



SELAN EXPLORATION TECHNOLOGY LIMITED

ANNUAL REPORT 2010 – 2011

Late Mr. R. N. Kapur
Founder and Former Chairman

BOARD OF DIRECTORS

Mr. R. Kapur *Chairman*

Mr. T. Currimbhoy • Mr. V. B. Mahajan • Mr. S. K. Singh

COMPANY SECRETARY

Ms. Gunjan Jain

AUDITORS

V. Sankar Aiyar & Company, Chartered Accountants, New Delhi

BANKERS

Yes Bank • State Bank of India • Corporation Bank

REGISTERED OFFICE

J-47/1, Shyam Vihar, Dindarpur, Najafgarh, New Delhi – 110 043

REGISTRARS & SHARE TRANSFER AGENTS

MCS Ltd., F - 65, First Floor, Okhla Industrial Area Phase – I, New Delhi – 110 020

Your Directors have pleasure in presenting the Annual Report for the year ended 31 March 2011.

FINANCIAL REVIEW

The Company achieved the following results over the past two years :

<u>(Rs.)</u>	<u>2009-10</u>	<u>2010-11</u>
Net Sales	708,046,954	709,490,752
EBIDTA	589,877,960	627,824,389
EBIDTA / Net Sales	83%	88%

Total Reserves and Surplus of the Company have increased from Rs. 1281.07 million to Rs. 1,526.17 million as on 31 March 2011.

REVIEW OF OPERATIONS

During the year, the Company continued with its efforts to complete the seismic programmes being undertaken in all our fields.

The Company expects that reservoir simulation and modeling work should be largely completed during this fiscal year.

In addition, drilling activities for the development of our oilfields has begun with development wells being drilled successfully in the Lohar oilfield. This will be followed with similar activities in our other oil and gas fields.

The Company also continues to be actively engaged in obtaining necessary approvals from various Central and State agencies for the extensive drilling activities being planned.

For a detailed review of the Company's operations and plans, please refer to the Management Discussion and Analysis section on page 4 of this Annual Report.

LOHAR ARBITRATION / PAYMENT OF PROFIT PETROLEUM

The matter of payment of Profit Petroleum for Lohar oilfield is still the subject of judicial review. Please refer to Note 2 of the Notes on Accounts section of this Annual Report for more details.

FINAL DIVIDEND

The Directors are pleased to inform that in the F.Y. 2010-11, the Board of Directors have declared two interim dividends of 15% each, which shall be declared as final dividend for the year 2010-11 subject to approval by the shareholders of the Company in the forthcoming AGM.

BOARD OF DIRECTORS

Mr. T. Currimbhoy retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with the provisions of Section 217(2AA) of the Companies Act, 1956, the Board of Directors do hereby confirm that in the preparation of the Annual Accounts, the applicable Accounting Standards have been duly followed, and for the purpose the Directors have selected the necessary accounting policies and applied them consistently and made judgments / estimates that are reasonable and prudent; so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period, also that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in conformity with the provisions of Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities, and lastly that the Directors have prepared the annual accounts on a going concern basis.

AUDITORS' AND THEIR REPORT

The Auditors, M/s V. Sankar Aiyar & Co., Chartered Accountants, retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The Auditors' Report forms a part of this Annual Report.

CORPORATE GOVERNANCE REPORT

Pursuant to Clause 49 of the Listing Agreement, Management Discussion and Analysis and a Report on Corporate Governance alongwith certificate from Auditors regarding compliance of conditions of Corporate Governance is annexed to Directors' Report. A declaration by the CEO (Manager) regarding the compliance with the Code of Conduct also forms part of this Annual Report.

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

The activities undertaken by your Company do not fall under the scope of disclosure of particulars under Section 217(1)(e) of the Companies Act, 1956, to the extent where it relates to the conservation of energy and technology absorption. Particulars with regard to foreign exchange outgo appear as point no. 15 of the Notes forming Part of the Accounts.

PERSONNEL

The names and particulars of the employees required to be disclosed, in terms of the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, forms part of the annexure to the Directors' Report. However, in terms of Section 219(1)(b)(iv) of the Companies Act, 1956, the Annual Report excluding the aforesaid annexure is being sent to the shareholders of the Company and others entitled thereto. Any member interested in obtaining a copy of the said annexure may write to the Company Secretary at the registered office of the Company.

ACKNOWLEDGEMENTS

The accretion of a sincere and motivated team of personnel is exceedingly valuable in the progress of a Company. Your Company is fortunate to have a team whose endeavors have laid a strong foundation for the success of the organization as a whole. Your Directors acknowledge the exemplary contribution made by the employees of the Company.

On behalf of the Company, we wish to convey our thanks to Ministry of Petroleum and Natural Gas (MoPNG), Directorate General of Hydrocarbons (DGH), Ministry of Environment and Forests (MoEF), Government of India and the Bankers of the Company for their continuous support, cooperation and guidance. The Directors value the trust shown by the shareholders in their ability to manage the Company. We expect that with the ongoing encouragement and support of our shareholders, we shall be successful in achieving the desired objectives in the near future.

For and on Behalf of the Board

20 July 2011
New Delhi

R. KAPUR
Chairman

1. Industry Structure and Developments

Government has awarded and signed a number of Production Sharing Contracts with Private Sector Oil Companies for Exploration Blocks under New Exploration Licensing Policy (NELP) and Coal Bed Methane (CBM) Projects. Further, the Government is expected to launch new E & P blocks under Open Acreage Bidding. This would result in expansion of the industry alongwith creation of new employment opportunities in the oil industry. The Private Sector with its Joint Ventures has contributed significantly in discovering an impressive amount of oil and gas (onshore / offshore), leading to improved exploitation of existing oil reserves in the Country. As a result, the domestic crude oil production is improving visibly with regular contributions of crude production from private operators, thus reducing foreign exchange outflow on crude imports. Oil sector, today, is one of the most booming sectors where newer growth avenues for business and employment are opening up. Nevertheless, crude oil still represents India's single largest item of import.

2. Outlook

Production Sharing Contracts (PSCs) with the Government of India were signed by SELAN in 1995 for Bakrol, Indrora and Lohar oilfields. Further, the Company was also awarded Contracts for the Karjisan Gasfield and the Ognaj Oilfield with the Ministry of Petroleum and Natural Gas (MoPNG) in 2004.

The Company has laid down various development plans for its oil and gas fields; which shall lead to increase in production of crude oil / gas thereby benefiting the country & its environment. The Company plans to adopt newer technologies along with the guidance of experienced professionals for its planned growth and success.

Seismic data acquisition and workover of existing wells with drilling of new wells is being undertaken to give effect to the aforesaid plans. The Company shall, with the application of appropriate Reservoir Engineering and Production Engineering technologies suitable for the full scale development of the Company's oil and gas fields, aim at achieving the monetization of the Company's significant reserves base.

3. Segment-wise performance

Currently, the Company operates in only one Business Segment that is Production of Crude Oil and Natural Gas.

4. Operations and Financial Review

The operations and financial review is covered in the Directors' Report and is to be read as a part of this report itself.

5. Risks and Concerns

(i) Business Risks

Oil sector is a high risk and high return sector. Data acquired for seismic evaluation of oilfields & reservoir modeling involves interpretation by latest software technology and advanced equipment which is capital intensive in nature and, therefore, prone to obsolescence alongwith uncertainty in results.

The Drilling Activities are carried out using advanced drilling rigs and ancillary rig equipments. Further, necessary safety and security measures have to be employed prior to any drilling activity.

However, the inherent risks of dealing with nature cannot be completely overlooked and therefore drilling activity poses an enormous challenge and risk. The fluctuation in international oil prices as well as in the dollar value of the rupee is another factor which adds to the unpredictability of profits in this industry.

(ii) Project Constraints

Shortage of drilling rigs and associated oilfield services has been a major problem in the region where the Company operates. Due to the limited number of service providers available, the Company is required to tie-up with oilfield services suppliers as much as a year in advance in order to execute its scheduled drilling programmes.

The approval process at Ministry of Environment and Forests (MoEF) also requires considerable time and effort because as per the revised procedure, any new drilling activity requires their prior clearance.

Any unexpected delay in getting the timely clearances from MoEF and in mobilizing the drilling rig and associated oilfield services is a potential project constraint for the Company.

(iii) Financial, Legal and Contractual Risks

SELAN carries a minimum financial risk. Currently, the Company has the policy of using debt financing only for short term requirements besides using its own internal accruals.

The Arbitral Tribunal declared the Award for Lohar Arbitration in May 2010. The Government of India is contesting the Award in the Delhi High Court and the matter is still sub-judice.

6. Internal Control Systems and their Adequacy

SELAN has ensured proper and adequate Internal Control system, so that all its assets are safeguarded and protected against loss due to unauthorised use / disposition and that transactions take place under due authority and are received and reported in a prudent manner. Internal Control System is designed in such a manner that financial and other records are reliable and authentic for preparing financial statements and for maintaining proper accountability for assets. The internal control systems are reviewed by the Audit Committee in its quarterly meetings and suggestions are given to strengthen and regularly improve their application, keeping in view the dynamic business environment.

7. Human Resources Development / Industrial Relations

SELAN is proud to have an efficient, dedicated and hardworking team which has lead to optimum business returns for the Company. It has a simple hierarchy system, due to which the decision making process becomes quicker and simpler, mitigating the losses due to lengthy and time-consuming decision making processes.

During the year, the Company was able to maintain harmonious and successful industrial relations. For now, and hopefully in the future, the Company foresees no major internal or external developments which shall adversely affect the business of the Company.

1. SELAN's philosophy on Code of Governance

At SELAN, we consider Corporate Governance (as envisaged in Clause 49 of the Listing Agreement with the Stock Exchanges) as the benchmark for building and sustaining growth and achieving success. SELAN follows the policy of full and fair disclosures in all its transactions, communications and dealings to all its shareholders, employees, creditors and Government authorities. SELAN believes in advocating the highest standards of Corporate Governance on a best effort basis. SELAN makes an ongoing and conscious effort to achieve maximum possible utilization of resources and funds, thereby enhancing and sustaining long term shareholders' wealth.

Ethical business conduct is the essence for efficient Corporate Governance. SELAN has a prescribed Code of Conduct which is displayed on the website of the Company. It is mandatory for the Board of Directors and Key Management Personnel to affirm compliance with this code on an annual basis. A declaration to this effect by the CEO (Manager) of the Company also forms part of this Annual Report 2010 -11.

2 (i) Board of Directors

Composition of Board :

- One Executive Director.
- Three Non – Executive Independent Directors.

Name of Director	Executive/Non-Executive/Independent	Number of Other Directorships	No. of Committee Memberships in other Companies		Attendance in Board Meetings	Attendance in Last AGM
			Chairman	Member		
R. Kapur *	Chairman and Whole-Time Director	-	-	-	12	Yes
S. K. Singh	Non – Executive and Independent Director	-	-	-	12	Yes
T. Currimbhoy *	Non – Executive and Independent Director	-	-	-		No
V. B. Mahajan	Non – Executive and Independent Director	-	-	-	12	Yes

* Non – Resident Directors

Note: Directorships in Foreign Body Corporates, Private Limited Companies and Associations are excluded.

2 (ii) Number of Board Meetings held and the dates on which held

There were 12 Board Meetings held during the financial year 2010 – 11, as per the provisions of Clause 49 of the Listing Agreement. The dates on which the meetings were held are : 12 April 2010, 27 April 2010, 21 July 2010, 10 August 2010, 15 September 2010, 12 November 2010, 22 November 2010, 23 December 2010, 18 January 2011, 11 February 2011, 23 February 2011 and 17 March 2011.

3. Audit Committee

As per the provisions of the Listing Agreement, the Audit Committee of the Company was constituted on 09 May 2000. The Committee now comprises of three members, out of which two are non-executive and independent directors. The Chairman of the Committee is also a non-executive and independent director, as per the requirements of the Listing Agreement. The Constitution of the Committee is as follows : Mr. V. B. Mahajan, Chairman, Mr. R. Kapur and Mr. S. K. Singh, Members.

Brief description of terms of reference :

1. Review of the financial reporting process and the Company's financial statements.
2. Review of the adequacy of accounting records as maintained in accordance with the provisions of the Companies Act, 1956.
3. Review of the adequacy of internal control system.
4. Such other powers and role as stipulated under Clause 49 of the Listing Agreement and Section 292 A of the Companies Act, 1956.

The Committee met ten times during the financial year 2010-11 (on 23 April 2010, 19 July 2010, 03 August 2010, 15 September 2010, 15 October 2010, 11 November 2010, 08 December 2010, 12 January 2011, 08 February 2011 and 09 March 2011). All the Committee members were present at all the meetings.

4. Remuneration Committee

Constitution of Remuneration Committee is a non – mandatory requirement under the Listing Agreement with the Stock Exchanges. However, it has been made mandatory under Schedule XIII of the Companies Act, 1956. Therefore, a Committee of Independent Directors was

constituted to determine the remuneration package of Executive Directors and Senior Management Personnel as and when appointed. The Committee comprises of : Mr. S. K. Singh (Chairman) , Mr. V. B. Mahajan and Mr. Rohit Kapur. The Chairman of the Committee is an independent director. The Committee met thrice during the year (12 April 2010, 21 July 2010 and 24 December 2010) and all the members were present at these meetings.

Disclosure of Remuneration to Directors

Non-Executive Directors were not paid any remuneration except sitting fees (for attendance at each meeting of Board of Directors or Committee thereof). The Whole-Time Director was paid remuneration during the year as disclosed in Note 7 & 9 of Notes on Accounts. The other Non-Resident Director was not paid any remuneration or sitting fee during the year.

5. Shareholders / Investors Grievances Committee

The Board has also established a Shareholders / Investors Grievances Committee under the chairmanship of Mr. V. B. Mahajan with Mr. R. Kapur and Mr. S. K. Singh as Members for the specific purpose of redressal of shareholders / investors grievances and complaints etc. The committee met five times during the year. All the members of the Committee were present at these meetings. There were no pending shareholders complaints / grievance and transfer of shares as on 31 March 2011.

The Company has designated an e-mail id of the Compliance Officer, specifically, to look after investor grievances and to resolve them in a speedy manner, in compliance with Clause 47 (f) of the Listing Agreement.

Compliance Officer

Name : Ms. Gunjan Jain
Designation : Company Secretary
E-mail Id : investors@selanoil.com

6. Committee on Bonus Issue

The Board had established a Committee on Bonus Issue comprising of Mr. S. K. Singh as Chairman and Mr. R. Kapur and Mr. V. B. Mahajan as Members. The Committee met twice during the year and all the members were present at these meetings. The dates on which these meetings were held are : 05 January 2011 & 08 March 2011.

7. General Body Meetings

Location and time for last three Annual General Meetings were :

Year	AGM	Location	Date	Time
2007-08	AGM	Ashok Country Resort, New Delhi	17/09/08	10 : 00 a.m.
2008-09	AGM	Ashok Country Resort, New Delhi	08/09/09	10 : 00 a.m.
2009-10	AGM	Ashok Country Resort, New Delhi	15/09/10	10 : 00 a.m.

An Extraordinary General Meeting (EGM) was held on 22 December 2010 at Ashok Country Resort, New Delhi for the purpose of approving the Issue of Bonus Shares.

8. Disclosures

8. (a) Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of the Company at large.

Mr. R. Kapur, the Whole-Time Director was paid remuneration during the year as disclosed in Note 7 & 9 of Notes on Accounts.

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

None.

8. (c) Disclosure on number of shares and convertible instruments held by non – executive directors.

Mr. S. K. Singh : 1,100
Mr. V. B. Mahajan : 6,248

9. Means of Communication

As per the requirements of the Listing Agreement the Half Yearly and Quarterly results are published, immediately after the Board Meeting held to consider and take them on record, in leading national newspapers; and intimated to the Stock Exchanges (BSE / NSE). The quarterly results, shareholding pattern and the Annual Report are also available on the Company's website www.sselanoil.com.

A Management Discussion and Analysis Report has been attached and forms part of this report.

10. General Shareholder Information

- i. Annual General Meeting :
 - Date and Time : 23 September 2011 at 10 : 00 a.m.
 - Venue : Ashok Country Resort, Rajokri Road, Kapashera, New Delhi – 110 037
- ii. Calendar : Annual General Meeting : 23 September 2011
 for financial year 2011-12 : Results for quarter ending June 30, 2011 : Fourth week of July, 2011
 Results for quarter ending September 30, 2011 : Second week of November, 2011
 Results for quarter ending December 31, 2011 : Second week of February, 2012
 Results for quarter ending March 31, 2012 : Second week of May, 2012
- iii. Book Closure Date : 19 September 2011 to 23 September 2011
- iv. Dividend : During the year 2010-11, the Board of Directors of the Company had declared two interim dividends of 15% each. These were paid to the shareholders on 17 August 2010 & 15 April 2011 respectively. This is now being put for approval of the shareholders as final dividend for the year 2010-11 at the forthcoming AGM.
- v. Listing of Equity Shares on Stock Exchanges : Bombay Stock Exchange (BSE) and National Stock Exchange (NSE).
- vi. Stock Code : Scrip Code on Bombay Stock Exchange : 530075
 Scrip Code on National Stock Exchange : SELAN (Equity)

vii. Stock Market Data :

MONTH	Bombay Stock Exchange (BSE)			
	SHARE PRICE (in Rs.)		SENSEX (in Rs.)	
	HIGH	LOW	HIGH	LOW
Apr 2010	458.75	415.10	18,047.86	17,276.80
May 2010	446.80	284.90	17,536.86	15,960.15
Jun 2010	416.80	345.00	17,919.62	16,318.39
Jul 2010	397.00	350.50	18,237.56	17,395.58
Aug 2010	378.00	326.05	18,475.27	17,819.99
Sep 2010	376.75	329.40	20,267.98	18,027.12
Oct 2010	359.10	325.35	20,854.55	19,768.96
Nov 2010	431.50	336.00	21,108.64	18,954.82
Dec 2010	432.00	368.00	20,552.03	19,074.57
Jan 2011	410.80	336.25	20,664.80	18,038.48
Feb 2011	382.00	309.05	18,690.97	17,295.62
Mar 2011	344.50	313.00	19,575.16	17,792.17

- viii. Registrar and Transfer Agents : MCS Limited
 F – 65, First Floor
 Okhla Industrial Area Phase – I
 New Delhi – 110 020
 Tel # 011 - 4140 6149
 Fax # 011 - 4170 9881
- ix. Share Transfer System : Share transfer requests received in physical form with demat requests are registered within an average of 15 days from the date of receipt. Share transfer requests received in physical form without demat requests are registered within an average of 20 days.

x. Distribution of shareholding as on 31 March 2011 :

Category	No. of Shares Held as on 31.03.2011	% Holding
Promoters :		
- Indian	2,788,441	16.415
- Foreign	4,349,216	25.603
Banks, Financial Institutions	-	-
Foreign Institutional Investors	466,014	2.743
Private Corporate Bodies	1,129,885	6.652
Indian Public	6,733,922	39.642
Trusts and Foundations	55,715	0.328
NRIs / OCBs	1,463,850	8.617
GRAND TOTAL	16,987,043	100.00

- xi. Dematerialisation of shares : 94.60 % of the outstanding shares have been dematerialized upto 31 March 2011.
Trading in equity shares of the Company is permitted only in dematerialized form w.e.f. 25 September 2000 as per notification issued by the Securities and Exchange Board of India (SEBI).
- xii. Liquidity : The shares of the Company are listed on Bombay Stock Exchange (BSE) and the National Stock Exchange of India (NSE). The shares of the Company are adequately liquid.
- xiii. Field Locations : Bakrol, Indrora and Lohar oilfields in the State of Gujarat. The Company also has Ognaj oilfield and Karjisan gasfield situated in the State of Gujarat.
- xiv. (i) For transfer / dematerialisation of shares, payment of dividend on shares, interest and redemption of debentures, and any other query relating to the shares and debentures of the Company : MCS Limited
Unit : Selan Exploration Technology Ltd.
F – 65, First Floor
Okhla Industrial Area Phase – I
New Delhi – 110 020
- (ii) Any query on the Annual Report : Company Secretary
Selan Exploration Technology Ltd.
J-47/1, Shyam Vihar
Dindarpur, Najafgarh
New Delhi – 110 043

Auditor's Report on Corporate Governance

To the Shareholders of
Selan Exploration Technology Ltd.

1. We have examined the compliance of conditions of corporate governance by Selan Exploration Technology Ltd. for the year ended 31 March 2011, as stipulated in Clause 49 of the listing agreement of the Company with stock exchanges.
2. The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
3. In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the abovementioned listing agreement.
4. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

for V. SANKAR AIYAR & CO.
Chartered Accountants
(Firm's Regn. No. 109208W)

Place : New Delhi
Date : 20 July 2011

M. S. Balachandran
Partner
Membership No. 024282

Persons constituting group coming within the definition of "group" for the purpose of Regulation 3(1) (e) (i) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 include the following

1. Winton Roavic Associates
2. Winton Roavic Associates, LLP

DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL WITH THE COMPANY'S CODE OF CONDUCT

This is to confirm that the Company has adopted a Code of Conduct for its Board of Directors and Senior Executives. The above mentioned code is available on the website of the Company.

I confirm that the Company has in respect of the financial year ended 31 March 2011 received from the senior management team of the Company and the members of the Board a declaration of compliance with the Code of Conduct as applicable to them.

20 July 2011
New Delhi

P. S. Oberoi
Manager

To the Shareholders of Selan Exploration Technology Limited

1. We have audited the attached Balance Sheet of SELAN EXPLORATION TECHNOLOGY LIMITED as at 31 March 2011, the Profit & Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted the 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. As required by the Companies (Auditor's Report) Order, 2003, issued by the Department of Company Affairs, 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 on the basis of such checks as we considered appropriate and according to the information and explanations given to us.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that :
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit ;
 - b) In our opinion, proper books of account, as required by law have been kept by the Company so far as appears from our examination of those books ;
 - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this Report are in agreement with the books of account ;
 - d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable ;
 - e) On the basis of written representations received from the Directors, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31 March 2011 from being appointed as a Director, in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956 ;
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the other notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
 - i. in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2011;
 - ii. in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - iii. in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

ANNEXURE REFERRED TO IN OUR REPORT OF EVEN DATE TO THE SHAREHOLDERS OF SELAN EXPLORATION TECHNOLOGY LIMITED

1.
 - i) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - ii) The Management has physically verified the assets at the year end, the frequency of which in our opinion is reasonable. No material discrepancies were noticed on such verification.
 - iii) Since there is no substantial disposal of fixed assets during the year, the preparation of financial statements on a going concern basis is not affected on this account.
2.
 - i) The inventory of the Company consisting of crude oil, spares and consumables have been physically verified once during the year which, in our opinion is considered reasonable, keeping in view the size of the Company and nature of its business.
 - ii) The procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - iii) The Company is maintaining proper records of inventory. The discrepancies noticed on physical verification between the physical stock and the stock records have been adjusted in the books of accounts.
3.
 - i) 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) (a) to (d) of the Companies (Auditor's Report) Order, 2003, are not applicable.
 - ii) The Company has not taken any loans, secured or unsecured from 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) (e) to (g) of the Companies (Auditor's Report) Order, 2003, are not applicable.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods. During the course of our audit, no major weaknesses in internal control were either reported or noticed.
5. According to the information and explanations given to us, the particulars of contracts or arrangements that needed to be entered into a register maintained in pursuance of Section 301 of the Companies Act, 1956, have been so entered. However, there are no transactions exceeding the value of rupees five lakhs in respect of any party during the year.
6. During the year, the Company has not accepted deposits from public and consequently, the directives issued by the Reserve Bank of India and the provisions of Section 58A or 58AA of the Companies Act, 1956, or any other relevant provisions of the Act and the rules framed thereunder, are not applicable.
7. The Company did not have any internal audit during the year.
8. We have broadly reviewed the books of accounts maintained by the Company, pursuant to rules made by the Central Government for the maintenance of cost records under Clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956, and are of the opinion that prime facie, the prescribed accounts and records have been maintained and the required statements are in the process of compilation. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
9.
 - i) According to the records of the Company, the Company has been generally regular in depositing with appropriate authorities the statutory dues including Provident Fund, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Cess and other statutory dues, though delay was observed in the payment of advance income-tax for which interest has been paid / provided. We are informed that there is no liability towards Employees State Insurance, Investor Education and Protection Fund and Excise Duty for the year under audit. According to the information and explanations given to us, there are no undisputed amounts payable in respect of the aforesaid statutory dues, which have remained outstanding as at 31 March 2011 for a period of more than six months from the date they became payable.
 - ii) As regards disputed amounts not paid, the position is as under :

Nature of the Dues	Amount (Rs.)	Period to which the amount relates	Forum where dispute is pending
Sales Tax	12,20,776	1995 - 96 to 1998 - 99	Sales Tax Appellate Tribunal, Ahmedabad

10. The Company has no accumulated losses at the end of the financial year. The Company has not incurred cash losses during the financial year or the immediately preceding financial year.
11. The Company has not defaulted in repayment of dues to financial institutions or banks. There are no debentures outstanding in the books of accounts at any time during the year.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provisions of Clause 4(xii) of the Companies (Auditor's Report) Order, 2003, are not applicable to the Company.
13. The Company is not a chit fund / mutual benefit fund / society. Therefore, the provisions of Clause 4(xiii) of the Companies (Auditor's Report) Order, 2003, are not applicable to the Company.
14. The Company is not dealing or trading in shares, securities, debentures and other investments. Therefore, the provisions of Clause 4(xiv) of the Companies (Auditor's Report) Order, 2003, are not applicable to the Company.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
16. According to the records of the Company, term loans taken during the year have been applied for the purpose for which they were obtained.
17. The Company has not availed any funds on long term basis during the year.
18. During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act.
19. Since no debentures have been issued by the Company, the question of creating securities or charge does not arise.
20. The Company has not raised any money during the year by way of public issue.
21. Based on the audit procedures performed and representation by the management, we report that no fraud on or by the Company has been noticed or reported during the year under audit.

BALANCE SHEET		SELAN	
As at 31 March 2011		(in Rs.)	
Particulars	Schedule	31 March 2011	31 March 2010
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	169,870,430	154,427,660
Reserves and Surplus	2	1,526,173,790	1,280,915,886
Loan Funds			
Secured Loans	3	380,714,687	148,392,458
Deferred Tax Liability (Net) (See Note 11)		370,367,000	335,527,000
TOTAL		2,447,125,907	1,919,263,004
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	4	189,903,153	183,712,388
Less: Depreciation to date		<u>128,238,698</u>	<u>117,514,984</u>
Net Block		61,664,455	66,197,404
Capital Work in Progress (at cost)		12,876,289	13,830,368
Development of Hydrocarbon Properties			
As per last Balance Sheet		933,314,900	891,915,838
Additions during the year		<u>260,609,051</u>	<u>150,397,146</u>
		1,193,923,951	1,042,312,984
Less : Written off during the year		<u>125,478,611</u>	<u>108,998,084</u>
		1,068,445,340	933,314,900
Current Assets, Loans and Advances			
Inventories	5	98,551,723	105,235,956
Sundry Debtors		145,003,573	110,052,187
Cash and Bank Balances		1,179,066,004	785,594,842
Other Current Assets		10,847,294	6,716,299
Loans and Advances		<u>17,483,499</u>	<u>15,713,835</u>
		1,450,952,093	1,023,313,119
Less: Current Liabilities and Provisions	6		
Current Liabilities		138,467,562	86,039,374
Provisions		<u>8,344,708</u>	<u>31,353,413</u>
		146,812,270	117,392,787
Net Current Assets		1,304,139,823	905,920,332
TOTAL		2,447,125,907	1,919,263,004

Significant Accounting Policies and Notes forming part of Accounts **12**

Annexure to our Report of Date
for V. SANKAR AIYAR & CO.
Chartered Accountants
Firm's Regn. No. 109208W

	M. S. BALACHANDRAN	GUNJAN JAIN	R. KAPUR	S. K. SINGH
	<i>PARTNER</i>	<i>COMPANY SECRETARY</i>	<i>CHAIRMAN</i>	<i>V. B. MAHAJAN</i>
New Delhi				<i>DIRECTOR(S)</i>
20 July 2011	<i>Membership No. 024282</i>			

PROFIT AND LOSS ACCOUNT**SELAN****For the Year Ended 31 March 2011****(in Rs.)**

Particulars	Schedule	31 March 2011	31 March 2010
INCOME			
Sale of Crude Oil		695,573,918	729,057,360
Sale of Natural Gas		45,210,409	4,287,754
Less : Payment for Profit Petroleum to GoI for the year [See note 2]		(31,293,575)	(25,298,160)
Net Sales		709,490,752	708,046,954
Increase /(Decrease) in Closing Stock of Crude Oil		2,303,000	1,247,376
Other Income	7	62,571,981	28,192,222
TOTAL		774,365,733	737,486,552
EXPENDITURE			
Operating Expenses	8	41,026,045	42,206,901
Personnel	9	37,667,825	34,836,286
Administration	10	27,669,770	24,949,321
Development of Hydrocarbon Properties	11	260,609,051	150,397,146
Interest on Term Loans		25,632,816	23,929,049
Royalty, Cess and Sales Tax		40,177,704	45,616,084
Depreciation (including impairment loss)		11,848,295	18,441,680
Development of Hydrocarbon Properties written off		125,478,611	108,998,084
		570,110,117	449,374,551
Transfer to : Development of Hydrocarbon Properties		(260,609,051)	(150,397,146)
TOTAL		309,501,066	298,977,405
PROFIT BEFORE INCOME TAX		464,864,667	438,509,147
Less : Provision for Taxation			
– Current Tax		112,600,000	137,180,000
– Deferred Tax		34,840,000	13,329,000
– Fringe Benefit Tax (relating to previous year)		-	5,000
PROFIT AFTER INCOME TAX		317,424,667	287,995,147
Profit brought forward from last year		960,934,172	727,891,016
PROFIT AVAILABLE FOR APPROPRIATION		1,278,358,839	1,015,886,163
APPROPRIATIONS :			
General Reserve		50,000,000	30,000,000
Interim Dividend paid on Equity Shares (@ Rs. 3 per share)		48,644,714	21,327,399
Corporate Dividend Tax		8,079,279	3,624,592
Balance Carried to Balance Sheet		1,171,634,846	960,934,172
Basic earnings per Equity Share of Rs. 10/- each [See note 10]		20.08	19.91
Diluted earnings per Equity Share of Rs. 10/- each [See note 10]		20.08	19.91

Significant Accounting Policies and
Notes forming part of Accounts

12

Annexure to our Report of Date
for V. SANKAR AIYAR & CO.
Chartered Accountants
Firm's Regn. No. 109208W

M. S. BALACHANDRAN
PARTNER
New Delhi
20 July 2011
Membership No. 024282

GUNJAN JAIN
COMPANY SECRETARY

R. KAPUR
CHAIRMAN

S. K. SINGH
V. B. MAHAJAN
DIRECTOR(S)

For the year ended 31 March 2011

Particulars (in Rs.)	31 March 2011	31 March 2010
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net Profit/(Loss) before tax	464,864,667	438,509,147
Adjustments for :		
Depreciation (including impairment loss)	11,848,295	18,441,680
Interest paid	25,632,816	23,929,049
Loss on sale of assets	2,303,680	403,520
Provision for Gratuity	1,020,523	6,860
Provision for Leave Encashment	329,139	203,202
Interest Income	(54,826,935)	(26,074,187)
Expenditure on Development of Hydrocarbon Properties written off	125,478,611	108,998,084
	<u>111,786,129</u>	<u>125,908,208</u>
Operating Profit before Working Capital changes	576,650,796	564,417,355
Adjustments for :		
Trade and other receivables	(40,852,045)	(15,799,204)
Inventories	6,684,233	7,256,653
Trade and other payables	26,209,610	(8,786,050)
	<u>(7,958,202)</u>	<u>(17,328,601)</u>
Cash generated from operations	568,692,594	547,088,754
Taxes paid	(145,037,645)	(116,116,604)
Net Cash from Operating Activities	<u>423,654,949</u>	<u>430,972,150</u>
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of Fixed Assets and Capital Work in Progress	(8,882,948)	(9,111,550)
Extraordinary items – Expenditure on Development of Hydrocarbon Properties	(260,609,051)	(150,397,146)
Sale proceeds of Fixed Assets	218,001	14,301
Interest Received	54,826,935	26,074,187
Net cash from Investing Activities	<u>(214,447,063)</u>	<u>(133,420,208)</u>
C. CASH FLOW FROM FINANCING ACTIVITIES :		
Proceeds from Share Application Money	-	-
Share Capital and Share Premium	-	182,655,000
Buyback of Shares of the Company (including Premium)	-	(17,064,739)
Proceeds from Medium Term Borrowings	344,283,750	-
Repayment of Medium Term Borrowings	(111,961,521)	(102,398,188)
Dividend Paid	(22,426,137)	(20,179,124)
Interest Paid	(25,632,816)	(23,929,049)
Net Cash (used in) /raised from Financing Activity	<u>184,263,276</u>	<u>19,083,900</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENT (A+B+C)	393,471,162	316,635,842
Cash and cash equivalents as at 01.04.2010 (Opening balance)	785,594,842	468,959,000
Cash and cash equivalents as at 31.03.2011 (Closing balance) *	<u>1,179,066,004</u>	<u>785,594,842</u>

* Includes Rs. 39.50 million (Previous year Rs. 21.72 million) not available for ready use

Annexure to our Report of Date
for V. SANKAR AIYAR & CO.
Chartered Accountants
Firm's Regn. No. 109208W

M. S. BALACHANDRAN
PARTNER
New Delhi
20 July 2011
Membership No. 024282

GUNJAN JAIN
COMPANY SECRETARY

R. KAPUR
CHAIRMAN

S. K. SINGH
V. B. MAHAJAN
DIRECTOR(S)

Forming Part of The Statement of Accounts

(in Rs.)

Particulars	31 March 2011	31 March 2010
1. SHARE CAPITAL		
Authorised:		
29,000,000 Equity Shares of Rs. 10 each	290,000,000	290,000,000
100,000 Preference Shares of Rs. 100 each	10,000,000	10,000,000
Total	<u>300,000,000</u>	<u>300,000,000</u>
Issued and Subscribed:		
16,987,043 Equity Shares (previous year 15,442,766) of Rs. 10 each, fully paid up (includes 1,544,277 fully paid-up equity bonus shares of Rs. 10 each issued during the year out of Share Premium account)	169,870,430	154,427,660
Total	<u>169,870,430</u>	<u>154,427,660</u>
2. RESERVES & SURPLUS		
Surplus :		
Balance as per Profit and Loss Account	1,171,634,846	960,934,172
Capital Reserve :		
(i) Surplus on Redemption of Debentures		
As per last Balance Sheet	-	2,051,158
Less : price paid for buyback in excess of face value	-	2,051,158
	<u>-</u>	<u>-</u>
(ii) Profit on Forfeiture of Warrants / Forfeited Shares	9,405,000	9,405,000
	<u>9,405,000</u>	<u>9,405,000</u>
Capital Redemption Reserves :		
As per last Balance Sheet	42,872,340	41,792,940
Transfer from Share Premium Account (to the extent of face value)	-	1,079,400
	<u>42,872,340</u>	<u>42,872,340</u>
Share Premium Account :		
As per last Balance Sheet	190,650,000	5,507,685
Less : Transfer to Capital Redemption Reserve to the extent of face value of shares bought back	-	1,079,400
Less : Price paid for buyback in excess of face value	-	4,428,285
Less : Issue of fully paid up equity bonus shares @ Rs. 10 each	15,442,770	-
Share Premium on conversion of Warrants during the year.	-	190,650,000
	<u>175,207,230</u>	<u>190,650,000</u>
General Reserves		
As per last Balance Sheet	77,054,374	56,454,270
Less : Price paid for buyback in excess of face value	-	9,399,896
Transfer from Profit & Loss Account	50,000,000	30,000,000
	<u>127,054,374</u>	<u>77,054,374</u>
Total	<u>1,526,173,790</u>	<u>1,280,915,886</u>
3. SECURED LOANS		
Medium Term Loan – from Banks (See note below)	378,954,605	146,960,126
Interest accrued and due as on 31 March (since paid)	1,760,082	1,432,332
Note :		
Exclusive charge on all fixed assets and current assets both present and future		
Due within one year –Rs. 163,169,517 (previous year Rs. 69,460,126).		
	<u>380,714,687</u>	<u>148,392,458</u>

Forming Part of The Statement of Accounts (contd...)

Rs.

4. FIXED ASSETS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01.04.2010	Additions	Deletions	As at 31.3.2011	Upto 31.3.2010	For the Year	Written back	Upto 31.3.2011	As on 31.3.2011	As on 31.3.2010
I. TANGIBLE ASSETS :										
a) PLANT AND EQUIPMENT	164,091,666	4,711,251	-	168,802,917	110,438,892	9,429,891	-	119,868,783	48,934,134	53,652,774
b) FURNITURE AND FIXTURES	2,385,456	340,776	1,852,540	873,692	682,120	119,493	606,925	194,688	679,004	1,703,336
c) VEHICLES	8,444,861	-	-	8,444,861	3,863,906	763,810	-	4,627,716	3,817,145	4,580,955
d) OFFICE EQUIPMENT	3,536,464	711,354	1,793,722	2,454,096	783,242	171,760	517,656	437,346	2,016,750	2,753,222
e) COMPUTERS	1,160,785	565,880	-	1,726,665	595,535	189,638	-	785,173	941,492	565,250
f) ELECTRICAL FITTINGS	508,423	-	-	508,423	192,748	24,008	-	216,756	291,667	315,675
II. INTANGIBLE ASSETS :										
a) COMPUTER SOFTWARE	3,584,733	3,507,766	-	7,092,499	958,541	1,149,695	-	2,108,236	4,984,263	2,626,192
TOTAL	183,712,388	9,837,027	3,646,262	189,903,153	117,514,984	11,848,295	1,124,581	128,238,698	61,664,455	66,197,404

Previous year	169,964,033	15,915,082	2,166,727	183,712,388	100,822,210	18,441,680	1,748,906	117,514,984	66,197,404	69,141,823
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Forming Part of The Statement of Accounts (contd...)

(in Rs.)

Particulars	31 March 2011	31 March 2010
5. CURRENT ASSETS		
a) Inventories :		
Stores and components relating to Development of Hydrocarbon Properties (at cost)	80,591,299	89,825,715
Stores, spares and consumables (at lower of cost or net realisable value)	5,354,924	5,107,741
Stock of Crude oil (at lower of cost or net realisable value)	12,605,500	10,302,500
	<u>98,551,723</u>	<u>105,235,956</u>
b) Sundry Debtors :		
(Unsecured - Considered good)		
Outstanding for a period exceeding six months	-	-
Others	145,003,573	110,052,187
	<u>145,003,573</u>	<u>110,052,187</u>
c) Cash and Bank Balances :		
Cash in Hand	19,683	74,180
Balance with Scheduled Banks :		
Current accounts	44,276,362	6,992,850
Deposit accounts :		
- Public Sector Banks	909,490,266	527,597,272
- Private Sector Banks	185,784,185	229,202,815
Deposit accounts under lien :		
- For Government of India / State Government	16,070,446	8,045,724
- For Bank Loans	-	13,682,001
- For Letters of Credit	23,425,062	-
	<u>1,179,066,004</u>	<u>785,594,842</u>
d) Other Current Assets :		
Interest accrued on deposits	10,847,294	6,716,299
	<u>10,847,294</u>	<u>6,716,299</u>
e) Loans and Advances :		
(Unsecured - Considered Good)		
Advances recoverable in cash or in kind or for value to be received	15,756,659	12,992,975
Security Deposits	1,726,840	2,720,860
	<u>17,483,499</u>	<u>15,713,835</u>
Total	1,450,952,093	1,023,313,119
6. CURRENT LIABILITIES & PROVISIONS		
A. Current Liabilities		
Sundry Creditors :		
- due to Micro & Small Enterprises (See note no. 19)	-	-
- Others (including due to a Director – Net of TDS Rs.7,406,680 ; previous year Rs. 13,405,400)	100,247,706	73,185,441
Other liabilities	9,714,635	10,567,289
Unclaimed Dividend (see note below)	28,505,221	2,286,644
	<u>138,467,562</u>	<u>86,039,374</u>
B. Provisions :		
- For Taxation – Net of Payment	4,394,488	28,752,855
- For Gratuity	2,548,466	1,527,943
- For Leave Encashment	1,401,754	1,072,615
	<u>8,344,708</u>	<u>31,353,413</u>
Total	146,812,270	117,392,787

Note : Does not include any amount due and outstanding, to be credited to the Investor Education and Protection Fund.

Forming Part of the Statement of Accounts (contd...)

(in Rs.)

Particulars	31 March 2011	31 March 2010
7. OTHER INCOME		
Interest on Bank/Intercorporate Deposits (TDS Rs. 5,438,366 ; Previous year Rs. 2,843,112)	54,826,935	26,074,187
Gain on Foreign Exchange	2,453,812	684,142
Others	5,291,234	1,433,893
Total	62,571,981	28,192,222
8. OPERATING EXPENSES		
Handling and Processing Charges	10,903,759	7,663,428
Other Direct Operative Expenses	9,315,858	10,422,407
Payments to Contractors for services	3,876,111	7,348,042
Land Rent	1,634,535	1,605,423
Power and Fuel	2,976,122	2,405,085
Repairs and maintenance :		
- Plant and Machinery	1,304,122	1,957,573
- Others	1,081,733	675,058
Stores, spares and consumables	1,903,196	1,598,010
Transportation	8,030,609	8,531,875
Total	41,026,045	42,206,901
9. PERSONNEL		
Contribution to Provident Fund	227,394	236,520
Gratuity	1,181,004	315,582
Leave Encashment	712,621	498,511
Salaries and wages	34,812,278	33,116,895
Staff benefits	734,528	668,778
Total	37,667,825	34,836,286
10. ADMINISTRATION		
Administrative services and supplies	3,926,204	3,453,317
Advertisement and Business Development	1,968,825	2,027,636
Advisory Services	6,734,772	2,152,603
Communication	956,099	904,207
Directors Fees	1,280,000	800,000
Insurance	1,395,263	429,879
Loss on sale/write off of fixed assets	2,303,680	403,520
Miscellaneous expenses	2,776,903	2,409,565
Legal Fees	1,223,319	3,348,638
Rent	1,689,477	1,790,020
Rates and Taxes	-	20,635
Travelling and Conveyance	1,993,829	2,155,125
Interest on delayed payment of Statutory Dues	1,421,399	5,054,176
Total	27,669,770	24,949,321
11. DEVELOPMENT OF HYDROCARBON PROPERTIES		
Cementing and Pumping Services	6,763,861	769,523
Contract Rig Charges and Rig Site Preparation	30,440,910	3,809,251
Insurance	794,160	77,211
Management and Drilling Supervision	10,023,998	5,360,700
Materials for Drilling of Oil Wells	3,416,311	558,615
Miscellaneous Expenses	3,978,989	1,346,975
Mud Chemical, Engineering & Logging Services	4,878,915	8,462,015
Perforation and Well Cleaning Services	7,437,479	40,245,037
Rent	2,799,417	1,721,822
Seismic Survey, Data Processing & Wireline Services	187,061,287	83,923,420
Travelling & Conveyance	3,013,724	4,122,577
Total	260,609,051	150,397,146

And Notes Forming Part of Accounts for the year ended 31 March 2011**A. SIGNIFICANT ACCOUNTING POLICIES**

- 1) The financial statements are prepared under historical cost convention, on a going concern basis and in accordance with applicable accounting standards under Companies (Accounting Standards) Rules 2006, notified by the Central Government under Section 211(3C) of the Companies Act, 1956.
- 2) Use of Estimates :

The preparation of financial statements requires management to make certain estimates and assumptions that affect the amount reported in the financial statements and notes thereto. Differences between actual results and estimates are recognised in the period in which they materialise.
- 3) Revenue Recognition :

Income on sale of crude oil and gas is accounted for net of VAT and recognised when the risk & rewards are transferred to the buyer's representative. Interest income is recognised on time proportion basis.
- 4) Fixed Assets :
 - a) Fixed Assets are shown at cost.
 - b) Depreciation is provided on straight line method in the manner and at the rates specified in Schedule XIV of the Companies Act, 1956. Depreciation on additions is charged from the month in which the asset is put to use.
- 5) Valuation of Inventories :
 - a) Crude oil - valued at cost or net realisable value, whichever is lower. Cost is calculated on absorption cost method.
 - b) Stores, spares and consumables - at cost (on weighted average basis) or net realizable value, whichever is lower.
- 6) (i) Foreign currency transactions are recorded at the exchange rates prevailing on the date of transaction.
(ii) In terms of Production Sharing Contract (PSC) with Government of India, selling price of crude oil per barrel is to be determined FOB delivery point at the prevailing international market rates in US Dollars. However, payment is receivable in Indian Rupees at the US Dollar / Rupee conversion rate prevailing at the time of payment.

The PSC permits sale of gas to domestic users. Sale of Gas is based on rupee denominated rate as per contractual agreements.

(iii) The accounts receivable and payable are restated at the rates prevailing on the balance sheet date and the resultant exchange difference is recognised in the Profit & Loss Account.
- 7) Considering the nature of the oil industry and that Accounting Standard AS-26 being not applicable to Oil Industry, it is considered appropriate to show the development expenses of oil fields under "Development of Hydrocarbon Properties" as a separate item. Development of Hydrocarbon Properties includes the costs incurred on the collection of seismic data, drilling of wells, collection of log data, interpretation and reservoir modeling costs and other related expenditures. These expenditures are amortized over a period not exceeding the remaining period of the contract. The categorization / allocation of expenses is done on a basis considered appropriate by the Management.
- 8) Employee Benefits :

The Company makes regular contributions to duly constituted funds set up for Provident Fund and Family Pension Fund. In respect of accruing liability for gratuity, the employees have been covered under the Group Gratuity Scheme of Life Insurance Corporation of India. There is no prescribed rule for encashment of leave by employees.
- 9) Leases :

The Company has not entered into any financial lease. Hire charges for equipment and rental for premises are treated as operating lease and charged to revenue.
- 10) Deferred Tax :

In accordance with Accounting Standard 22 – Taxes on Income, deferred tax is recognised, subject to consideration of prudence, being the difference between accounting and taxable income that originate in one year and are capable of reversal in a subsequent year.
- 11) Impairment of Assets :

At each balance sheet date, the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount. If the carrying amount of the asset exceeds its recoverable amounts, an impairment loss is recognized in the profit and loss account to the extent the carrying amount exceeds the recoverable amount.
- 12) Provisions and Contingencies :

The Company creates a provision when there is a present obligation as result of past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of obligation. A disclosure of contingent liability is made when there is a possible obligation or a present obligation that will probably not require outflow of resources or where a reliable estimate of the obligation cannot be made.

B. NOTES ON ACCOUNTS

1. Contingent Liabilities :

- a. Outstanding commitments for capital expenditure (net of advances) Rs. 6.91 million (previous year Nil).
- b. Disputed sales tax demand under appeal, not provided for - Rs. 1.53 million (previous year 1.53 million).

The future cash outflow on the above, if any, is determinable only on receipt of the decisions pending before the authorities.

2. In the Arbitration proceedings between the Company and the Ministry of Petroleum and Natural Gas, Government of India (GoI) with respect to the Lohar Oilfield, *inter alia*, the issue was whether Profit Petroleum is payable to the GoI in a financial year, when the Investment Multiple in the preceding year is less than 3.5. The Company had won an Award in its favour in May 2010, from the Arbitral Tribunal, against which the GoI had appealed to the Hon'ble Delhi High Court. The Single Bench in the High Court ruled in favour of the GoI. The Company has appealed against this to the Divisional Bench in the Hon'ble High Court of Delhi, which case is in progress.
3. In the opinion of the Board and to the best of their knowledge and belief, the value on realisation of the current assets, loans and advances in the ordinary course of business will not be less than the amount stated in the Balance Sheet.
4. Shareholders at the Extra-ordinary General Meeting held on 22 December 2010, approved the issue of 1,544,277 Equity Shares of Rs. 10 each, as fully paid up Bonus Shares in the proportion of 1 Bonus Share for every 10 Equity Shares held in the Company. These Bonus Shares were subsequently issued on 05 January 2011.
5. The disclosures of Employee Benefits as defined in the Accounting Standard are given below :

i) Change in present value of obligation

Amount in Rs.

	31 Mar 2011		31 Mar 2010	
	Gratuity (Funded)	Leave Encashment (non funded)	Gratuity (Funded)	Leave Encashment (non funded)
a) Present value of obligation as at the beginning of the period	1,527,943	1,072,615	1,521,083	869,413
b) Interest cost	122,235	85,809	114,081	65,206
c) Past service cost	711,314	-	-	-
d) Current service cost	353,508	333,315	248,892	340,625
e) Benefits paid	-	(357,989)	-	(98,511)
f) Actuarial (gain)/loss on obligation	(166,534)	268,004	(356,113)	(104,118)
g) Present value of obligation as at the end of period	2,548,466	1,401,754	1,527,943	1,072,615

ii) The amounts to be recognized in balance sheet

Amount in Rs.

	31 Mar 2011		31 Mar 2010	
	Gratuity (Funded)	Leave Encashment (non funded)	Gratuity (Funded)	Leave Encashment (non funded)
a) Present value of obligation as at the end of the period	2,548,466	1,401,754	1,527,943	1,072,615
b) Fair value of plan assets as at the end of the period	2,198,070	-	1,385,223	-
c) Funded status	(350,396)	(1,401,754)	(142,720)	(1,072,615)
d) Excess of actual over estimated	2,030	-	480	-
e) Net asset/(liability) recognized in balance sheet	(350,396)	(1,401,754)	(142,720)	(1,072,615)

iii) Expense recognized in the statement of profit and loss

Amount in Rs.

	31 Mar 2011		31 Mar 2010	
	Gratuity (Funded)	Leave Encashment (non funded)	Gratuity (Funded)	Leave Encashment (non funded)
a) Current service cost	353,508	333,315	248,892	340,625
b) Past service cost	711,314	-	-	-
c) Interest cost	122,235	85,809	114,081	65,206
d) Expected return on plan assets	(124,670)	-	(101,982)	-
e) Net actuarial (gain)/ loss recognized in the period	(168,564)	268,004	(356,593)	(104,118)
f) Expenses recognized in the statement of profit & loss	893,823	687,128	(95,602)	301,713

iv) Economic Assumptions

	31 Mar 2011		31 Mar 2010	
	Gratuity (Funded)	Leave Encashment (non funded)	Gratuity (Funded)	Leave Encashment (non funded)
a) Discounting Rate	8.00	8.00	7.50	7.50
b) Future Salary Increase	5.50	5.50	5.00	5.00
c) Expected Rate of return on plan assets	9.00	-	9.00	-

Note : The above information is given from the report furnished by the Actuary as at the end of the year.

12. SIGNIFICANT ACCOUNTING POLICIES (CONTD...)

SELAN

(Rs. in 000's)

Particulars		31 March 2011	31 March 2010
12. a) Licensed capacity (Not Applicable)			
b) Installed capacity (Not Applicable)			
c) Production (incl water, sediments, etc.)	Bbl	184,036	234,744
d) Sales – Crude Oil	-Quantity -Value	Bbl 185,559 695,574	238,140 729,057
Sales – Associated Natural Gas	-Quantity -Value	M ³ 4,612,624 45,210	456,549 4,288
e) Crude Oil – Closing Stock	-Quantity -Value	Bbl 12,958 12,606	14,481 10,302
f) Crude Oil – Opening Stock	-Quantity -Value	Bbl 14,481 10,302	17,877 9,055
13. CIF Value of Imports :			
a) Capital Goods		3,470	1,273
b) Components, stores & spares (including Development of Hydrocarbon Properties)		1,286	17,247
14. Value of Spare Parts and Components consumed :			
i) a) Imported		6,376	5,169
b) Percentage to the Total		77	82
ii) a) Indigenous		1,903	1,141
b) Percentage to the Total		23	18
iii) Total		8,279	6,310
15. Expenditure in Foreign Currency (on payment basis) :			
a) Technical Services (Net of TDS)		2,501	45,540
b) Insurance		-	10
c) Travel		2,390	2,855
			2009-10
			Interim Dividend
16. Remittance in foreign currency to Non – Residents on account of dividends – NIL			
		2010-11	2010-11
		Interim Dividend - I	Interim Dividend - II
a) Number of non-resident shareholders		634	832
b) Number of shares held by them		5,277,688	5,799,467
c) Dividend (paid in INR) (Rs. in Thousands)		7,917	8,699
d) Year to which the dividend relates		2010-11	2010-11
			2009-10
17. a) Foreign Currency Exposure (indirect)			
Not Hedgeable – Debtors	US\$'000	3,237	2,411
b) Foreign Currency Exposure			
Creditors – Non hedged	US\$'000	255	125
Term loan - Non hedged	US\$'000	6,709	-
18. Payment to Auditors :			
a) Audit Fees		400	280
b) Tax Audit		60	40
c) Certification / Company Law / Other Matters		235	175
d) Taxation Matters		115	145
e) Reimbursement of expenses		19	18
f) Service Tax		76	53
19. The Company has not received any intimation from “suppliers” or “service providers” regarding their status under the Micro, Small and Medium Enterprises (Development) Act, 2006, and hence, disclosure, if any, relating to amounts unpaid as at 31 March 2011 together with interest payable as required under the said Act are not ascertainable.			
20. Previous year figures have been regrouped wherever necessary to correspond with the current year figures.			

Annexure to our Report of Date
for V. SANKAR AIYAR & CO.
Chartered Accountants
Firm's Registration no. 109208W

New Delhi 20 July 2011	M. S. BALACHANDRAN PARTNER Membership No. 024282	GUNJAN JAIN COMPANY SECRETARY	R. KAPUR CHAIRMAN	S. K. SINGH V. B. MAHAJAN DIRECTOR(S)
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And Company's General Business Profile

(in terms of amendments to Schedule VI of Part IV)

I. Registration Details

Registration No. TC/SMS/

5 5 - 0 2 1 4 4 5

State Code

5 5

Balance Sheet Date

3 1 0 3 1 1
Date Month Year

II. Capital Raised during the year (Amount in Rs.)

Public Issue

N I L

Right Issue

N I L

Bonus Issue

N I L

Private Placement

N I L

III. Position of Mobilisation and Deployment of Funds (Amount in Rs.)

Sources of Funds

Total Liabilities

2 4 4 7 1 2 5 9 0 7

Total Assets

2 4 4 7 1 2 5 9 0 7

Paid-up Capital

1 6 9 8 7 0 4 3 0

Reserves & Surplus

1 5 2 6 1 7 3 7 9 0

Share Application Money

N I L

Secured Loans

3 8 0 7 1 4 6 8 7

Unsecured Loans

N I L

Application of Funds

Net Fixed Assets

6 1 6 6 4 4 5 5

Investments

N I L

Hydrocarbon Properties

1 0 6 8 4 4 5 3 4 0

Net Current Assets

1 3 0 4 1 3 9 8 2 3

Miscellaneous Expenditure

N I L

Accumulated Losses

N I L

IV. Performance of the Company (Amount in Rs.)

Turnover (Gross Revenue)

7 7 4 3 6 5 7 3 3

Total Expenditure

5 7 0 1 1 0 1 1 7

Profit / Loss Before Tax

4 6 4 8 6 4 6 6 7

Profit / Loss After Tax

3 1 7 4 2 4 6 6 7

EPS in Rs.

2 0 . 0 8

Dividend rate %

3 0

V. Generic Names of Three Principal Products/Services of Company (as per monetary terms)

Item Code No. (ITC Code)

9 9 9 3 0 0

Product Description

O I L E X P L O R A T I O N
P R O J E C T S

Item Code No. (ITC Code)

5 0 3 0 0 0

Product Description

D R I L L I N G O F W E L L S

Item Code No. (ITC Code)

1 1 0 0 0

Product Description

C R U D E P E T R O L E U M

New Delhi
20 July 2011GUNJAN JAIN
COMPANY SECRETARYR. KAPUR
CHAIRMANS. K. SINGH
V. B. MAHAJAN
DIRECTOR(S)

And Key Management**ROHIT KAPUR**

Held senior management positions with American Cyanamid Inc., a Fortune 100 Company, including General Manager of one of its worldwide subsidiaries. A graduate of Columbia College (BA) and Columbia Business School (MBA), he has been actively involved with SELAN since its inception; Chairman of Board of Directors of SELAN.

D. J. CORBISHLEY

Dr. Corbishley began his career with Shell in 1971 and has spent over 30 years with them in various countries including most recently as Managing Directors of Shell – India for five years. Dr. Corbishley has a Ph. D. from the University of Durham; Corporate Advisor with SELAN.

P. K. NANDI

Mr. Nandi has done M. Sc (Engg.) in Exploration and Development of Oil & Gas Fields from Moscow. He has over 30 years of oil industry experience with companies such as ONGC, GAIL, ONGC Videsh, Geoenpro and Ensearch. He has supervised various projects in Exploration, Development and Production stages in countries like India, Australia, Jordan, Russia, Kazakhstan, Bangladesh etc; Head – G&G of SELAN.

R. N. MITTRA

Mr. Mittra is a Petroleum Engineer and has extensive E&P upstream oil and gas industry experience in operations, field development, production and transportation of oil and gas. He has extensive work experience in the Public and Private sector in India as well as Middle East; Head - Operations, Development & Production of SELAN.

S. K. SINGH

Mr. Singh has extensive experience in the Oil Industry in Senior Management positions starting with Burmah – Shell followed by Shell and B.P Zambia Ltd., Bharat Petroleum Corporation Ltd. and as advisor to Essar Oil Ltd.; member of the Board of Directors of SELAN.

TARIK CURRIMBHOY

A leading professional and non-resident Indian, living and practicing in New York. Mr. Currimbhoy did his post graduate studies from Cornell University. He is well known to the Indian community in the US and the Middle East; member of Board of Directors of SELAN.

V. B. MAHAJAN

Mr. Mahajan has held senior management positions in both public and private sector. Having started his career at Asea Brown Boveri, he has worked at Richardson Hindustan Ltd. (now Procter and Gamble India Ltd.) and was Managing Director of NAFED; member of Board of Directors of SELAN.

VIJAY KIRPAL

Mr. Kirpal is an Engineering graduate with extensive management experience in companies such as Philips, GE-Apar, GENELEC & Omar Zawawi Est. His areas of expertise are strategy planning, technology integration, market analysis & penetration, cost optimization etc; Corporate Advisor with SELAN.