt		
— Income Tax Demands under Appeal	362,820,831	602,982,957
— 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	300,844
— Custom demand where the matter is in appeal	540,464	540,464
(iv) Dispute with Government of India under Arbitration	0	349,341,475
(v) Service Tax Liability (Pertaining to one Unincorporated Joint Venture)	2,139,321	2,139,321
(vi) Hire Charges	51,694,208	51,694,208

33. 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 INR 10,303,863 (Previous Year INR 12,728,726) recovered as parent company overhead pursuant to the respective Production Sharing Contracts.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

(All amounts are in Indian Rupees, unless otherwise stated)

34. Particulars of Unhedged Foreign Currency Exposure

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

Particulars	As at March 31, 2012	As at March 31, 2011
Secured Loans	235,565,890	370,817,423
Unsecured Loans	5,539,475,000	5,307,475,000
Sundry Debtors	46,806,017	248,180,869
Loans and Advances	10,821,287	0
Sundry Creditors	238,243,458	279,760,668
Bank Account and Deposit	0	36,888,166

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

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

Particulars	2011-2012	2010-2011
Exchange Differences capitalised / (decapitalised) to Fixed Assets (Development Expenditure) during the year	760,453,734	(60,418,155)
Closing Balance of Foreign Currency Monetary Item Translation Difference Account as at the end of the year to be amortised in subsequent periods	4,119,003	0
Amount of Net Amortisation of Foreign Currency Monetary Item Translation Difference Account charged to the Profit and Loss Account for the year	1,175,478	(1,175,363)

36. Previous Year Figures

During the year ended 31 March, 2012, the Revised Schedule VI notified under the Companies Act 1956, became applicable to the Group. The Group has presented the Financial Statements in accordance with the requirements of Revised Schedule VI and has hence reclassified and regrouped the previous year's figures to confirm to this year's classification.

As per our report of even date

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

per Subramanian Suresh
Partner
Membership No. 83673

Place : New Delhi
Date : May 18, 2012

For and on behalf of the Board of Directors

R. Vasudevan	Chairman
Manish Maheshwari	Managing Director
Sergio Adriano Laura	Managing Director
Mukesh Butani	Director
S. B. Mathur	Director
Sanjay Tiwari	Chief Legal Counsel & Company Secretary

Place : New Delhi
Date : May 18, 2012

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.
API	–	American Petroleum Institute
AS	–	Accounting Standard
bbl	–	barrel
boe	–	barrels of oil equivalent
bopd	–	barrels of oil per day
boepd	–	barrels of oil equivalent per day
BEE	–	Bureau of Energy Efficiency
CDR	_	Commercial Discovery Report
CFS	–	Consolidated Financial Statement
CPCL	–	Chennai Petroleum Corporation Limited
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
DOC	–	Declaration of Commerciality
DST	–	Drill Stem Test
ECB	–	External Commercial Borrowing
ECC	–	Eni Coordination Center S.A.
EMV	–	Expected Monetary Value
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
HBIL	–	HOEC Bardahl India Limited
HEPI	–	Hardy Exploration and Production (India) Inc.
HOEC	–	Hindustan Oil Exploration Company Limited
HSEC	–	Health, Safety, Environment & Corporate Social Responsibility

INR	–	Indian Rupee
ISDA	_	International Swap and Derivatives Association, Inc.
JOA	–	Joint Operating Agreement
JSA	–	Job Safety Awareness
JV	–	Joint Venture
KPI	_	Key Performance Indicator
LNG	–	Liquefied Natural gas
rLNG	–	Regasified Liquefied Natural Gas
LTI	_	Loss Time Incident
LTIP	–	Long Term Incentive Plan
MAT	_	Minimum Alternate Tax
ML	–	Mining Lease
mmboe	–	Million barrels of oil equivalent
mmbtu	–	Million british thermal unit
mmscfd	–	Million standard cubic feet per day
mmscm	–	Million standard cubic meters
MMBBL	–	Million Barrels
MSG	–	Management System Guidelines
MSMED	–	Micro Small & Medium Enterprises Development Act, 2006
N_2	–	Nitrogen Gas
NEDs	–	Non Executive Directors
NELP	–	New Exploration Licensing Policy
NPV	–	Net Present Value
OECD	–	Organization for Economic Co-operation and Development
OGP	–	International Association of Oil & Gas Producers
OPEC	–	Organization of the Petroleum Exporting Countries
ONGC	–	Oil & Natural Gas Corporation Limited
PI	–	Participating Interest
PoD	–	Plan of Development
rPoD	–	Revised Plan of Development
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
UAE	–	United Arab Emirates
USD $	–	United States Dollar
UJV	–	Unincorporated Joint Venture
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 28th ANNUAL GENERAL MEETING of the Company held on Wednesday, September 26, 2012 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 26, 2012

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 28th Annual General Meeting of the Company to be held on Wednesday, September 26, 2012 at 10:30 A.M. and at any adjournment thereof.

Signed this ______________ day of ______________ 2012.

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

vakils