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Aban Offshore Limited

Twenty First Annual Report, 2006-07

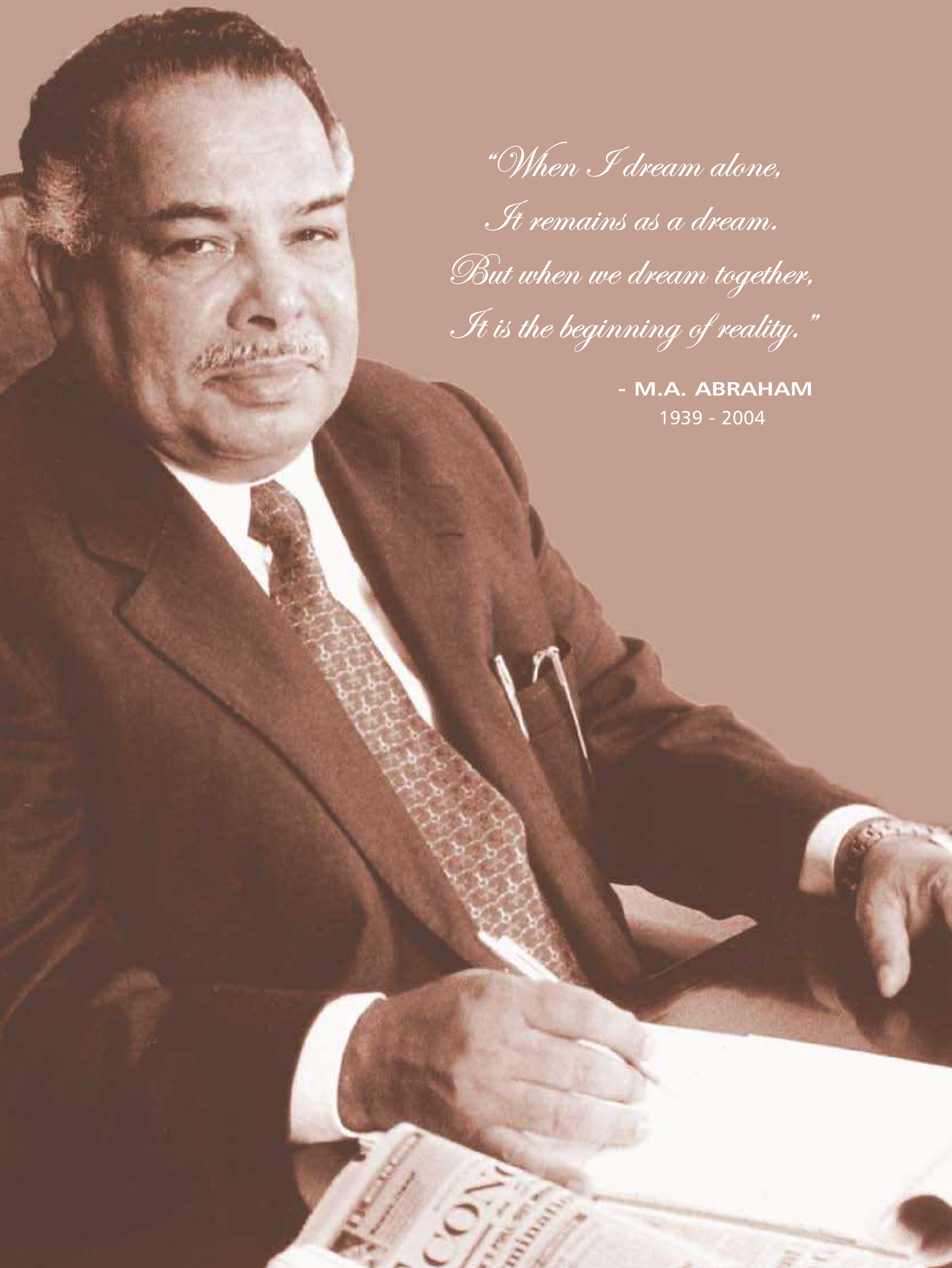
Forward-looking statement

In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

Contents

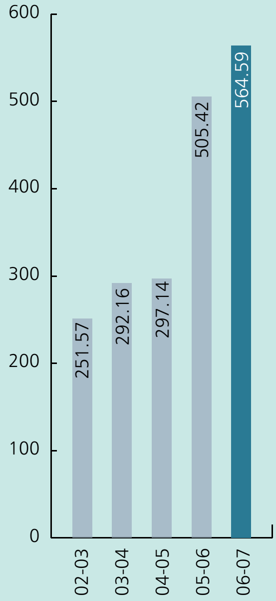


"When I dream alone,
It remains as a dream.
But when we dream together,
It is the beginning of reality."

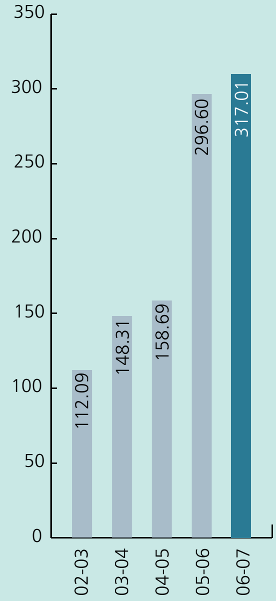
- M.A. ABRAHAM
1939 - 2004

Financial Highlights

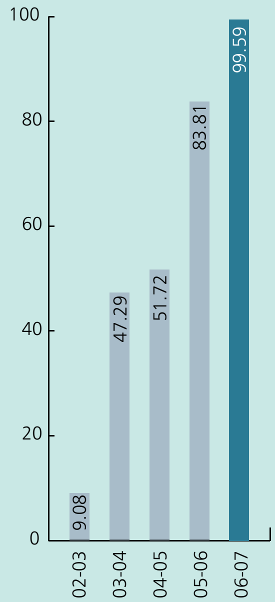
Total income growth (Rs.crore)



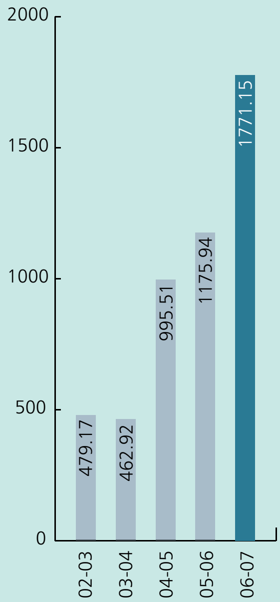
EBIDTA growth (Rs.crore)



Net profit (after tax) grow (Rs.crore)



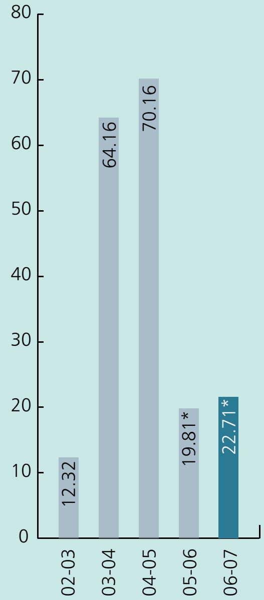
Growth in capital employed (Rs.crore)



Our credit ratings/testimonials

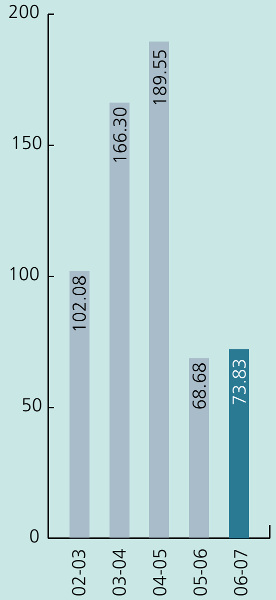
- CARE-A (RPS) (under watch) rating by CARE for two issues of Non-Convertible Cumulative Redeemable Preference Shares of Rs. 150 crore and Rs.156 crore.
- ISO 9001:2000 certification for drilling and production services.

EPS growth
(Rs.crore)



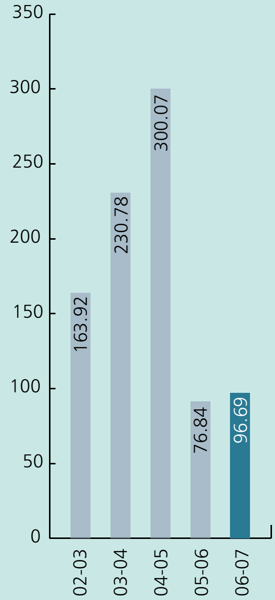
*Paid-up capital of Rs.2 per share

Cash earning growth per share



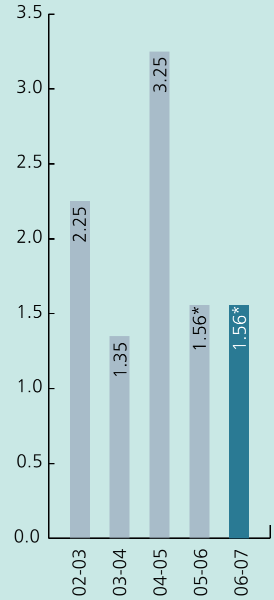
*Paid-up capital of Rs.2 per share

Book value (BV) per share growth



*Paid-up capital of Rs.2 per share

Debt-equity ratio



*Preference Share Capital treated as part of equity

Corporate information

Board of Directors

V.S. Rao, *Chairman*

P. Murari, *Vice Chairman*

Reji Abraham, *Managing Director*

K. Bharathan, *Director*

K.M. Jayarao, *Nominee Director of ICICI Bank*

P. Venkateswaran, *Deputy Managing Director*

C.P. Gopalkrishnan, *Deputy Managing Director & Secretary*

Audit Committee

V.S. Rao, *Chairman*

P. Murari, *Member*

K. Bharathan, *Member*

Shareholders'/Investors' Grievance Committee

K. Bharathan, *Chairman*

P. Venkateswaran, *Member*

C.P. Gopalkrishnan, *Member*

Compensation Committee

V.S. Rao, *Chairman*

P. Murari, *Member*

K. Bharathan, *Member*

Reji Abraham, *Member*

Auditors

FORD, RHODES, PARKS & Co.
Chartered Accountants
Paruvatham
No. 2, 56th Street,
Off: 7th Avenue, Ashok Nagar
Chennai – 600 083

Bankers

Canara Bank
Export Import Bank of India
HDFC Bank Limited
ICICI Bank Limited
Indian Overseas Bank
Industrial Development Bank of India Limited
Kotak Mahindra Bank Limited
Punjab National Bank
Standard Chartered Bank Limited
State Bank of India
State Bank of Hyderabad
State Bank of Travancore
UCO Bank
UTI Bank Limited

Registered Office

Janpriya Crest
113 Pantheon Road, Egmore
Chennai 600 008.
Website :www.aban.com

Registrar and Share Transfer Agent

CAMEO CORPORATE SERVICES LIMITED
"Subramanian Building"
No.1, Club House Road,
Chennai – 600 002

Registrar for FCCB

Deutsche Bank, Luxembourg S.A
2, Boulevard Konrad Adenauer,
L -1115 Luxembourg
Grand Duchy of Luxembourg

Trustee

Deutsche Trustee Company Limited
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

Principal Agent and Transfer Agent

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street,
London EC2N 2DB
United Kingdom

Aban Offshore Limited

(Formerly Aban Loyd Chiles Offshore Limited)

Regd. Off: Janpriya Crest, 113 Pantheon Road, Egmore, Chennai 600 008

Notice to Members

NOTICE is hereby given that the Twenty First Annual General Meeting of the Members of ABAN OFFSHORE LIMITED will be held on Thursday the 16th August 2007 at 11.00 A.M at the Mini Hall of Music Academy No.168 (Old No.306) T.T.K. Road, Royapettah, Chennai – 600 014 to transact the following business:

ORDINARY BUSINESS

1. To receive consider and adopt the Audited Balance Sheet as at 31st March 2007 and the Profit and Loss Account for the year ended as on that date, together with the reports of the Directors and Auditors thereon.

2. To consider and declare a dividend @ 8% p.a. on Non Convertible Cumulative Redeemable Preference Share Capital issued in June 2005, for the year ended 31st March 2007.

3. To consider and declare a prorata dividend @ 9% p.a on Non Convertible Cumulative Redeemable Preference Share Capital issued during 2006-07 for the period ended 31st March 2007

4. To consider and declare a dividend on Paid-up Equity Share Capital of the Company for the year ended 31st March 2007

5. To appoint a Director in place of Mr. K. Bharathan who retires by rotation and being eligible offers himself for re-appointment.

6. To appoint a Director in place of Mr. P. Murari who retires by rotation and being eligible offers himself for re-appointment.

7. To consider and if thought fit to pass with or without modification(s) the following resolution as a SPECIAL RESOLUTION

   "RESOLVED THAT M/s. Ford, Rhodes, Parks & Co., Chartered Accountants, Chennai be and are hereby re appointed as the Auditors of the Company to hold office from the conclusion of this Annual General Meeting to the conclusion of the next Annual General Meeting to conduct the audit on a remuneration plus reimbursement of expenses if any incurred in connection with the audit of the company as may be agreed between the Auditor and the Board or any committee thereof.

SPECIAL BUSINESS

8. To consider and if thought fit to pass with or without modification(s) the following resolution as a SPECIAL RESOLUTION

   "RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and 310 read with Schedule XIII and other applicable provisions, if any of the Companies Act, 1956 consent of the Company be and is hereby accorded for re-appointment of Mr. Reji Abraham as Managing Director of the Company for a period of five years with effect from 26.09.2007 to 25.09.2012 on the following terms and conditions.

   A. Remuneration:

   a) Basic Salary
      Between Rs.4 Lacs to Rs. 15 Lacs per month

      The Board or any committee thereof, be and is hereby authorised in its absolute discretion and from time to time to fix within the range stated above the salary payable to Mr. Reji Abraham

      Commission
      The Managing Director shall be paid Commission not exceeding 2% of the net profits of the Company, as may be decided by the Board or Committee thereof from time to time subject to the overall ceiling laid down under the sections 198 and 309 of the Companies Act, 1956

   b) Perquisites
      i) In addition to the Salary and Commission payable to Mr. Reji Abraham, he shall also be entitled to perquisites like free furnished accommodation or house rent allowance of 60% of salary and reimbursement of other expenditure or allowances, for utilities, including furnishing and repairs, gas, electricity and water, Medical reimbursement incurred in India an abroad, leave travel concession for self and family, club fees (this will not include

Admission and Life Membership fees), medical, Personal accident and term insurance and such other perquisites and allowances (for self and family, wherever applicable) as per the company Policy applicable from time to time to the senior management personnel of the Company or as may be decided by the Board or Committee of Board from time to time. Such perquisites and allowances will be subject to such ceiling limit as may be fixed by the Committee of Directors from time to time

ii) For the purpose of calculating the above ceiling, perquisites and allowances shall be evaluated as per Income Tax rules wherever applicable. In the absence of any such Rule perquisites and allowances shall be evaluated at actual cost incurred by the Company in providing such perquisites and allowances. Use of car for official duties and adequate communication facilities at residence shall not be included in the computation of perquisites for the purpose of calculating ceiling.

Privilege Leave: On full pay and allowance as per the rules of the company. Encashment of the leave at the end of the tenure will not be included in the computation of ceiling and perquisites. He will also be entitled to Casual and Sick Leave as per the rules of the Company.

iii) Company's contribution to Provident Fund, Gratuity, Superannuation or Annuity Fund as per the rules of the Company, to the extent these, either singly or put together, are not taxable under Income Tax Act, 1961.

The total remuneration of Mr. Reji Abraham as per "a" & "b" above inclusive of value of perquisites will however be limited to the overall ceiling laid down under the Sections 198 and 309 of the Companies Act, 1956 as amended from time to time

B. Minimum Remuneration

Notwithstanding anything stated herein, where in any financial year during the currency of tenure of the Director the Company has no profit or its profits are inadequate, the Company shall pay the remuneration in accordance with the provisions of Section II of Part II of Schedule XIII of the Companies Act, 1956 as amended from time to time.

"RESOLVED FURTHER THAT Mr. Reji Abraham shall not be liable to retire by rotation during his tenure as Managing Director.

9. To consider and if thought fit to pass with or without modification(s) the following resolution as a SPECIAL RESOLUTION

RESOLVED THAT clause 18 (a) of ESOS 2005 Scheme be and is hereby modified by substituting the words 'to the extent' by the words 'including but not limited to changing the exercise price, vesting period and the exercise period'

RESOLVED FURTHER THAT the consent of the Company be and is hereby accorded for changing the second vesting date of First ESOP grant from 15.07.2007 to 20.03.2007 and consequently for changing the last date of the Exercise Period for the exercise of the second vesting above referred from 15.07.2010 to 20.03.2010

"RESOLVED FURTHER THAT the acts done by the Board Directors / Committee/ Officers of the Company with respect to change of date of vesting, exercise and the consequent allotments of shares made under ESOS – 2005 be and hereby are ratified and approved."

"RESOLVED FURTHER the company be and is herebyAuthorise Board / Committe to vary terms of ESOS as approved by SEBI guidelines from time to time.

10. To consider and if thought fit to pass with or without modification(s) the following resolution as a SPECIAL RESOLUTION

"RESOLVED THAT pursuant to the provisions of the Foreign Exchange Management Act, 1999 (FEMA) the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 and all other applicable Rules, Regulations, Guidelines and laws (including any statutory modifications or re-enactment thereof for the time being in force) and subject to all applicable approvals, permissions and sanctions and subject to such conditions as may be prescribed by any of the concerned authorities while granting such approvals, permissions, sanctions, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall include a duly authorized Committee of Directors for the time being exercising the powers conferred by the Board of Directors), consent of the Company be and is hereby accorded to the Board of Directors of the Company to permit Foreign Institutional Investors (FIIs) registered with The Securities Exchange Board of India (SEBI) to acquire and hold on their own account and on behalf of each of their SEBI approved of sub accounts, shares of the Company upto the sectoral cap/statutory ceiling as applicable from time to time provided however that the equity shareholding of each FII on his own account and on behalf of each of SEBI approved sub- account in the Company shall not exceed 10% (Ten percent) of the total paid up equity share capital or such limits as are or may be prescribed from time to time under applicable laws, rules and regulations."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds matters and things and execute all documents or writings as may be necessary proper or expedient for the purpose of giving effect to this resolution and for matters connected there with or incidental thereto including delegating all or any of the powers conferred herein to any Committee of Directors or any Director or Officer of the Company.

11. To consider and if thought fit to pass with or without modification(s) the following resolution as a SPECIAL RESOLUTION

RESOLVED THAT, in accordance with the provisions of Section 81 and 81(1A) and all other applicable provisions, if any of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof) and relevant provisions of the Memorandum of Association and Articles of Association of the Company, the Foreign Exchange Management Act, 1999 and the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt Mechanism) Scheme, 1993, guidelines prescribed by the Securities and Exchange Board of India (SEBI) and subject to such approval(s), consent(s), permission(s) and / or sanction of the Ministry of Finance of the Government of India, Reserve Bank of India and any other appropriate authorities, institutions or bodies, as may be necessary and subject to such terms and conditions, modifications, alterations as may be prescribed and specified by any of them in granting any such approval, consent, permission or sanction, the consent, authority and approval of the Company be and is hereby accorded to the Board of Directors (hereinafter referred to as the "Board" which term shall be deemed to include any committee thereof) to offer, issue, and allot, in the course of offerings, in one or more domestic/ foreign markets, any Securities including Equity Shares, Global Depository Receipts and / or American Depository Receipts/Shares convertible into Equity Shares, Foreign Currency Convertible Bonds, Convertible Bonds, Euro - Convertible Bonds convertible at the option of the Company and / or at the option of the holders of the Security(s), Securities partly or fully convertible into Equity Shares and / or securities linked to Equity Shares and / or any instruments or securities with or without detachable warrants secured or unsecured or such other types of securities representing either Equity Shares or Convertible Securities (hereinafter referred to as "Securities") to Foreign/Domestic investors, Non-residents, Qualified Institutional Bidders, Foreign Institutional Investors/Foreign Companies/NRI(s)/Foreign National(s) or such other entities or persons as may be decided by the Board, whether or not such persons/ entities/investors are Members of the Company through Prospectus, Offering Letter, Circular to the general public and / or through any other mode or on private placement basis as the case may be from time to time in one or more tranches as may be deemed appropriate by the Board on such terms and conditions as the Board may in its absolute discretion deem fit for an amount not exceeding US$ 200 Million (US Dollar Two Hundred Millon Only) or its equivalent currencies including green shoe option on the date of allotment on such terms and conditions including pricing as the Board may in its sole discretion decide including the form and the persons to whom such securities may be issued and all other terms and conditions and matters connected therewith."

"RESOLVED FURTHER THAT without prejudice to the generality of the above the aforesaid issue of the Securities may have all or any term or combination of terms in accordance with normal practice including but not limited to conditions in relation to payment of interest, dividend, premium or redemption or early redemption at the option of the Company and / or to the holder(s) of the securities and other debt service payment whatsoever and all such terms as are provided in offerings of this nature including terms for issue of additional Equity Shares of variation of interest payment and of variation of the price or the period of conversion of securities into Equity Shares or issue of Equity Shares during the duration of the securities or terms pertaining to voting rights or option for early redemption of securities."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to issue and allot such number of underlying Equity Shares as may be required to be issued and allotted upon conversion of any such securities referred to above or as may be in accordance with the terms of the offering(s) and that the said Equity Shares shall be subject to the Memorandum and Articles of Association of the Company and shall rank in all respects pari passu with the existing Equity Shares of the Company."

"RESOLVED FURTHER THAT the consent of the Company be and is hereby granted in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 and subject to all necessary approvals to the Board to secure, if necessary, all or any of the above mentioned Securities to be issued, by the creation of a mortgage and / or charge on all or any of the Company’s immovable and / or movable assets, both present and future in such form and manner and on such terms as may be deemed fit and appropriate by the Board."

"RESOLVED FURTHER THAT such of these securities to be issued as are not subscribed may be disposed of by the Board to such person in such manner and on such terms as the Board in its absolute discretion thinks fit, in the best interest of the Company and as is permissible in law."

"RESOLVED FURTHER THAT the Company may enter into any arrangement with any agency or body for issue of Depository Receipts representing underlying Equity Shares/Preference Shares / other securities issued by the Company in registered or bearer form with such features and attributes as are prevalent in international capital markets for instruments of this nature and to provide for the tradability or free transferability thereof as per the international practices and regulations and under the forms and practices prevalent."

"RESOLVED FURTHER THAT the securities issued in foreign markets shall be deemed to have been made abroad and / or in the market and / or at the place of issue of the securities in the international market and may be governed by applicable foreign laws."

"RESOLVED FURTHER THAT for the purpose of giving effect to any issue or allotment of Securities or instruments representing the same, the Board be and is hereby authorised to determine the form, terms and timing of the offering(s), including the class of investors to whom the Securities are to be allotted, number of Securities to be allotted in each tranche, issue price, face value, premium amount on issue / conversion of Securities, Exercise of warrants / Redemption of Securities, rate of interest, redemption period, listings on one or more stock exchanges as the Board in its absolute discretion deems fit and to make and accept any modifications in the proposal as may be required by the authorities involved in such issues and on behalf of the Company to do all such acts, deeds, matters and things as it may at its discretion deem necessary or desirable for such purpose, including without limitation the Appointment of Registrar, Book-Runner, Lead-Managers, Trustees / Agents, Bankers, Global Co-ordinators, Custodians, Depositories, Consultants, Solicitors, Accountants, entering into arrangements for underwriting, marketing, listing, trading, depository and such other arrangements and agreements, as may be necessary and to issue any offer document(s) and sign all deeds, documents and to pay and remunerate all agencies / intermediaries by way of commission, brokerage, fees, charges, out of pocket expenses and the like as may be involved or connected in such offerings of securities, and also to seek listing of the securities or securities representing the same in any Indian and / or in one or more international stock exchanges with power on behalf of the Board to settle any questions, difficulties or doubts that may arise in regard to any such issue, offer or allotment of securities and in complying with any Regulations, as it may in its absolute discretion deem fit, without being required to seek any further clarification, consent or approval of the members or otherwise to the end and intent that the members shall be deemed to have given their approval thereto expressly by the authority of this resolution."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of the powers herein conferred to any Committee of Directors or the Managing Director or any Deputy Managing Directors or any other Officer or Officers of the company to give effect to the aforesaid resolution."

By Order of the Board

Chennai
Date 21.06.2007

C.P. Gopalkrishnan
Deputy Managing Director & Secretary

Notes

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY FORM IN ORDER TO BE EFFECTIVE SHOULD BE LODGED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

2. Corporate Members are requested to send a duly certified copy of the Board Resolution pursuant to Section 187 of the Companies Act, 1956 authorising their representative to attend and vote at the Annual General Meeting.

3. The Register of Members and the Share Transfer Books of the Company will remain closed from 10.08.2007 to -16.08.2007 (both days inclusive).

4. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 relating the Special Business to be transacted at the Meeting is annexed hereto

5. Dividend on Equity Shares if declared at the Annual General Meeting will be paid on or after 16th August 2007 to those persons or their mandates.

(a) Whose names appear as Beneficial Owners as at the end of the business hours on 9th August 2007 in the list of Beneficial Owners to be furnished by National Securities Depository Limited and Central Depository Services (India) Limited in respect of the shares held on electronic form; and

(b) Whose name appear as members in the Register of Members of the Company after giving effect to valid share transfers in physical form lodged with the Company / Registrar and Share Transfer Agent on or before 9th August 2007.

6. Dividend on Non Convertible Cumulative Redeemable Preference Shares if declared at the Annual General Meeting will be paid on or after 16th August 2007.

7. Members / Proxies should bring the enclosed attendance slip duly filled in for attending the meeting along with the Annual Report. Members who hold shares in dematerialized form are requested to bring their client ID and DP ID numbers for easy identification of attendance at the Meeting.

8. Nomination Facility

   As per the provisions of the Companies Act, 1956 nomination facility is available to the Members in respect of shares held by them

   Members holding shares in physical form may obtain the Nomination Forms from the Company's Registrar and Share Transfer Agent

   Members holding shares in electronic form may obtain the Nomination Forms from their respective Depository Participants.

9. Electronic Clearing Services (ECS) facility
   To avoid the loss of dividend warrants in transit and undue delay in respect thereof the Company provides ECS facility to the members. The ECS facility is available at locations identified by the Reserve Bank of India from time to time and covers most of the cities and towns.

   Members holding shares in physical form may furnish their details in the prescribed form, which can be obtained, from the Registrar and Share Transfer Agent of the Company.

   Members holding shares in the electronic form may furnish their details in the prescribed form, which can be obtained from their respective Depository participants.

10. Unclaimed Dividends

    Transfer to General Revenue Account

(a) Pursuant to Section 205 A of the Companies Act, 1956

all unclaimed / unpaid dividends upto the Financial Year ended 31st March 1995 have been transferred to the General Revenue Account of the Central Government. Members who have not yet encashed their dividend warrants for the said period are requested to forward their claims in prescribed form under the Companies Unpaid Dividend (Transfer to General Reserve Account of the Central Government) Rules 1978 to
Office of the Registrar of Companies
Shastri Bhavan, 26 Haddows Road, Chennai 600 006

(b) Transfer to the Investor Education and Protection Funds

Consequent upon amendment to Section 205 A of the Companies Act, 1956 and introduction of Section 205 C by the Companies (Amendment) Act 1999 the amount of dividend remaining unpaid or unclaimed for a period of seven years from the date of transfer to the unpaid dividend account of the Company shall be transferred to the investor education and protection fund (the fund) set up by the Government of India.

Accordingly the dividend, which had remained unpaid/ unclaimed for the financial year ended 31st March 1996 31st March 1997, 31st March 1998 and 31st March 1999, had been transferred to the Investor Education and Protection Fund.

It may be noted that the unclaimed dividend for the financial year ended 31st March 2000 is due for transfer to the fund in the month of October 2007.

Members are requested to note that no claim shall lie against the Company or the aforesaid fund in respect of any amount of dividend remaining unclaimed / unpaid for a period of seven years from the dates they first became due for payment. Any person / member who has not claimed dividend in respect of the financial year ended 31st March 2000 or any year thereafter are requested to approach the Company / the Registrar and Share Transfer Agent of the Company immediately for claiming the same.

The Members who have not yet encashed the dividend warrant(s) for the financial years 2000-2001, 2001-2002,2002-2003,2003-2004,2004-2005,2005-2006 are requested to approach the Company / Company's Registrar and Share Transfer Agent with their warrants for revalidation. Dividend for these years which remain unclaimed for a period of 7 years will be transferred by the Company to Investor Education and Protection Fund. The last date upto which claim for unpaid dividend which can be lodged with the Company is given hereunder

Financial Year	Date of Declaration of Dividend	Last date for claiming unpaid dividend
2000-01	21-09-2001	25-10-2008
2001-02	27-09-2002	31-10-2009
2002-03	26-09-2003	30-10-2010
2003-04	17-09-2004	21-10-2011
2004-05	31-08-2005	04-10-2012
2005-06	14-07-2006	18-08-2013

11. In order to provide protection against fraudulent encashment of the warrants, members holding shares in physical form are requested to intimate the Company / Registrar and Share Transfer Agent under the signature of the Sole / First Holder, the following information to be incorporated on the dividend warrants:

    1. Name of the Sole / First joint holder and the Folio Number.

    2. Particulars of Bank Account Viz.

    a. Name of the Bank

    b Name of Branch

    c. Complete address of the Bank with Pin code number.

    d. Bank Account number allotted by the Bank.

    In respect of matters pertaining to bank details, ECS mandates, nomination, Power of Attorney, Change in name / address etc. Members are requested to approach the Company's Registrar and Share Transfer Agent, in case of shares held in physical form and the respective Depository Participants, in case of shares held in electronic form. In all correspondence with the Company / Registrar and Share Transfer Agent members are requested to quote their account / folio numbers or DP ID and Client ID for physical or electronic holdings respectively.

    Members desirous of getting any information on the accounts or operations of the Company are requested to forward queries to the Company at least seven working days prior to the Meeting, so that the required information can be made available at the Meeting.

12. Members who are holding physical shares in identical order of names in more than one account are requested to intimate to the Share Transfer Agent the ledger folio of such accounts and send the share certificates to enable the Company to consolidate all the holdings into an account . The share certificate will be returned to the members after making the necessary endorsements in the due course.

13. The Members desiring any information as regards accounts of the Company are requested to write to the Company at an early date so as to enable the Company to keep information ready.

14. Members are requested to bring their copy of Annual Report to the Meeting.

15. The Directors Mr. K. Bharathan and Mr. P. Murari retire by rotation and being eligible offer themselves for reappointment.

    Mr. Reji Abraham has been reappointed by the Board as Managing Director of the Company for a period of 5 years effective 26-09-2007.

Details of Directors Seeking reappointment at the forthcoming Annual General Meeting to be held on 16th August 2007 (in pursuance of clause 49 fo the Listing Agreement)

Name of Director	K. Bharathan	P. Murari	Reji Abraham
Date of Birth	15.04.1950	19.08.1934	23.06.1966
Nationality	Indian	Indian	Indian
Date of Appointment on Board	26.12.2003	18.09.1996	09.02.1994
Date of Appointment as Wholetime Director	–	–	26.09.1997
Qualfications	A. C. A	M.A. Economics	B.E. PGDM
Shareholding in the Company Equity Shares of Rs.2/- each	–	–	4836306
Expertise in specific functional areas	Chartered Accountant by qualification, is a career Banker with over 30 years of experience in commercial and development banking and insurance	Retd. Civil servant and held several senior positions in the Government of India and State Government of Tamil Nadu	A graduate in Engineering and a Post Graduate in Management Studies. Promoter and has over 14 years of experience in business
List of Indlan Companies in India in which Directorships held	Tamilnadu Urban Development Fund Ltd	Bhoruka Power Corporation Ltd Credit Capital Asset Management Co.Ltd Glaxosmithkline Consumer Healthcare Ltd. HEG Limited Aditya Birla Nuvo Ltd Moving Picture Company (India) Ltd. South Asian Petrochem Ltd, Xpro India Limited Great Eastern Energy Corporation Limited Adayar Gate Hotel Limited Bajaj Auto Limited Strategic Weighing Systems Ltd	Saipem Aban Drilling Co. Pvt. Ltd Ratan Plantations Limited Perunad Plantations Ltd Dectra Controls (India) Private Limited. Aban Power Company Limited Aban Energies Limited Aban Ventures Private Limited Aban Informatics Private Limited West Mountain Power Limited Haryana Aban Power Company Limited. North Chennai Power Company Limited. Mahanadhi Aban Power Company Limited Hydril Pressure Control Private Limited. Vembanad Estates Private Ltd.
Members of Committees in the Company	Audit Committee Shareholders' Grievance Committee	Audit Committee	–
Membership/Chairmanship in other Companies	Audit Committee Shareholders' Grievance Committee	Glaxosmithkline Consumer Healthcare Ltd. Aditya Birla Nuvo Ltd Xpro India Limited Great Eastern Energy Adayar Gate Hotel Limited	–

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 IN RESPECT OF SPECIAL BUSINESS CONTAINED IN THE NOTICE DATED 21st JUNE 2007

Item No. 8

The present term of office of Mr. Reji Abraham as Managing Director as approved by the Members is due to expire on 25.09.2007. Considering his contributions to the growth and in the best interest of the Company the Directors at their Meeting held on 21st June 2007 recommended the reappointment of Mr. Reji Abraham as Managing Director for a period of 5 years from 26th September 2007 to 25th September 2012 with a revision in terms of remuneration as detailed in the resolution. The resolution under item no.8 is placed before the meeting for approval

None of the Directors other than Mr. Reji Abraham is interested in the item of business

The terms of variation of the contract and the interest of the Directors as set out in the resolution and explanatory statement may be treated as the abstract and memorandum under section 302 of the Companies Act, 1956

Item No. 9

At the Meeting of Board of Directors held on 20th March 2007 it was decided to change the date of vesting as 20th March 2007 instead of 15th July 2007 and accordingly the exercise period would end on 20th March 2010 instead of 15th July 2010. The change in vesting and exercise period was made for the benefit of the grantees of shares under employee stock option scheme. 70 persons including two Deputy Managing Directors were allotted 27110 equity shares of Rs.2/- each fully paid on 30th March 2007 by virtue of change of vesting and exercise dates. It is also proposed to seek shareholders approval to enable the board or committie there of to vary certain terms of ESOS as permitted by SEBI-ESOS guidelines as amended from time to time. Hence the resolution under item No.9 of the notice was placed before the meeting for approval.

The Directors Mr. P. Venkateswaran and Mr. C.P. Gopalkrishnan as allotees of shares under ESOS are interested in the item of business

Item No.10

The Foreign Institutional Investors (FIIs) have assumed a crucial role in the Indian Capital Markets. In terms of the Foreign Exchange Management (Transfer or Issue of Security by a person resident outside India) regulations 2000 the Foreign Institutional Investors (FIIs) / SEBI approved sub account of FIIs can in aggregate hold upto 24% of Paid-up Equity Capital, the limit may be increased upto the sectoral cap / statutory limit as applicable to the Indian Companies, however subject to the approval of Board of Directors and approval of Members of the Company by way of a Special Resolution.

The Present level of holding of FIIs approximately 15.38% .

Keeping in view of the Foreign Currency convertibles Bonds already issued / to be issued by the Company and in the interest of FIIs trading in shares of your company and the inherent advantage thereof to the shareholders at large the Board of Directors have at their meeting held on 21st June 2007 decided to increase the limit of FIIs holding upto sectoral cap/ statutory ceiling subject to requisite approval of shareholders. The resolution set out in item no.10 of the Notice will also enable the FIIs to acquire shares of the Company through Stock Exchanges within the revised ceiling under the Port folio Investment Scheme of the Reserve Bank of India

None of the Directors of the Company are in any way concerned or interested in the resolution

Your Directors recommend the passing of the resolution

Item No.11

Your Company foresees great business opportunites in the near future and in order to augument the funding requirement for capital expansion opportunities for the Company your Board of Directors have decided to raise fund not exceeding US$ 200 million through the issue of FCCBS/ADRS/GDRS etc. The Company has obtained the approval of members for raising fund in the 20th Annual General Meeting held on 14th July 2006. However, since the funds were not raised so far revival resolution is placed before the Meeting for approval.

None of the Directors of the Company are in any way concerned or interested in the item of business

Your directors recommend the passing of this resolution

By Order of the Board

Chennai — **C.P. Gopalkrishnan**

Date 21.06.2007 — Deputy Managing Director & Secretary

At the start of 2006-07, Aban Offshore Limited (Aban) and its foreign subsidiaries owned nine offshore drilling assets and one FPU.

At the close of 2006-07, Aban owned/controlled 19 offshore drilling assets and one FPU.

This transformation does not just position Aban among the world's fastest growing companies in the sector; it also makes the Company one of the 10 largest offshore drilling service providers in the world.

OUR VISION

- To continue as the market leader in providing offshore drilling services in India
- To have a global presence in the offshore drilling industry
- To be among the top five offshore drilling asset owners in the world

OUR INDUSTRY STANDING

- One of South-East Asia's largest offshore oil and gas drilling service provider
- Flagship company of the reputed Aban Group promoted by the late Mr. M.A. Abraham
- Presently deploys rigs for ONGC and other private operators
- Recognised for its rich technical industry insight and low operational cost

OUR EXPERIENCE

- The only Indian private player with an experience in offshore, deep-water and production, covering the entire spectrum of services

OUR CUSTOMERS

- A portfolio comprising demanding and brand-enhancing clients like ONGC, Royal Dutch Shell, Hardy Exploration and Production, Oriental Oil Co (Dubai), Petronas, Hindustan Oil Exploration Company, Gujarat State Petroleum Corporation, Exxon Mobil, Addax Petroleum and Pioneer Natural Resources etc.,

OUR PERFORMANCE

- 11.68 per cent increase in revenue from Rs. 505 crore in 2005-06 to Rs. 564 cr.
- Uninterrupted dividend record for 19 years
- Rs. 7,482 crores market capitalisation as on 31 March 2007

OUR FLEET

- Existing fleet strength of 19 offshore drilling assets and one FPU (including two bare boat charters) following the acquisition of Norwegian company Sinvest ASA in 2006

Asset name	Type/specification	Current contract validity
Aban II	250 ft jack-up	May 2010
Aban III	300 ft jack-up	January 2008
Aban IV	300 ft jack-up	November 2007
Aban V	300 ft jack-up	January 2008
Aban VI	250 ft jack-up	October 2007
Frontier Ice	300 m drill ship	March 2008
TAHARA	FPU – 20,000 bopd	July 2007
Aban VII	250 ft jack-up	October 2007
Aban VIII	375 ft jack-up	Under construction; to be ready by Q3, 2008
Aban Abraham	6600 ft drill ship	Under refurbishment; contract valid till June 2009
Deep Driller 1	375 ft jack-up	May 2009
Deep Driller 2	350 ft jack-up	October 2007
Deep Driller 3	350 ft jack-up	May 2008
Deep Driller 4	375 ft jack-up	Under construction; to be ready by Q3, 2007
Deep Driller 5	375 ft jack-up	Under construction; to be ready by Q3, 2007
Deep Driller 6	350 ft jack-up	Under construction; to be ready by Q3, 2008
Deep Driller 7	375 ft jack-up	Under construction; to be ready by Q3, 2008
Deep Driller 8	350 ft jack-up	Under construction; to be ready by Q1, 2009
Murmanskya (on bare-boat)	331 ft jack-up	Under refurbishment; to be ready by Q3, 2007
Deep Venture (on bare-boat)	4200 ft drill ship	November 2008

In 2006-07, Aban took the biggest leap of enlarging its asset base, creating a unique record in that process of being the first Indian Company to consummate the largest cash acquisition deal upto that point of time. It acquired Sinvest ASA, a Premium Jackup drilling company of Norway, the cost of acquisition reaching US $2.2 billion.

This single acquisition is responsible for the Company's emergence among the 10 largest offshore oil drilling service providers in the world. The acquisition, made through Aban's 100 per cent subsidiary Aban Singapore Pte Limited (ASPL), was made in response to a number of realities (carried alongside):

1 Low availability of rigs in a global market marked by tight rig supplies over the medium term.

2 Unusually weak rig building programme by global shipyards resulting in a low projected rig float over the medium-term.

3 Long gestation period required for the building of new rigs, expected to keep rig supplies tight over the coming years.

4 Robust customer bookings at peak-day rates, customers, encouraging fresh investments.

5 Competitive edge equipped with the latest technology.

The acquisition of Sinvest has done more to Aban than merely increase its rig fleet. It has transformed the Company from an India-centric presence to an entity of global reckoning with a wider clientele.

The Sinvest acquisition has transformed the status and position of Aban in a number of ways:

- Transformed the image of the Company from an Indian outfit into a globally dispersed service provider.
- Enhanced the Company's visibility and respect, positioning it in the midst of an active global deal flow.
- Strengthened the Company's portfolio of ultra-premium new-built jack-up rigs, reducing the average age of its asset portfolio from 25 to 10 years.
- Deepened the Company's drilling capability from 20,000 feet to 30,000 feet.
- Shifted the Company's exposure to the upper end of the value chain in offshore drilling assets.
- Started an exchange of competencies between the acquirer and the acquired. The deal has exposed the acquirer to cutting-edge global insights in technology, health, safety and environment that Sinvest possesses, while the acquired has benefited from Aban's low-cost structure.

At the start of 2006-07, Aban, (on consolidated basis) was a Rs. 1,605-crore company. By the year close, the Balance Sheet had grown to Rs. 11,457 crore without risking viability, liquidity and projected profitability.

At Aban, we have always reconciled our business aggression with our financial conservatism.

Even after making the biggest investment in the history of our existence, we are proud to state that we have not compromised this priority. We must reassure our stakeholders of the high quality of earnings. Our prudent financing of acquisitions has relatively de-risked our business model.

The Company's de-risking strategy comprised the following:

- Back-to-back deployment of assets with strong customers and an attractive rate-tenure mix
- Acquisition funded by loans with a much longer tenure than the excepted payback period
- Modest cost of loans in an environment where interest rates are rising

- Risk of a high debt-equity ratio (on consolidated basis) countered by a high interest cover; expected decline in the ratio to be funded from contracts assumed at rates lower than existing peak rates
- Deployment of rigs with a significant weightage towards stable contracts with serious customers and a minimal exposure to volatile spot contracts
- Position of potentially comfortable liquidity through an anytime sale of a rig should such a situation arise
- Acquisition funded by US dollars denominated long-term debt, which hedges the business against rising domestic interest rates

At the start of 2002-03, Aban had a market capitalisation of Rs. 94 crores. By the close of 2006-07, Aban's market captialisation had grown to Rs. 7,482 crores.

At Aban, we embarked on a number of business initiatives over the last few years with a singular objective – to enhance value in the hands of those who own our Company.

The Company maximised value creation through innovative financing structures that prevented dilution of its equity on the one hand, and ensured a responsible leverage of debt on the other. It took the following initiatives towards this goal:

- Plough back of all earnings into its core business of offshore drilling services
- Innovative structuring of its Rs. 428 crore (approximate) FCCB issue
- Maximising share premium reserves and minimising equity dilution

Within five years, Aban has emerged as one of the fastest growing offshore drilling service providers in the world.

The abilities that enabled Aban to emerge as one of the fastest growing offshore drilling service providers comprise the following:

- Identified attractive, yet fleeting business opportunities, and transformed them into successful deals
- Created a diversified rig portfolio that can provide varied services for different customers
- Leveraged decades of in-house engineering insight, reported high uptime plus safety norms for the benefit of its clients
- Reported one of the lowest operating costs among global offshore drilling service providers
- Managed a mix of legal, financing and taxation complexities
- Serviced a demanding client portfolio comprising ONGC, Shell and Hardy with repeat contracts
- Earned the confidence of bankers that facilitated the funding of assets and enabled the Company to capitalise on attractive opportunities
- Provided the highest safety norms matching international standards

Our advantages

- 100% drilling revenues in foreign currency (predominantly US dollar)
- 55 per cent-plus EBITDA margins

- Superior quality of receivables from highly rated clients like ONGC
- Easily saleable assets arising from an active market for rigs

"As a result of our acquisition, we expect to report a significant increase in income in the coming years."

Managing Director's letter to Shareholders

Dear Shareholders,

It gives me pleasure to address you at a time when your Company is growing in scope, scale and performance.

At the outset, allow me to state that there were two aspects of our record performance during the year under review – one was on-market and the other off-market. I would be honest to state that Aban's off-market performance completely overshadowed its on-market performance even though the latter was by no means insignificant.

During the year under review, the Company reported the following numbers:

- 11.68 per cent growth in top line
- 18.82 per cent growth in bottom line
- 14.64 per cent growth in earnings per share
- Rs. 7,482 crore market capitalisation

These were absolutely compelling figures and would have merited considerable attention in any case. However, I must confess that our performance was overshadowed by our seminal acquisition of Sinvest in 2006-07. Besides, this deal was to the best of my knowledge, the largest of its kind within our industry during the year under review. This was also the first largest cross-border cash acquisition by any Indian business group.

A number of you will ask whether it was necessary to have stretched the Company's financials in making this acquisition. After all, the Company has always taken pride in its financial conservatism.

Perhaps this needs to be answered at two levels.

First, there is a question of whether we needed to do the deal at all. My answer is that in our industry space it wasn't entirely a question of whether we were getting the rigs at the right price; the question was whether we were getting any rigs at all. Any company intending to expand would primarily have to accomplish the challenging exercise of finding a seller. It took us some time to get adjusted to the price that was being quoted because we – and in fact, nobody within our business – had ever seen such rates being quoted for rigs or day rates. However, your Company took a calculated risk that the prevailing asking rates were reasonable in view of the long-term industry outlook, the prevailing day rates and the projected payback. From this point of view, the acquisition was definitely worth doing.

Second, there is a question of whether we stretched our financials and compromised our future earnings capability in the acquisition. A number of shareholders will conclude that we are stretched. My answer is a firm no.

There are several reasons for this:

- In a business environment where we have funded our acquisition with low-cost debt, it is important to consider the interest cover in the business rather than the debt-equity ratio. And here we have a fair reality to present – our business has consistently reported an EBIDTA margin in excess of 55 per cent.
- We succeeded in maintaining a comfortable interest cover even during the worst phase in the last five years.
- We secured our earnings through back-to-back contracts that should result in our fresh acquisition, generating a cash payback in less than five to six years. The assets that we purchased will last for at least three decades while their cost of acquisition will be paid off within a relatively short time.

The Company's entry into an aggressive capital-intensive acquisition with this reality indicates how it follows the ethos of organisational de-risking.

Following the acquisition, our biggest challenge for the moment is to establish a cultural and operational integration between the acquired and the acquirer across the following areas:

- Having serviced several multinationals over the years, Sinvest has acquired a specialised understanding of contemporary standards and competencies. The takeover offers Aban the chance to imbibe these insights.
- Over the last decade-and-a-half, Aban leveraged its engineering excellence to create a cost structure that is now one of the most competitive in the world; Sinvest has begun to absorb the mechanics of competitiveness and the result could well emerge as a potent economies of scale within our industry space the world over.

Aban is attractively placed to cash in on the trends in the global industry. The Company plans to leverage the following:

- There has been a huge increase in rig demand, coupled with enhanced exploration activity in the Asia-Pacific and the Middle East. Aban enjoys a rich insight into the Asia-Pacific and its rig Aban VI has been deployed in the Middle East.
- The increase in rig demand and relative stagnation in rig availability has strengthened day rates, which is expected to harden till 2008 and remain steady thereafter, irrespective of the global oil price. Aban's four drilling units under construction/refurbishment will go on stream in the first half of 2007-08, capitalising on this uptrend. Besides, the contracts for five of its older rigs/FPU will be re-priced and, given the existing trend, we expect that these will fetch stronger rates.
- Among the other discernable trends, there is a growing preference for new-built rigs due to their superior functional capabilities and for floaters/drill ships due to their low gestation compared to jack-ups. Of Aban's 20 rigs (by 2009), nine will have an age-profile of less than three years, strengthening the preference for them.
- We foresee stronger co-operation between service providers and their customers (oil companies), leading to a faster deployment of the new-built assets. Aban expects to commit most of its rigs with established customers, resulting in income predictability for itself and asset availability for its customer, a win-win counter-cyclicality proposition for both.

We continue to anticipate profitable and sustainable growth over the foreseeable future. By 2009-10, all the new rigs under construction should enjoy medium-term contracts at attractive rates. In view of this, we expect to report a significant increase in income over the three years from 2007-08. We do not expect any dilution in our EBIDTA margins as the re-pricing of all old contracts at higher day rates come into play over the next 15 months. In view of this, shareholders can look forward to a robust increase in our cash flow, which could again reinforce our war chest with which to make significant acquisitions should we come across any opportunity in the foreseeable future.

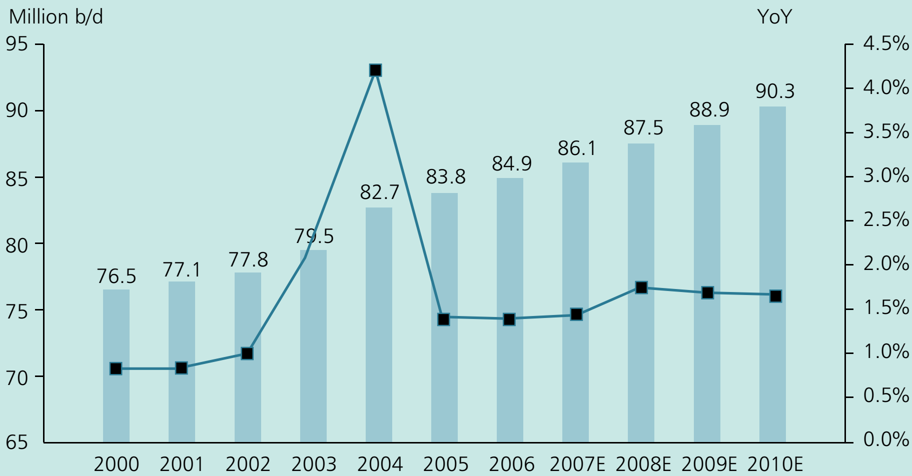
Chennai — Yours sincerely,
21-06-2007 — REJI ABRAHAM

Management discussion and analysis

Oil industry overview

The market for rigs is partly influenced by the market dynamics and price of oil. The demand outlook for oil continues to be optimistic from a long-term perspective due to rising Asian demand, coupled with low non-OPEC supplies. OPEC capacity enhancements and the resulting creation of spare capacity are expected to provide a little respite. East Asia's oil demand will be largely met by the Middle East, ensuring oil security to the region.

Trend in global oil demand



Source: IEA, BP Statistical Review, Goldman Sachs Research estimates

Indian overview

Within Asia – it is expected to remain the principal driver of global demand – India is expected to play a bigger role. India's imports will be on the rise, driven by a buoyant economy, emergence of a new generation of earners, first-time acquisition of personal modes of transport and the increasing incidence of multi-vehicle ownership per family. This growing demand makes it imperative for the country to import oil and, in turn, drive the drilling programme. Over the last few years, oil companies like Cairn Energy and Reliance Industries have made significant discoveries in onshore and offshore fields, raising the optimism of further breakthroughs. As a result, the country's drilling programme has remained relatively independent of oil price fluctuations and going ahead, this trend is likely to sustain.

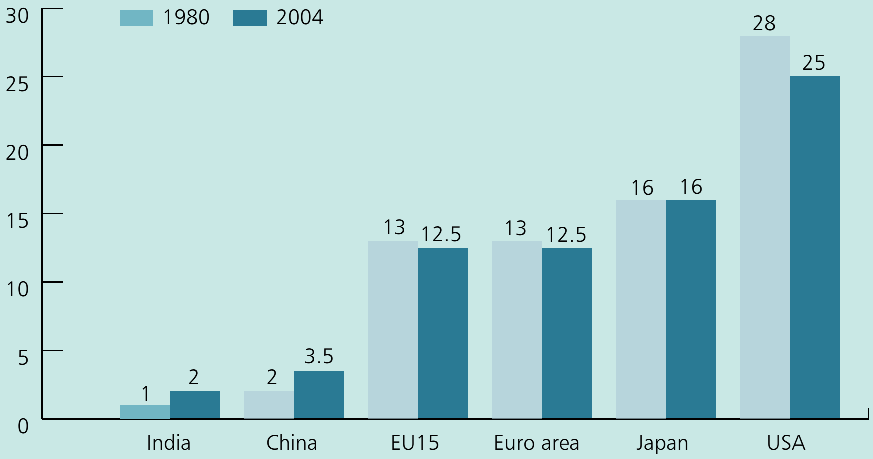
India ranks sixth in the world in terms of petroleum demand and by 2010, it is projected to emerge as the world's fourth largest energy consumer after the US, China and Japan. The current demand for crude oil is around 135 MMT and is expected to grow to 172 MMT by 2011. However, only 35 MMT of crude oil was extracted from within the country in 2005-06, accounting for 19.42 per cent of the total demand. As a result, nearly 31 per cent of India's total imports in 2005-06 comprised oil and gas. In recent years, the country has attempted the acquisition of stakes in the oil and gas fields in Myanmar, Central Asia and Africa, while continuing to increase in domestic exploration of hydrocarbons (both onshore and offshore).

The significance of India in the global oil and gas sectors comprise the following factors:

- Ninth largest crude oil importer in the world
- Sixth in global refining capacity (2.5 million barrels of oil per day in 2004), which is 3 per cent of the world's refining capacity
- Sixth largest crude oil consumer in the world
- All five Fortune 500 Indian companies belong to the oil and gas sector

India's per capita oil consumption remains low compared to developed countries, highlighting a significant room for growth.

Per capita consumption of crude oil countries
Barrels per capita (annually)



Source: BP, IMF, ETLA ETLA SDS 2/1200

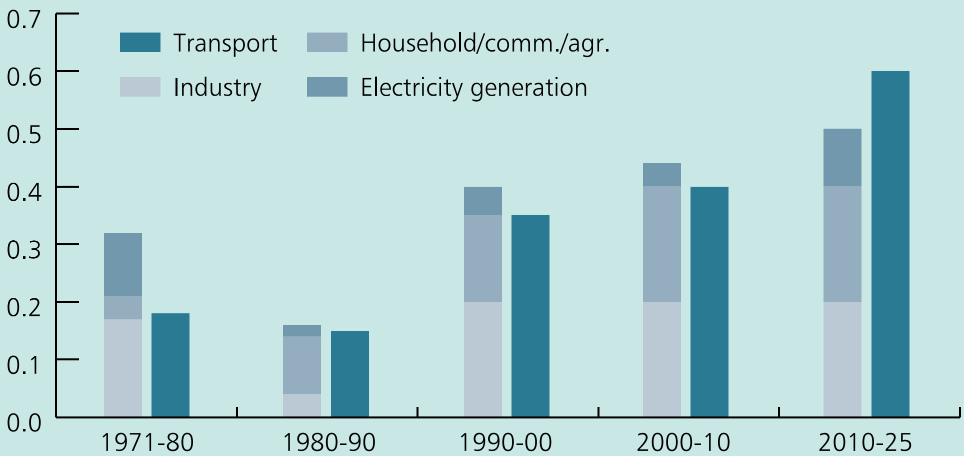
Investment in India's domestic auto-component industry has surged from around US$100 mn in 1996 to around US$4,000 mn in 2006, pointing towards a growing appetite for oil.

India's prospects

India possesses 26 sedimentary basins with an area of 3.14 million sq. km and prognosticated reserves of 28 billion tonnes of oil equivalent of gas. Only 18 per cent of area has been extensively explored (source: DGH) and 25 per cent of the prognosticated reserves has been established till date. As the area of extensive exploration increases, there will be a corresponding increase in drilling translating into increased business for service providers like Aban.

Developing countries have a stronger and more distributed demand for oil

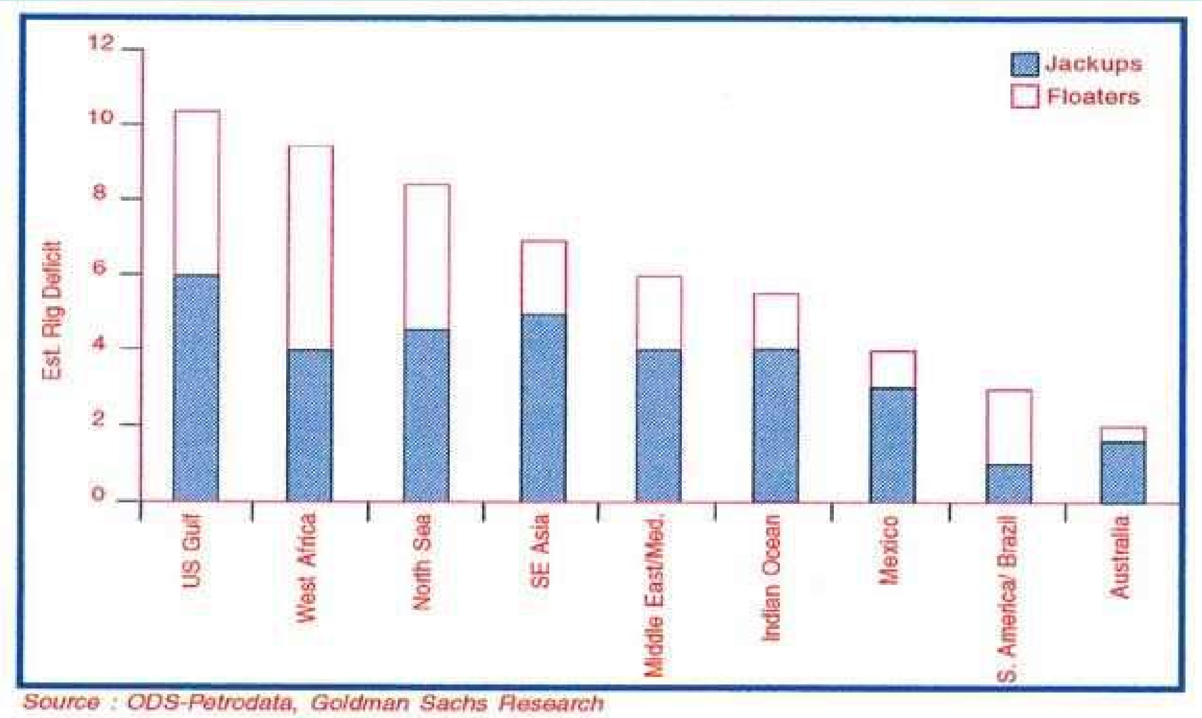
Annual growth in oil demand by sector in developing countries



Industry structure and developments

Global drilling overview: The international oil sector has been marked by rising oil prices, insufficient drilling rig capacity, paucity of skilled manpower as well as escalating exploration and production costs, jeopardising international projects.

Estimated rig deficits by region



As a result, global drilling outside the US was up 2.3 per cent (pegged at 52,614 wells) in 2006 due to a sustained rise in global demand and political instability in key supplying regions. Wells drilled outside the US increased about 3 per cent, to just over 54,000 wells during 2006, the highest growth in 20 years. Meanwhile, offshore drilling activity increased around 9 per cent to more than 3,800 wells spread across the Far East as well as the South Pacific. The offshore recovery began in Western Europe a couple of years ago and is expected to continue across the foreseeable future.

Opening up oil exploration to the private sector in India through the New Exploration and Licensing Policy (NELP) has accelerated drilling activity. This will increase oilfield exploratory and developmental activity and strengthen the demand for rigs. As a result of this, the Directorate General of Hydrocarbons (DGH) has asked for the suspension of operations at 25 offshore blocks awarded under the NELP-3 and NELP-4 in the wake of non-availability of rigs. The suspension of work will ensure that the operator does not run out of time limits for circumstances beyond its control like charter-hire periods ending without rigs being available in the market.

ONGC is planning to invest INR 90 bn in the redevelopment of the Bombay High region with the objective to restrict declining production from the fields and increasing recoverable reserves from 31 per cent to 41 per cent. The exercise also includes the development of 17 new wells and two new process platforms. These fields are expected to produce 12-15 metric standard cubic metres of natural gas per day and around six million tonnes of oil per annum by 2012, leading to an increase in the demand for rigs.

Global rig overview

The world rig market continued to be robust with a large number of new-built constructions on-stream for the following reasons:

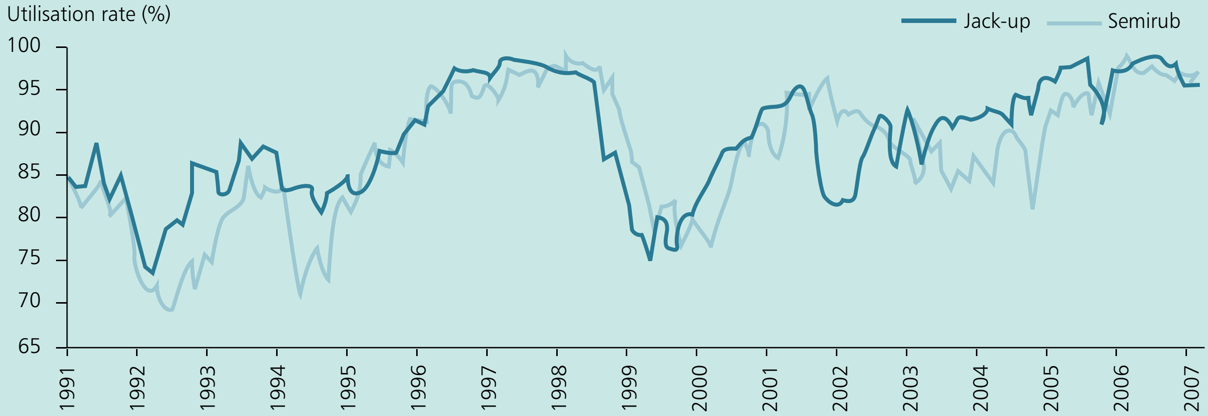
Acute oil shortage: Excess capacity of worldwide oil production was a meagre 1 per cent compared with 8 per cent in 1995 and 25 per cent in 1983. Demand for hydrocarbons continued to increase at approximately 2 million barrels per year, though reserves declined, strengthening energy price.

High oil prices driving E&P activity: The price of oil remained high, supporting not only development work but also exploration drilling. With a significant rise in oil demand, exploration and production could remain strong, strengthening the global demand for rigs.

Strong demand squeezing rig capacity: Enhanced drilling capacity tightened the worldwide rig fleet. With effective utilisation at its maximum level, rig availability, rather than the rig supply, drove drilling activity. Available rigs in most markets were booked till 2008 and beyond, driving operators to plan 18-24 months in advance. The shortage increased day-rates for ultra-deep water floaters (units with a rated depth in excess of 7,500 ft) to US$500,000 per day and for 375-ft independent cantilever new-generation jack-ups to US$225,000 per day.

Rig utilisation and operating day rates

Effective rig utilisation remains on a high trend in utilisation rates of rigs and semi-submersibles



Source: Riglogix, Goldman Sachs Research

Need to change the ageing rig fleet:

The average age of mobile offshore drilling rigs worldwide was estimated at 22.53 years with 39 per cent of the MODU (Mobile Offshore Drilling Unit) fleet built before 1981 and 14 per cent operating for 30 years or more. Since the depreciable life of a rig is about 25 years, there is a growing global demand to renew rigs either through a life enhancement programme or by phasing out the older rigs with new-built ones. The number of new-built rigs scheduled to enter the market over the next three to four years represents a 10 per cent growth in the global fleet, indicating that there will not be sufficient addition leading to a demand-supply mismatch.

World statistics on wind energy

The booming wind energy market around the world exceeded expectations in 2006. Despite constraints facing supply chains for wind turbines, the annual market for wind continued to increase at a staggering rate of 32 per cent following the 2005 record of 41 per cent growth.

- Recorded installed wind energy capacity rose by 15,197 MW to 74,223 MW
- Total value of new generating equipment installed in 2006 reached US$23 bn.

Countries with the highest total installed capacity are Germany (20,621 MW), Spain (11,615 MW), the US (11,603 MW), India (6,270 MW) and Denmark (3,136 MW). Thirteen countries can now be counted among those with over 1,000 MW of wind capacity, with France and Canada reaching the threshold in 2006.

In terms of new installed capacity in 2006, US continued to lead with 2,454 MW, followed by Germany (2,233 MW), India (1,840 MW), Spain (1,587 MW), China (1,347 MW) and France (810 MW). This development shows that new players such as France and China are gaining ground.

India's energy take

India needs to meet its energy shortfall to sustain its growing domestic economy.In order to do so, India seeks renewable sources of energy. According to the Ministry of New and Renewable Energy, non-conventional sources — including wind, small hydro-electric and bio-mass projects — have a potential of about 80,000 MW, with wind alone contributing about 45,000 MW. The ministry estimates that by 2012 – when the total power capacity is expected to rise to 240,000 MW – wind energy will contribute about 12,000 MW.

Opportunities and threats

Opportunities driving Aban's drilling division

- Record-high oil prices driving capital expenditure by E&P companies
- Limited rig supply in the short-term increased earnings for operators
- Since 2006, average rig operating rates for 300-ft. jack-up rigs have increased from US$60,000-80,000 per day to US$1,40,000-1,50,000
- More new-built rigs will enable the Company to capture a larger share of the global rig demand
- Aban's Singapore venture will enjoy a tax holiday of 10 years
- Government impetus to increase indigenous oil production should create domestic opportunities for Aban

Opportunities in India

- Large private sector players like Reliance, Cairn Energy, Niko, Hardy Exploration, British Gas, GAIL and GSPCL are entering the exploration sector
- Recent Reliance gas reserves find has resulted in a spurt in global interest in the Indian oil sector
- Consequently, demand for rigs in India is likely to increase significantly

Advantages for Aban

- Worked on contracts with international companies like Hardy Exploration and Oriental Oil
- Experience of working with private sector players provides an edge in meeting growing demands

Threats faced by the drilling industry

- High day rates could invite intense competition
- Jack-up supply expected to increase 13 per cent between 2006 and 2008
- Cross-cultural sensitisation posing a major challenge

Opportunities in the wind energy division

The rationale behind the growth of the wind power industry in India lies in the following strengths:

- Relatively low cost — about 7.6 cents a unit
- Capital cost are a little over $1 million for 1 MW of wind power
- Rapid installation policy
- Modular expansion
- Zero fuel cost
- The central government – and some state governments, too — offer a slew of concessions to entrepreneurs putting up wind farms. These include tax write-offs, accelerated depreciation, soft loans, and incentives for foreign investments
- Among non-conventional energy sources, wind power comes right at the top in terms of investment cost, tax benefits and technical barriers in terms of transmission and distribution
- Returns on wind energy projects are superior to bonds and government securities without the risk and the volatility of the stock market

Threats to the wind energy division

- Temporary fiscal benefits provided by the government for the development of this sector may not last long
- The industry faces a shortage of critical wind turbine components, leading to delays in manufacture and project execution
- The business may suffer from non-availability of land with wind potential

Segment-wise performance

Revenue	Rs. in lacs	
	2006-07	2005-06
Drilling	54801	49015
Wind energy	1658	1527
Profit/(loss)		
Drilling	18659	16841
Wind energy	1548	(1681)

Operational review

Drilling Division

The Company reported a rig utilisation of 309 days in 2006-07. This is comparable to the best international standards. During the year, all the Company's rigs were under contract for the entire financial year except for rig Aban II, which underwent checking from end-January 2007 till the end of the financial year.

Wind Energy Division

Aban's Wind Energy Division generated 561.66 lacs units of power during 2006-07, generating a revenue of Rs. 15.12 crore.

Financial review

The Company reported a 11.68 per cent increase in its gross income from Rs. 505.42 crore in 2005-06 to Rs. 564.59 crore on account of increasing day rates, higher rig utilisation and renewal of old contracts on favourable terms. The Company's profit after tax increased 18.83 per cent from Rs. 83.81 crore in 2005-06 to Rs. 99.59 crore in 2006-07.

Risks and concerns

This section has been dealt with exhaustively in the next part of the report.

Internal control systems and adequacy

- Proper and adequate system of internal controls safeguarded all assets against loss from unauthorised access or disposal and ensured the efficiency of assets on a sustainable basis
- Regular internal audits and checks (quarterly audit reviews) ensured that the responsibilities were executed effectively
- The management conducted regular reviews of the internal control systems and procedures
- The internal control systems are devised to ensure that all financial records are reliable for preparing transparent, accurate financial statements, compliant with all applicable laws

Human resource/industrial relation

Human resource development (HRD) represents a major thrust area for the Company because it is people who can make a difference to the Company's growth trajectory. Aban possesses a talented pool of motivated professionals, hailing from diverse cultural backgrounds

Aban's noteworthy initiatives to enrich its human capital comprised:

- Attractive compensation structures to attract and retain talent
- Continuous training and development, enhancing multi-skilling
- Opportunity for work across multi-functional areas
- Transparent performance appraisal system across the organisation
- Involvement of more people in decision making
- Easy accessibility across hierarchies
- Proper grievance redressal system across the organisation

The Company imparted training to employees to enhance behavioural as well as functional expertise. It undertook periodical health, safety and environment (HSE) checks of its employees and facilities to minimise the harmful impact of operations and hazardous working conditions.

The Company followed a sensitive HR policy to attract the best talents in the industry. The total employee strength stood at 830 as on 31 March 2007.

Outlook

- Oil demand, expected to grow by 7.64 mbpd between 2005 and 2010, is nearly double the OPEC's current spare production capacity. This demand growth, coupled with declining production rates and lower reserve replacement ratios will drive the demand for offshore oilfield services. In addition, high oil and gas prices have triggered a search for indigenous reserves, creating new exploration areas

- With domestic production stagnating at 32-34 MMT over the past few years, India has to meet about 75 per cent of its crude oil demand through imports. To reduce this external dependence on imports leading to a huge drain on the exchequer, the Government of India launched the New Exploration Licensing Policy (NELP) in 1999, inviting nationalised oil companies as well as private and multinational players for periodic rounds of awards for exploration and production activities
- The prognosticated resource appraisal of deepwater basinal areas of the east and west coasts estimates around 12 billion tonnes of oil and oil equivalent gas across 1.4 million sq. km (Source: DGH). Reliance's deepwater gas discovery in 2002 has generated interest for deep water exploration programmes in India among global oil giants. The number of deepwater blocks being offered has increased under the NELP, creating opportunities for companies manufacturing deepwater rigs
- With enhanced global drilling and paucity of new-built rigs, Aban is suitably positioned to leverage the global incremental rig demand
- Aban's acquisition of Sinvest has created a leveraged play on the tight market for offshore drilling services. Re-pricing of existing rigs and a significant pipeline of nine drilling assets coming on-stream over the next two years will help Aban grow its consolidated earnings significantly between 2006 and 2009
- With India's additional wind capacity to increase by 10,000 MW by 2012, the outlook for this industry looks bright

Aban's presence

Over the last two to three years, Aban has strengthened its industry presence from two jack-up rigs to seven (Aban VII and Aban VIII being the latest additions), two drill-ships (Frontier Ice and Aban Abraham) and an FPSO/ FPU (Tahara). This growth chart is a result of organic and inorganic initiatives.

In line with international rig industry practice, ASPL has housed the new drilling units under single rig owning special purpose vehicles (SPVS)

Aban's business model is marked by the following:

Diversified asset base: Aban possesses a diversified portfolio of offshore assets for deployment under various soil conditions and water depths, enabling the Company to extend its presence into unexplored areas (like the Persian Gulf) and into new services like deepwater drilling.

Value chain: Aban enjoys its presence in drill-ships, jack-up rigs and FPU, leveraging the current up-cycle in the daily operating rates of offshore assets. These are value-added assets, generating attractive revenue.

Low operating cost: Aban is one of the lowest-cost offshore service providers in the world. The Company's operating efficiency stems from its manpower productivity, which allows it to operate at a lower headcount. Strong technical manpower, coupled with a well-qualified and experienced management enabled the Company to remain liquid even in a soft operating rate scenario.

Strong customer relationships: Aban enjoys enduring relationships with E&P companies in India. While ONGC remains its principal customer in India, the Company has enlisted other private players as well. It has diversified its international presence by penetrating the Persian Gulf through the deployment of its Aban VI rig.

Risk management

Every business initiative is replete with risk factors, which can hurt the fortunes of a company or affect its growth trajectory. Aban possesses a comprehensive risk mitigation strategy in conformance with shareholders' desired total returns, the Company's credit rating and its desired risk appetite.

The Company's risk mitigation framework comprises prudential norms, structured reporting and control, ensuring that the risk management discipline is centrally initiated but prudently decentralised across the second layer of management to mitigate risks at the transactional level.

Competition risk

In a business promising high returns, the threat of competition is intense.

Risk mitigation

- Threat of competition from new entrants is low as it takes three to four years to build a rig and it is capital intensive
- Competition from international players is also low due to the Company's better knowledge of the Indian terrain, its clients and its ability to supply customised new-built rigs on time
- The business continued to be cash intensive, a deterrent. A new rig costs approximately US$200 million

Mitigation measurement

The Company has a wider portfolio offshore units that can be deployed in the domestic market as compared to its closest Indian competitor. Also, on the overall position the Company is well placed in the market in terms of delivery schedules of the latest state of art technology jack-up rigs that would be available in the international market.

Technology obsolescence risk

The existing assets of the Company may become obsolete due to rapid changes in technology, hampering productivity and realisations.

Risk mitigation

The Company has acquired newer assets, especially off-shore assets of premium pedigree.

Mitigation measurement

Aban's average age of fleet is expected to decline from 25 years to 10 years by 2009.

Asset utilisation risk

The Company's expensive assets may not be effectively deployed, yielding sub-optimal returns.

Risk mitigation

- Periodic asset refurbishment in line with statutory requirements ensured that the assets are maintained in the best of conditions, leading to optimised deployment
- Highly skilled and experienced technicians ensure timely recovery in the event of rig break down
- Proximity of customers ensure that minimum time is lost in transporting the rigs from one site to another

Mitigation measurement

The rig utilisation rate of the Company was a high 97 per cent in 2006-07.

Customer risk

The Company's overdependence on its domestic client base could impact the utilisation of its assets in the event of a trend reversal in the oil exploration and production.

Risk mitigation

- The Company's off-shore services now has a global presence
- The Company's has 5 global clients, providing flexibility to move assets across overseas waters should domestic demand decline

Mitigation measurement

- The proportion of revenue generated from overseas customers increased from 9.80 per cent in 2005-06 to 12.83 per cent in 2006-07

Client concentration risk

Few clients could hurt margins in the event of client attrition.

Risk mitigation

- Latest auction of hydrocarbon blocks by the Indian government has attracted bids from leading international players.
- The Company possessed a versatile fleet size for the customisation of services in line with customer requirements
- The Company has entered into MOUs for setting up JVs with oil exploration companies like GSPC, expanding its customer base
- The Company has ventured into foreign areas like the Persian Gulf by signing a service contract with Orient Oil

Mitigation measurement

The Company's client portfolio comprises 4-5 brand-enhancing companies.

Contract duration risk

Risks may emanate from imbalanced contract durations.

Risk mitigation

- The Company has a well diversified portfolio of long , medium and short-term service contracts
- The Company's long-term service contracts helps it mobilise debt funds at cheaper costs
- The Company capitalises on increasing day rates, riding short-term contracts

Mitigation measurement

The Company possesses a balanced portfolio of long-term, medium-term and short-term service contracts. Average contract age was 3 years in 2006-07, adequate protection against short-term volatility.

Funding risk

The Company may not be able to source cheaper funds to finance its growth.

Risk mitigation

- The Company has funded all its acquisitions through long-term debt
- With the realisations coming in from the deployment of its new rigs within the next fiscal year, the Company expects to pay off its debt within a short period

Mitigation measurement

The Company has availed financing from Banks at competitive rates.

Liquidity risk

The Company may find it difficult to service its debt repayment and cash requirements.

Risk mitigation

- The Company's rig services remain a high-margin business. Therefore, the cash inflow in the form of lease rentals is much higher compared to the outflow
- The Company follows a prudent strategy of investing its surplus cash in highly liquid financial instruments

Mitigation measurement

The interest cover of the Company was 7.1 times, considered fair in a capital intensive business.

Foreign exchange risk

The Company's earnings may be affected by the fluctuations in the foreign exchange market.

Risk mitigation

- Most transactions are done in US dollars, a currency in which all major expenditures were made, providing a natural hedge against currency fluctuations
- The Company has a strong in-house team to hedge earnings against foreign exchange fluctuations. It also seeks advice from economists to assess its positions on various currency exposures

Mitigation measurement

The Company reported a gain arising out of foreign currency fluctuations of Rs. 16.25 crore in 2006-07.

Directors' Report

The Directors of your Company are pleased to present the Twenty-first Annual Report along with the accounts for the year ended 31st March 2007.

1. Financial results

Rupees in lacs

	Company	
	Year ended 31st March 2007	Year ended 31st March 2006
Income from operations	49532	49016
Other income	6927	1526
Less: Expenditure	24758	20882
Profit before interest, depreciation, goodwill amortisation and tax	31701	29660
Less: Interest	4482	4363
Less: Depreciation	9478	9508
Goodwill amortised	629	629
Profit for the year before tax	17112	15160
Provision for taxation	6250	5800
Fringe benefit tax	89	64
Provision for deferred tax	813	915
Profit after tax and amortisation of goodwill	9960	8381
Profit brought forward from the previous year	23285	17976
Available for appropriation	33245	26357
Transfer to Capital redemption reserve	2000	-
Transfer to general reserve	1000	900
Proposed preference dividend	1357	947
Tax on proposed preference dividend	231	133
Proposed equity dividend	1108	958
Tax on proposed equity dividend	188	134
Balance carried forward	27361	23285

2. Performance

The Company has registered a satisfactory performance during the year under review. All the rigs, drillship and the Floating Production Unit were working satisfactorily under the existing contracts.

Your Company has successfully taken over Sinvest ASA (Sinvest), a Company incorporated in Norway and listed with Oslo Stock Exchange in two stages. Initially Aban Singapore Pte Ltd (ASPL) acquired a 40 per cent stake in Sinvest from its erstwhile sponsor and market. Later, Aban International Norway AS wholly owned subsidiary of ASPL acquired the remaining 60 per cent stake through a mandatory offer to all shareholders.

Your Company through the Subsidiary Aban 8 Pte Ltd. has entered into a Memorandum of Understanding for setting up a joint venture with the Government of Gujarat through their nominated company Gujarat State Petroleum Corporation Ltd for offshore drilling services. The joint venture will be functioning through a Special Purpose Vehicle (SPV).

a. Non convertible Cumulative Redeemable Preference Shares

During the year under review your Company mobilised funds aggregating to Rs.156 crores by issue of five-year (with three year call) 9 per cent p.a. non-convertible cumulative redeemable preference shares (CRPS) on private placement basis. The CRPS are listed on the Bombay Stock Exchange Ltd. Unutilised monies out of the preference share issue have been kept in bank deposit & current investments pending deployment for intended use.

b. Foreign currency convertible bonds (FCCB)

The foreign currency convertible bonds (FCCB) Japanese Yen (JPY) 11.61 billion equivalent to US$100 million issued by the Company in April 2006. As per the terms of issue the bondholders shall have the right to convert the bonds into equity shares on or after 19th April 2007 and up to and including April 8, 2011. The Conversion Price (CP) of FCCB of JPY 11.61 billion equivalent to US$100 million has been fixed at Rs.2789.04 (Rupees two thousand seven hundred and eighty nine and four paisa only) per equity share of Rs.2 each fully paid up. The price has been determined at 1.4 times of the volume weighted average price of the Company's equity share traded on the National Stock Exchange of India Limited during the 30 trading days commencing from February 28, 2007 and ending on April 12, 2007.

The Maximum number of shares that would be alloted on conversion is 15,93,692. No bond holder has exercised the option to contest as of date.

c. Changes in share capital

During the year the following changes were effected in the share capital of the Company:

Issue of shares under Aban Employee Stock Option Scheme, 56,660 equity shares of Rs. 2/- each fully paid were issued & allotted. Consequently the issued and subscribed share capital of your Company as on 31st March 2007 was 36943255 equity shares of Rs. 2 each; fully paid of the total number of shares 49740 shares were of Rs.2 each of which Re.1 per share was paid up.

d. Name Change

The Directors are pleased to inform that your Company has changed its name to Aban Offshore Ltd., with effect from 27.07.2006 pursuant to the Resolution passed by the shareholders at the 20th Annual General Meeting of the Company and after obtaining requisite approvals.

3. Subsidiary companies

INDIAN

Aban Energies Limited

The activities of the subsidiary company relating to the maintenance of windmills of the Company have been satisfactory.

INTERNATIONAL

Your Company has incorporated a wholly-owned subsidiary Aban Holdings Pte. Ltd in Singapore effective 6th December 2006.

Your Company's holdings in Aban Singapore Pte Ltd. had been transferred to Aban Holdings Pte. Ltd. By virtue of transfer, Aban Singapore has become the subsidiary of Aban Holdings Pte. Ltd. However, Aban 7 Pte. Ltd., Aban 8 Pte. Ltd., and Aban Abraham Pte. Ltd., continues to be wholly owned subsidiaries of Aban Singapore Pte. Ltd.

Aban Singapore Pte Ltd has incorporated a wholly-owned subsidiary named Aban International Norway. As effective from 14th December 2006

With the takeover of Sinvest ASA Norway the following companies the DDI Holding AS, Deep Drilling Invest Pte Ltd., Deep Drilling 1 Pte Ltd., Deep Drilling 2 Pte Ltd., Deep Drilling 3 Pte Ltd. Deep Drilling 4 Pte Ltd. Deep Drilling 5 Pte Ltd. Deep Drilling 6 Pte Ltd. Deep Drilling 7 Pte Ltd., Deep Drilling 8 Pte Ltd., Beta Drilling Pte Ltd., Venture Drilling Pte Ltd have also become subsidiary of your Company. The erstwhile subsidiary West Africa drilling N.V ceased to exist with effect from 17.08.2006.

4. Consolidation of accounts

The consolidated financial statements has been prepared in accordance with Accounting standard 21 (AS21) "Consolidated Financial Statements", Accounting standard 23 (AS23) "Accounting for Investment in Associates in consolidated financial Statements"and Accounting Standard 27 (AS27). Financial reporting of interest in joint ventures issued by Institute of Chartered Accountants of India (ICAI) in this regard is attached.

The Government of India, Ministry of Company Affairs, vide their letter No. 47/126/2007-CL III dated 12.4.2007 has granted its approval under Section 212(8) of the Company's audited accounts for the year/period ended 31st March 2007 from attaching the full text of the financial statements of subsidiaries namely Aban Energies Ltd, India, Aban Holdings Pte Ltd and Aban Singapore Pte. Ltd, Singapore, Aban 7 Pte Ltd, Aban 8 Pte Ltd and Aban Abraham Pte Ltd. Singapore. Aban International Norway AS, Sinvest ASA, DDI Holding AS, Norway Deep Drilling Invest Pte Ltd., Deep Drilling 1 Pte Ltd., Deep Drilling 2 Pte Ltd., Deep Drilling 3 Pte Ltd., Deep Drilling 4 Pte Ltd., Deep Drilling 5 Pte Ltd., Deep Drilling 6 Pte Ltd., Deep Drilling 7 Pte Ltd., Deep Drilling 8 Pte Ltd., Beta Drilling Pte Ltd., Venture Drilling Pte Ltd. Singapore. The Balance Sheet as required under section 212 of the Companies Act, 1956 in respect of one of the Subsidiary Company viz., West Africa Drilling N.V. incorporated in the Netherlands dissolved on 17.08.2006, was not attached as on the date of the closure of the financial year of the holding company, the subsidiary company was not in existence and the said subsidiary company was in existence only for less than 6 months. However the consolidated account of the holding company included the statement of the said subsidiary company.

Pursuant to the said approval, necessary disclosures were made in respect of the said subsidiaries in this Annual Report along with the statement pursuant to Section 212 of the Companies Act, 1956.

The audited accounts of the said subsidiaries and the related detailed information will be made available to the investors of the Companies/ Subsidiaries seeking such information at any point of time. The Annual Accounts of the subsidiary companies will also be kept ready for inspection by any investor at the registered office of the Company.

5. Management's discussion and analysis

In a section of this Annual report, certain ideas and issues relating to the environmental factors influencing the oil industry both at global and national levels, the market situation arising out of the growing imbalance between the demand and supply of drilling services all over the world, the philosophy and strategies adopted for the Company's future growth, the segment wise outlook in terms of prospects / opportunities, risks / threats and the corresponding mitigation measures, etc, have been analysed and discussed. We believe the presentation of such facts and figures would serve as a background and enhance the understanding of the members about the Company's performance.

6. Dividend

The Directors are pleased to recommend an 8 percent p.a.dividend on the cumulative non convertible redeemable preference shares allotted in June 2005 and a dividend of 150 per cent on the paid up equity share capital of the Company (@ Rs. 3/- per fully paid share and @ Rs. 1.50 per partly paid share) for the year ended 31st March 2007 and recommend a prorata dividend of 9 per cent p.a on the non convertible cumulative redeemable preference shares allotted during 2006-07 for the period ended 31st March 2007.

7. Directors

The Directors Mr. K. Bharathan and Mr. P. Murari retire by rotation and, being eligible, offer themselves for reappointment.

Mr. P. Venkateswaran and Mr. C.P. Gopalkrishnan have been elevated as Deputy Managing Directors with effect from12th February, 2007.

Mr. Reji Abraham was reappointed as Managing Director for a 5-year tenure from 26.09.2007 to 25.09.2012, however, subject to approval of Members at the ensuing Annual General Meeting.

8. Directors' Responsibility Statement

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

(i) That in the preparation of the Annual Accounts for the financial year ended on 31st March 2007, the applicable accounting standards were followed, along with a proper explanation on material departures.

(ii) That the Directors selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review.

(iii) That the Directors took proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 to safeguard the Company's assets and for preventing and detecting fraud and other irregularities.

(iv) That the Directors had prepared the accounts for the financial year ended on 31st March 2007 on a going concern basis.

9. Stock exchanges

Your Company's equity shares were listed in the following stock exchanges:

Madras Stock Exchange Ltd., Bombay Stock Exchange Limited and The National Stock Exchange of India Ltd.

The preference shares issued by the Company are listed with Bombay Stock Exchange.

The Foreign Currency Convertible Bonds issued by the Company are listed with the Singapore Stock Exchange.

The listing fees for the year 2007-08 have been paid to the respective stock exchanges.

10. Auditors

M/s Ford, Rhodes, Parks & Co., Chartered Accountants, Chennai, hold office until the conclusion of the ensuing Annual General Meeting and, being eligible, are recommended for re-appointment.

11. Particulars of employees

As required by the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, the names and relevant particulars of the employees who were employed throughout the financial year/part of the financial year under review and received remuneration for the financial year in aggregate of not less than Rs.24,00,000 (Rs.2,00,000 per month or part thereof), are annexed.

12. Employee stock option

The Compensation Committee was formed on 23rd April 2005. The Committee at its meeting held on 25th April 2006 had granted 41,000 equity shares of Rs. 2 each to 77 persons including 75 employees and two whole time Directors and at its meeting held on 14th October 2006 the Committee had granted 6000 equity shares of Rs.2 each to three Non-executive Directors of the Company.

The details of information required to be disclosed under SEBI (ESOS &ESPS) Guidelines 1999 are annexed.

13.

In terms of Section 217(1) of the Companies Act, 1956 (as amended) and the Companies (Disclosure of Particulars in Report of the Board of Directors) Rules 1988, your Directors furnish hereunder the additional information as required.

A. Conservation of energy

The Company took appropriate measures to conserve energy wherever possible although the Company's activities in general are not energy intensive.

B. Research and development

The Company's research and development activities are focused on indigenisation of equipment, tools and spares, which are used in rigs and windmills.

C. Technology absorption, adoption and innovation

The Company took appropriate measures to reduce its dependence on import of technology for its operations; largely relied on the innovative skills of its employees.

Foreign exchange earnings and outgo

(Rs. in lacs)

	2006-07	2005-06
Foreign exchange earned during the year	**51507**	47593
Foreign exchange outflow during the year	**6514**	39300

14. Corporate Governance

A detailed note on the Company's philosophy on Corporate Governance and such other disclosures as required under the Listing Agreement with the stock exchanges is separately annexed herewith and forms a part of this report.

15. Compliance certificate

A Certificate from the Auditors of the Company has been attached to this report which testifies that the requirements of a sound Corporate Governance process, as stipulated under Clause 49 of the Listing Agreement with the stock exchanges, was met.

16. Acknowledgements

Your Directors wish to place on record their sincere appreciation for the contribution made by the employees across all levels. The Directors also record their sincere appreciation of the support and co-operation received from the bankers, financial institutions, relevant central and state government ministries, valued clients, business associates and members of the Company.

For and on behalf of the Board

Reji Abraham
Managing Director

Place: Chennai
Date: 21.06.2007

P. Murari
Vice Chairman

Cautionary Statement:

Statements in the management discussion and analysis describing the Company's objectives, estimates and expectations of projection may be forward looking statements within the meaning of applicable laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include government regulations, tax laws and economic developments across India and in the countries in which the Company conducts business, litigations and other allied factors.

Annexure to the Directors' Report

Statement as at 31st March 2007 pursuant to Clause 12 (Disclosure in the Directors' Report) of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999

			2005	2006	Total
a)		(i) No. of options granted	96200	47000	143200
b)	Pricing formula		Options were granted at the closing market price of the equity shares of the Company on the stock exchange where high volume of shares were traded on the day preceding the date of grant of options		
c)		Exercise price	431.60	1288.25 and 1211.50	
d)	Total number of options vested		60620		
e)	Total number of options exercised		56660		
f)	Total number of equity shares arising as a result of exercise of options		56660 Equity shares of Rs.2 per share fully paid		
g)	Total number of options lapsed		3960		
h)	Variation of terms of options		27110 (Vesting & Exercised Period Changed)		
i)	Money raised by exercise of options		Rs.24454456		
j)	Total number of options in force		82580		
k)	Details of options granted to senior managerial personnel		As detailed below		

	Sl. No.	Name	Designation	No of options granted during the year
	1	P. Venkateswaran	Deputy Managing Director	5750
	2	C.P. Gopalkrishnan	Deputy Managing Director	5750
	3	Amrit Pal Singh Sandhu	Chief Operating Officer	1500
l)	Any other employee who received grant in any one year of options amounting to 5% or more of the options granted during the year		Nil	
m)	Identified employees who were granted options during any one year equal to or exceeding 1 per cent of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant)		None	
n)	Diluted earnings per share (EPS) pursuant to issue of equity share on exercise of options calculated in accordance with the accounting standard (AS 20) for earnings per share		Rs.	

o) i)	Method of calculation of employee compensation cost	The employee compensation cost has been calculated using the intrinsic value method of accounting to account for the options issued under the Aban Employee Stock Option Scheme. The stock based compensation cost as per the intrinsic value method for the financial year 2006 -07 is nil.
ii)	Difference between the employee compensation cost so computed at (i)above and the employee compensation cost that shall have been recognized if it had used the fair value of the options	Options have been granted 100% of the closing market price immediately prior to the date of grant on the stock exchange which recorded highest trading volume. Since grant price is higher than the fair value of options. There is no compensation cost . Hence there is no impact on profits or EPS due to grant of options.
p)	Weighted average exercise prices and weighted average fair values of options granted for options whose exercise price either equals or exceeds or is less than the market price of the stock	Weighted average exercise price 709.55 Weighted average fair value 193.57
q)	A description of the method and significant assumptions used during the year to estimate the fair values of options provide a reliable measure of fair value of options.	The fair value of each option is estimated using the Black Scholes Option pricing model after applying the key assumptions. The option pricing model do not necessarily
		i) Risk free interest rate -7.44%
		ii) Expected life 3years.
		iii) Expected volatility - 21.47%
		iv) Expected dividends - 31.88%
		v) The price of the underlying share in the market at the time of option grant
		(a) First Grant - 443.95 (b) Second Grant - 1,325.20 (c) Third Grant - 1,175.25

Annexure to the Directors' Report

Information as per section217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) (amendment) Rules 1988, and forming part of the Directors Report for the year ended 31st March 2007

Employed throughout the Financial Year under review were in receipt of remuneration for the Financial Year in aggregate of not less than Rs24,00,000/- (Rupees Twenty four lacs only) per annum or Rs. 2,00,000/- (Rupees two lacs only) Per month where employed for the part of the year

Sl. No.	Name	Age Years	Remuneration Rs.	Nature of Duties / Designation	Qualification	Date of Commencement of Employment	Experience in years	Details of Previous Employment
1	D' Souza A.C.	50	3300519	Tool Pusher	SSC	2.5.1987	31	Derrick Man Zapata Offshore Drilling Co.,
2	Gopalkrishnan C.P.	51	5309488	Deputy Managing Director & Secretary	B.Com (Hons) ACA, ACS, LLB	11.11.1987	28	Deputy Manager Nirlon Synthetics Fibres & Chemicals Limited
3	Karmakar T.J	48	3386890	Asst. General Manager (Drilling)	B.Sc. Engg Mech Manager (Drilling)	1.7.1992	24	EED Rig Incharge ONGC
4	Kaul P.L.	58	2620619	Tool Pusher in Mech Engg	B.Sc. Diploma	09.10.1995	36	Rig Superindent H.E.G. Ltd.
5	Kolady Jayarajan	47	4654894	Asst. General Manager Drilling	B.Sc Engg Mech	11.8.1997	25	Deputy Superinding Engineer ONGC Ltd.
6	Kushalappa K C	42	3961454	Rig Manager	B.E.,(Industrial Production Eng)	27.03.1992	20	Asst. Driller, Mahindra & Mahindra
7	Mishra D.K.	52	2482527	Rig Manager	B.Sc Mech Engg.	28.02.2005	26	Directional Driller Schlumberger Asia
8	Prasad R. R.	48	3049616	Deputy General Manager (Drilling)	Grad. Mech. Engineer	09.11.2004	25	DGM Drilling Great Eastern Shipping Co. Ltd.
9	Ramesh Datla*	49	2093824	Offshore Installation Manager	DIEE/DIME OIM Certification	14.3.1995	30	Junior Superintendent Hindustan Shipyard Ltd.
10	Ramesh Venkatraman	41	2860910	Rig Manager	B.E. (Mech Engg)	13.03.2006	18	Asst. Rig Manager, Transocean
11	Ravichandran J	47	4687225	Barge Engineer	SSLC, NAC	13.04.1988	24	Motorman, Griffin Alexander I
12	Reji Abraham	40	37006752	Managing Director	BE PGDM	26.09.1997	16	Business
13	Sandhu A.P.S.	56	4369587	Chief Operating Officer	B.Sc. Engg Mech	20.03.1992	31	Chief Engineer ONGC Ltd.
14	Shivakumar B. S. *	46	606710	Asst. General Manager (Drilling)	B.E. Mech Engg.	17.11.1995	22	Executive Engineer, (Drilling) ONGC Ltd.
15	Suresh Kumar	47	3449757	Tool Pusher	B. E. Mechanical	01.04.2002	24	Rig superintent Jackson International
16	Venkateswaran P.	56	5152224	Deputy Managing Director	B.Tech	01.10.1986	34	Project Manager Aban Constructions
17	Vijay Saheta	42	2712451	General Manager (Finance)	B.Com, ACA	16.07.1992	16	Deputy Manager (Taxation) WIMCO Limited
18	Vinodhan V.K.	55	2862588	Rig Manager	B.Sc Mech Engg.	23.11.2004	31	Base Manager NICO Resources Ltd.

Notes:-

(a) Remuneration includes Salary and value of perquisites

(b) Nature of employment is contractual

* Part of the year

Corporate Governance

ABAN'S governance philosophy

At Aban Offshore Limited (formerly known as Aban Loyd Chiles Offshore Limited) we believe that, a sound governance process is imperative for two reasons: to protect stakeholders' interest and to ensure that no stakeholder benefits at the expense of others and the Board of Directors remain committed towards this end.

The company's governance philosophy revolves around transparency and accountability in all its interactions with the Government, shareholders and employees.

In the following paragraphs, the Company has submitted a report on its Governance practices in compliance with clause 49 of the Listing Agreement with the Stock Exchanges in India.

Board of Directors Composition of Board

Aban's Board comprises seven Directors (one Promoter Director, three Non-Executive Independent Director, two Executive Directors and one Nominee Director Non Executive Independent Director representing ICICI Bank Ltd.) The Board functioned directly or through various focused committees (Audit Committee, Shareholders'/ Investors'- Grievance Committee and Compensation Committee). During the year the Board is vested with functions relating to goal setting, performance evaluation and control.

The meetings of Board of Directors were held nine times in 2006-07 on the following dates:

25.04.06, 25.05.06, 14.07.06, 14.10.06, 21.11.06, 13.12.06, 13.01.07, 08.02.07 and 20.03.07

The names of the Directors on the Board, their attendance at the meetings and the other Directorships that they held as on 31st March 2007 are given below:

Name of Director(s)	Category of directorship	FY'2006-07 attendance at		As on 31st March 2007			
				No. of other Directorships		Committee positions of other Companies*	
		Board Meetings	Last AGM	Public	Private	Member	Chairman
V.S. Rao	Non-Executive- Independent	8	Yes	1	1	–	–
P. Murari	Non- Executive- Independent	8	Yes	12	–	4	2
Reji Abraham	Executive – Promoter	9	Yes	8	8	–	–
K Bharathan	Non- Executive Independent	9	Yes	1	–	–	–
K.M. Jaya Rao	Non- Executive Independent Nominee –ICICI Bank Ltd. (Lender)	4	Yes	4	–	–	–
P. Venkateswaran	Executive – Non Promoter	9	Yes	4	5	–	–
C.P. Gopalkrishnan	Executive – Non Promoter	9	Yes	5	3	–	–

* Represents Memberships / Chairmanships of Audit Committee and Shareholders'/Investors' Grievance Committee

Name of the Director	K. Bharathan	P.Murari
Date of Birth	15.04.1950	19.08.1934
Nationality	Indian	Indian
Date of Appointment on the Board	26.12.2003	18.09.1996
Qualification	ACA	M.A (Economics)
Shareholding in the Company Equity Shares of Rs.2/- each	Nil	Nil
Membership in Committees of the Company	Audit Committee and Compensation Committee	Audit Committee and Compensation Committee
Chairmanship in Committees of the Company	Shareholders'/Investors' Grievance committee	Nil
List of Companies in India in which Directorship held	Tamil Nadu Urban Development Fund Ltd.	Bhoruka Power Corporation Ltd Credit Capital Asset Mgmt. Co.Ltd Glaxosmithkline Consumer Healthcare Ltd. HEG Ltd. Aditya Birla Nuvo Ltd Moving Picture Co. (India) Ltd. South Asian Petrochem Ltd. Xpro India Limited Great Eastern Energy Corp. Ltd. Adyar Gate Hotel Ltd. Bajaj Auto Limited Strategic Weighing Systems Ltd
Membership/Chairmanship in other Companies		Glaxosmithkline Consumer Healthcare Ltd. Aditya Birla Nuvo Ltd. Xpro India Limited Great Eastern Energy Adayar Gate Hotel Limited

The required information (as enumerated in Annexure IA in Clause 49, relating to Corporate Governance) was made available to the Board of Directors.

The Directors who will retire by rotation and offer themselves for reappointment are : Mr. K. Bharathan and Mr. P. Murari

Mr. Reji Abraham has been reappointed as Managing Director of the Company for five years from 26.09. 2007 to 25.09.2012 subject to approval of members at the ensuing Annual General Meeting.

Disclosures regarding re-designation of Directors

Mr. P. Venkateswaran, aged 56 years, was elevated as Deputy Managing Director effective 12th February, 2007 and he is the member of Shareholders'/Investors' Grievance Committee

Mr. C. P. Gopalkrishnan, aged 51 years, was elevated as Deputy Managing Director effective 12th February, 2007 and he is the member of Shareholders'/ Investors' Grievance Committee.

Remuneration to Directors

(Amount in Rs.)

Name of the Director (s)	Consolidated salary	Perquisites and other benefits	Performance bonus / commission	Sitting fees	Total Amount
V.S. Rao	–	–	–	98,000	98,000
P. Murari	–	–	–	1,01,000	1,01,000
K. Bharathan	–	–	–	1,23,000	1,23,000
Reji Abraham	24,80,872	4,17,029	3,45,16,851	–	3,74,14,752
K.M. Jayarao*	–	–	–	40,000	40,000
P. Venkateswaran	36,30,792	19,990	17,25,843	–	53,76,625
C.P. Gopalkrishnan	37,50,792	17,253	17,25,843	–	54,93,888

* Sitting Fees Paid to ICICI Bank Ltd.

During the year Mr. P. Venkateswaran and Mr. C.P.Gopalkrishnan, deputy managing directors of the company were allotted 5,100 equity shares each (face value of Rs. 2/- each) under the Employee Stock Option Scheme 2005.

Remuneration to Non-Executive Directors

No remuneration, other than sitting fees and other expenses (travelling, boarding and lodging incurred for attending the Board/Committee meetings) were paid to the Non-Executive Directors in 2006-07.

Mr. V.S. Rao, aged 78 years the Chairman (non-executive) of the Board is currently holding 250 Equity shares of the Company.

Equity Shares were granted to the following Non-executive directors under Employee Stock Option Scheme 2005 and outstanding as at 31.03.2007 pending exercise of options.

Name of Non-Executive Director	No. of shares granted
V.S. Rao	2000
P. Murari	2000
K. Bharathan	2000

Code of Conduct

The Board has laid down a code of conduct for all Board Members and senior management of the Company. The code of conduct is available on the website of the Company, www.aban.com

All Board members and senior management personnel have affirmed the compliance with the code of conduct. A declaration signed by the Managing Director to this effect is enclosed at the end of this report.

II. Committees of the Board

The Board has constituted committees of Directors to deal with matters which need quick decision and timely monitoring of the activities falling within the terms of reference. The Board Committees are as follows:

A. Audit Committee

Terms of reference

The Audit Committee's power and responsibilities include the following:

- Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.

- Recommending the Board about the appointment, re-appointment and if required the replacement or removal of the Statutory Auditor and the fixation of audit fees; approval of payment to Statutory Auditors for any other services rendered by the Statutory Auditors. Reviewing with the management the annual financial statement before submission to the Board for approval focussing primarily on

- a) Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956 b) any changes in accounting policies and practices c) Major accounting entries based on exercise of judgment by management d) qualification in draft audit report

e) significant adjustments made in the financial statements arising out of audit findings f) The going concern assumption g) Compliance with accounting standards h) Compliance with Stock Exchange and legal requirements concerning financial statements i) disclosure of any related party transactions i.e., Transactions of material nature with their subsidiaries, promoters, directors, management or their relatives etc., that may have potential conflict with the interests of company at large. Its scope also included a review with management performance of statutory and internal auditors, adequacy of internal controls, the adequate structure and staffing of the internal audit function, reporting structure coverage and frequency of internal audit. j) Discussion with internal auditors on significant findings and follow up there on. k) 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. l) Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any areas of concern. m) Investigating the reasons behind the substantial defaults in the event of non-payment to stakeholders.

The Committee met five times during the year on 25-04-2006, 14-07-2006, 14-10-2006, 13-12-2006 and 13-01-2007

Mr. C. P. Gopalkrishnan, Deputy Managing Director and Secretary is the Secretary of the Committee.

Composition and attendance		
Name	Category	No. of Meeting Attended
V.S. Rao	Chairman	4
P. Murari	Member	5
K. Bharathan	Member	5

B. Shareholders'/Investors' Grievance Committee

The Company's Shareholders'/Investors' Grievance Committee monitored and redressed shareholder complaints relating to share transfer, non-receipt of Annual Report and dividend.

The Committee met 4 times during the year on 25-04-2006, 14-07-2006, 14-10-2006 and 13-01-2007.

Composition and attendance

Name	Category	No. of Meeting Attended
K. Bharathan	Chairman	4
P. Venkateswaran	Member	4
C.P. Gopalkrishnan	Member	4

During the year the Company has received 91 Complaints from share holders out of which 90 Complaints were answered and resolved to the satisfaction of the shareholders and 1 Compliant is still pending.

Name and Designation of Compliance Officer: Mr. C.P. Gopalkrishnan, Deputy Managing Director & Secretary

C. Compensation Committee

Compensation Committee was formed last year with the following powers:

a) Identification of classes of employees entitled to participate in the Employee Stock Option Scheme (ESOS) and the quantum of option to be granted under ESOS per employee and in aggregate.

b) Conditions under which option vested in employees shall lapse.

c) The exercise period within which the employee should exercise the options. The options will lapse following a failure to exercise the options within the stipulated period.

d) Specified time period within which the employee shall exercise the vested options in the event of termination or resignation of an employee, the right of an employee to exercise all the options vested in him at one time or at various points of time within the exercise period.

e) The procedure for making a fair and reasonable adjustment to the number of options and to the exercise price in case of corporate actions such as rights issues, bonus issues, merger, sale of division and other.

f) Grant, vest and exercise of option in case of employee who are on long leave.

The details of Employee Stock Option 2005 (ESOS 2005) are as under:

Maximum number of options that may be granted under the scheme during the year is 18,44,000 number of equity shares of Rs.2/- each (previous Year 18,44,000 equity shares of Rs.2/- each) - Options granted during the year 47000 equity shares of Rs.2/- each (Previous year 96200) – Options lapsed during the year 1760 number of equity shares of Rs.2/- each (Previous year 2200) – Options exercised during the year 56,660 equity shares of Rs.2./- each (Previous year Nil) –Outstanding at the end of the year 82,580 equity shares of Rs.2/- each (Previous year Nil) –Options yet to be granted under the scheme 17,04,760 equity shares of Rs.2/- each (Previous year 18,44,000 equity shares of Rs.2/- each).

The Committee met twice during the year on 25.04.2006 and 14.10.2006

Composition and attendance

Name	Category	No. of Meeting Attended
V. S. Rao	Chairman	2
P. Murari	Member	2
K. Bharathan	Member	2
Reji Abraham	Member	2

III. Subsidiary Company

The Indian subsidiary of the Company does not come under the purview of the material non-listed subsidiary.

IV. General Body Meetings

The details of the date and location of the last three Annual General Meetings are given below:

Annual General Meeting	Day and date	Time	Venue
20th Annual General Meeting***	Friday, 14.07.2006	12.15 p.m	Mini Hall, Music Academy No.168 (old 306), T.T.K Road, Royapettah, Chennai-600 014
19th Annual General Meeting**	Wednesday, 31.08.2005	11.00 a.m.	Auditorium of Madras School of Social Work 32, Casa Major Road, Egmore, Chennai – 600 008
Extra Ordinary General Meeting	Saturday, 23.04.2005	11.30 a.m	Auditorium of Madras School of Social Work 32 Casa Major Road Egmore, Chennai 600 008
18th Annual General Meeting *	Friday, 17.09.2004	10.15 a.m.	Auditorium of Madras School of Social Work 32, Casa Major Road, Egmore, Chennai –600 008

*** Five Special Resolution was passed, No Postal Ballot were used / invited for voting.

** One Special Resolution was passed, No Postal Ballot were used / invited for voting.

* One Special Resolution was passed, No Postal Ballot were used / invited for voting.

A Summary of the items of business approved by the members as Special Resolution, in the last three Annual General Meetings is given hereunder:

1. *** AGM held on July 14, 2006

• Reappointment of Mr. P. Venkateswaran as Director (Operations) of the Company for a period of 5 years from 01.08.2006 to 31.07.2011

• Reappointment of Mr. C. P. Gopalkrishnan as Director (Finance) of the Company for a period of 5 years from 01.08.2006 to 31.07.2011

• Name of the Company be changed from 'Aban Loyd Chiles Offshore Ltd' to 'Aban Offshore Limited'.

• Employee Stock Option Scheme (ESOS 2005) - option to apply for a maximum of 5000 equity share of the face value Rs.2/- each per financial year to each of the independent / non-whole-time /non executive Directors of the Company and subject to an overall maximum of 1% of the paid up equity capital in total for all independent/ non-executive directors.

• Issuance of FCCB not exceeding USD 200 Million (USD Two Hundred Million) including green shoe option.

2. ** AGM held on August 31, 2005

• Fixation of pricing of Employee Stock Option, Vesting and exercise period for the ESOS 2005.

3. * AGM held on September 17, 2004

• The Re-designation of Mr. Reji Abraham as Managing Director of the Company for the period 19.07.2004 to 25.09.2007.

Postal Ballot

The Central Government has notified the Companies (Passing of Resolution by Postal Ballot) Rules, 2001 which lays down the businesses required to be passed by postal ballot. The resolution for sale of Rig Aban VII to Aban 7 Pte Ltd was placed before the members for approval through Postal Ballot during the year.

A notice was sent to all members, pursuant to Section 192A of the companies Act, 1956 and a draft resolution and the explanatory statement stating all material facts and reasons thereto. Members had to fill in the Postal Ballot Forms duly signed and send it to the company before 20th May, 2006.

The Postal Ballot results were announced on Monday the 22nd May, 2006 at the Registered Office of the Company. Mr. G. Ramachandran, Company Secretary in Practice was appointed as scrutinizer for conducting the Postal Ballot.

Voting pattern is given below:

(a) Total Postal Ballot Forms received : Number of Postal Ballot Forms - 675, Number of shares - 2,33,56,228, percentage of total paid up equity capital - 63.32% ; (b) Invalid Postal Ballot Forms : Number of Postal Ballot Forms - 112, Number of shares - 21,163, percentage of total paid up equity capital - 0.06% ; (c) Net Valid Postal Ballot Forms : Number of Postal Ballot Forms - 563, Number of shares - 2,33,35,065, percentage of total paid up equity capital - 63.26% ; (d) Postal Ballot Forms with assent for the Resolution : Number of Postal Ballot Forms - 555, Number of shares - 2,33,33,995, percentage of total paid up equity capital - 63.26% ; (e) Postal Ballot Forms with dissent for the Resolution : Number of Postal Ballot forms - 8, Number of shares - 1,070, percentage of total paid up equity capital - Negligible.

V. CEO/CFO certification

As required by Clause 49 V of the Listing Agreement, the CEO and CFO Certification of the Financial Statement, the Cash Flow Statement and the Internal Control Systems for financial reporting are enclosed at the end of this report.

VI. Disclosures

Related Party Disclosure

There has been no materially significant related party transaction with the Company's Subsidiaries, promoters, management, Directors or their relatives etc., that may have a potential conflict with the interest of the Company at large. Please refer Balance Sheet "Notes to Accounts" for details of related party transactions.

Details of Non-compliance

There was a claim in the year 2004-05 for Rs.2,50,000/- by SEBI for non compliance of regulations under substantial Acquisition and Take Over Regulations 1997 and Company has sent suitable reply informing the compliance of necessary regulations.

The Company has filed compounding application under 621 A of the Companies Act for the Balance Sheet 2006.

VII. Means of communication

A timely disclosure of consistent, comparable, relevant and reliable information on corporate financial performance is at the core of good governance. Towards this end:-

Quarterly un-audited financial results were published in "The Business Standard" (English) and "Makkal Kural" in Tamil (vernacular language). The results were also displayed on the company's web site, www.aban.com

The presentations made by the Company to Financial Institutions and others were posted on the website, www.aban.com

The Company also regularly posts information relating to its Financial Results and Shareholding Pattern on Electronic Data Interpretation, filing and Retrieval System (EDIFAR) in www.sebi.edifar.nic.in.

Management Discussion and Analysis forms part of the Annual Report.

VIII. General information for shareholders

Financial calendar

Financial year 1st April 2007 to 31st March 2008	
Board meeting for considering the accounts and Dividend	21.06.2007
Posting of annual report	On or before 23rd July 2007
Book closure dates	10.08.2007 to 16.08.2007 (both days inclusive)
Last date for the receipt of proxy forms	13.08.2007
Twenty First Annual General Meeting	16.08.2007
Venue	Mini Hall of Music Academy, No.168 (old No.306) T.T.K. Road, Royapettah, Chennai – 600 014
Time	11.00 A.M
Dividend payment date	Date of AGM
Probable date of dispatch of dividend warrants	On or after 16th August 2007
Board Meeting to consider unaudited results for the first 3 quarters of the financial year 2007-2008	
Results of the quarter ended on 30th June 2007	On or before 31.07.2007
Results of the quarter ended on 30th September 2007	End of October 2007
Results of the quarter ended on 31st December 2007	End of January 2008

Listing on stock exchanges

a. Equity shares of the Company are listed on the following Stock Exchanges

Madras Stock Exchange Limited: Exchange Building, Post Box No.183, 11 Second Line Beach, Chennai – 600 001

Bombay Stock Exchange Limited: Phiroze Jeejeebhoy Towers, 21st Floor, Dalal Street, Mumbai – 400 001.

National Stock Exchange of India Limited: Exchange Plaza, 5th Floor, Plot No :: C/1 G Block, Bandra – Kurla Complex, Bandra (E), Mumbai 400 051

The listing fees for the financial year 2007-08 were paid to the stock exchanges where the Company's equity shares are listed

Stock Codes:

Madras Stock Exchange Limited
ABAN

Bombay Stock Exchange Limited
Fully paid – 523204

Partly paid – 890090

National Stock Exchange of India Limited
ABAN

ISIN No. for Dematerialised shares (fully paid)
INE421A01028

ISIN No. For Dematerialised shares (Partly Paid)
IN9421A01026

b. Preference Shares
During the year the Company has allotted 15,60,00,000, 9% Non Convertible Cumulative Redeemable Preference Shares of Rs.10/- each aggregating to Rs.156,00,00,000/- (Rupees One Hundred and Fifty Six Crores only) on private placement basis.

The Non Convertible Cumulative Redeemable Preference Shares are listed on the Bombay Stock Exchange Limited.

700099

ISIN No. of 8% p.a. Non Convertible Cumulative Redeemable Preference Shares

INE 421A04014

ISIN No. of 9% Non – Convertible Cumulative Redeemable Preference shares

INE421A04022
INE421A04030
INE421A04048

Care Rating

The Credit Analysis & Research Ltd (CARE) has assigned a rating of CARE A (RPS) (underwatch) (Single A Redeemable Preference Shares) for the issue of Rs. 250 Crores Non Convertible Cumulative Redeemable Preference Shares of the Company.

c. Foreign Currency Convertible Bonds (FCCB)
The Foreign Currency Convertible Bonds (FCCB) of the Company is listed in the Singapore Exchange Limited requiring corporate governance at Singapore.

Outstanding Foreign Currency Convertible Bond, Conversion Rate and the likely impact on Equity

The Company has issued 1161 unsecured unrated zero coupon convertible bond of Japanese Yen 10,000,000 each aggregating to Japanese Yen 11,610,000,000 (Rs. 428,49,22,220/-) in April 2006 (Previous Year Nil). The bond holders have an option to convert these bonds into Equity Shares of Rs. 2/- each at a conversion price on or after 19th April, 2007 and upto the close of the business on 8th April, 2011. The conversion price has been fixed as Rs. 2,789.04 per Equity Share of Rs. 2/- each. No bond holder has exercised the option to convert as of date.

The Company has an option to redeem the bonds at their accredited principal amount in whole and not in part, at any time on or after 14th April, 2009 and on or prior to 8th April, 2011 subject to certain terms and conditions.

No interest accrues or is payable on the bonds unless wilful default is made in respect of any payment in which case the overdue sum shall bear interest at the rate of 4% per annum from the due date.

Unless previously redeemed, converted or repurchased and cancelled, the Company will redeem each bond at 121.811% of its principal amount on 15th April, 2011, being the Maturity date of the bond.

If all the bonds are converted into shares, then the Share Capital of the Company will increase by 15,93,692 Equity Share of Rs. 2/- each.

Investor's Help Desk

Company's Registered Office Address

M/s Aban Offshore Limited
Janpriya Crest, 113 Pantheon Road,
Egmore, Chennai – 600 008
Phone: 91-44-2819 5555 • Fax: 91-44-2819 5527
Email Id: ir@aban.com

Registrar and Share Transfer Agent
(Both physical and Demat Mode)

M/s Cameo Corporate Services Ltd.,
Unit: Aban Offshore Ltd.
Subramanian Buildings
1Club House Road, Chennai -600 002.
Phone: 91-44-28460390 • Fax: 91-44-28460129

Investors' complaints are to be addressed to the Registrar and Share Transfer Agents.

Shareholders' rights: The Half-Yearly declaration of the financial performance (including a summary of the significant events in last six months) should be sent to the households of each shareholder. As the Company's half-yearly results are published in English and Tamil newspapers, the same are not sent to the households of the shareholders of the Company.

Share Transfer System

Presently the share transfers which are received in physical form are processed and the share certificates are returned with in a period of 15 days from the date of receipt, subject to documents being valid and complete in all respects. The Company delegated the authority to approving transfer, transmission etc., of the Company securities to the Company Secretary / Officer of the Company. A summary of transfer / transmission of securities of the Company so approved are placed in the subsequent Board Meeting for ratification.

The Company obtains certificate from the Company Secretary in Practice for compliance of Listing Agreement provisions and submit the same to the Stock Exchanges where the Company's shares are listed.

Liquidity

The Company's Equity Shares are among the most liquid and actively traded shares on the Indian Stock Exchanges more specifically in National Stock Exchange of India Ltd and Bombay Stock Exchange Limited. The Company's Non convertible Cumulative Redeemable Preference Shares are listed in the Bombay Stock Exchange Limited. The Foreign Currency Convertible Bonds are listed with Singapore Exchange Limited effective 05.04.2006.

The Company has come in the top 100 companies in BSE and is also being traded in the Derivative market.

Dematerialisation of shares 71.54% of Equity shares of the Company have been dematerialized as at 31st March, 2007. The company has entered into an agreement with both National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL) whereby, share holders have an option to dematerialize their shares with either of the depositories.

Plant locations

Drilling Locations

Sl. No	RIG	Working at
1.	Aban II	East Coast, India
2.	Aban III	Bombay High, India
3.	Aban IV	Bombay High, India
4.	Aban V	Bombay High, India
5.	Aban VI	Persian Gulf, Iran
6.	Tahara	East Coast,off - Puducherry India
	Frontier Ice.	Bombay High, India

Wind Energy Division

The Company has installed and operates 165 Wind Energy Generators at Nagercoil, Tamil Nadu, India.

Remuneration Committee

The Company has not set up a Remuneration Committee.

Whistleblower policy

The Company does not have a Whistle Blower Policy, even then no employee has been denied access to the Audit Committee.

Categories of shareholders as on 31st March 2007

Category	Number of Members	Number of shares	%
Promoter	10	14706175	39.81
Collaborator	1	8328750	22.54
FIIs, NRIs/OCB	71	6079995	16.46
Mutual Funds, FIIs, Banks	33	939277	2.54
Bodies corporate	499	940199	2.55
Public	14946	5948859	16.10
Total	15560	36943255	100.00

Share price volume

The monthly high and low quotation and the volume of shares traded on BSE and NSE are as follows:

Particulars	BSE			NSE		
	High	Low	Volume	High	Low	Volume
April 2006	1450	1081	653920	1449	1085	1368786
May 2006	1450	990	269386	1445	985	729195
June 2006	1050	644	386234	1060	652	1366478
July 2006	994	854	250518	999	853	568834
August 2006	1306	971	749939	1310	950	1740566
September 2006	1283	1121	326667	1285	1150	1038921
October 2006	1261	1010	213608	1262	1010	865675
November 2006	1243	1016	398379	1244	1011	806788
December 2006	1411	1038	544997	1412	1035	1364037
January 2007	1815	1424	1326545	1984	1349	3715878
February 2007	2008	1610	758324	2014	1609	3034932
March 2007	2074	1700	531256	2075	1725	1894068

Stock Performance Chart

Distribution of shareholding as on 31st March 2007

Number of Equity Shares held	Folio		Share amount	
	Nos.	%	Rs.	%
1 - 2,500	15238	97.93	7471892	10.11
2,501-5,000	138	0.89	1018394	1.38
5,001-10,000	64	0.41	902218	1.22
10,001-15,000	28	0.18	694956	0.94
15,001-20,000	9	0.05	330084	0.45
20,001-25,000	12	0.08	562450	0.76
25,001-50,000	21	0.14	1616060	2.19
50,001 and above	50	0.32	61290456	82.95
Total	15560	100	73886510	100

Declaration by the Managing Director under Clause 49 of the Listing Agreement regarding compliance with Business Conduct Guidelines (Code of Conduct)

In accordance with Clause 49 1D of the Listing Agreement with the Stock Exchanges, I hereby confirm that, all the Directors and the Senior Management Personnel of the Company have affirmed compliance with the Business Conduct Guidelines (Code of Conduct) as applicable to them, for the Financial Year ended on 31st March, 2007.

Aban Offshore Limited

Chennai
Thursday, 21st June, 2007

Reji Abraham
Managing Director

CEO/CFO Certification to the Board, Pursuant to clause 49 of the Listing Agreement

Mr. Reji Abraham, Managing Director and Mr. C.P. Gopalkrishnan, Deputy Managing Director of the Company have certified to the Board that:

a) They have reviewed the financial statements and cash flow of M/s. Aban Offshore Limited (Formerly known as Aban Loyd Chiles Offshore Limited) ("the Company") for the year ended 31st March, 2007 and to the best of my 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.

b) There are, to the best of my 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.

c) They accept responsibility for establishing and maintaining internal control and that I have evaluated the effectiveness of internal control systems of the Company. There are no deficiencies in the design or operation of internal control.

d) They have indicated to the auditors and the Audit Committee that there are no

   i) Significant changes in the internal control during the year.

   ii) Significant changes in accounting policies during the year.

   iii) Instances of significant fraud of which I have become aware of or the involvement therein, if any, by the management or an employee having a significant role in the Company's internal control system.

Auditors' Certificate on Corporate Governance

TO THE MEMBERS OF ABAN OFFSHORE LIMITED

We have examined the compliance of conditions of Corporate Governance by Aban Offshore Limited (Formerly known as Aban Loyd Chiles Offshore Limited) for the year ended on 31st March 2007, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India.

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 Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

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 conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that one investor complaint was pending for a period exceeding one month against the Company as certified by the Registrars and Share Transfer Agents of the Company based on the records maintained by them.

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 FORD, RHODES, PARKS & CO.,
Chartered Accountants

CA. R. SUBRAMANIAN
Partner
Membership No: 16059

Place : Chennai
Date : June 21, 2007

Auditors' Report

TO THE SHAREHOLDERS OF ABAN OFFSHORE LIMITED

We have audited the attached Balance Sheet of M/s. Aban Offshore Limited (Formerly known as Aban Loyd Chiles Offshore Limited), as at 31st March 2007, and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report as follows:

1. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (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.
2. Further to our comments in the Annexure referred to in paragraph 1 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;
   e. Based on the representations made by the Directors and taken on record by the Board of Directors of the Company and the information and explanations given to us, none of the Directors is, as at 31st March 2007, prima-facie disqualified from being appointed as director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956 on the said date;
   f. In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the 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 31st March 2007;
      (ii) in the case of the Profit and Loss Account, of the Profit for the year ended on that date; and
      (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For FORD, RHODES, PARKS & CO.,
Chartered Accountants

CA. R. SUBRAMANIAN
Partner
Membership No: 16059

Place : Chennai
Date : June 21, 2007

Annexure to the Auditors' Report

(Referred to in paragraph 1 of our report of even date)

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

(b) As explained to us the fixed assets have been physically verified by the Management during the year in a phased manner, which in our opinion is reasonable, having regard to the size of the Company and nature of its assets. As explained to us no material discrepancies have come to the notice on such physical verification.

(c) The Company has sold one of its Offshore Jack Up Drilling Rig, to a subsidiary of its wholly owned foreign subsidiary during the year, which in our opinion will not affect its going concern status.

(ii) (a) As explained to us the inventories have been physically verified during the year by the Management. In our opinion the frequency of verification is reasonable.

b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories 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 has maintained proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material and have been properly dealt with in the books of account.

(iii) (a) The Company has not granted any loan secured or unsecured to companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956, during the year, except unsecured loans to its wholly owned foreign subsidiary (WOFS) and its subsidiary.

Company	Unsecured Loan Granted during the year In Rupees	Amount Outstanding including Interest receivable at the end of the year In Rupees	Maximum Amount Outstanding including interest receivable during the Year In Rupees
Aban Singapore Pte., Ltd., Singapore	716,04,62,025/-	19,20,93,117/-	721,05,29,701/-
Aban Holdings Pte., Ltd., Singapore (WOFS)	43,470/-	44,208/-	44,360/-

(b) The rate of interest and other terms and conditions of such loan are, in our opinion, prima facie, not prejudicial to the interest of the Company.

(c) The payment of interest and principal during the year has been regular as per stipulations.

(d) The loan given by the Company to its wholly owned foreign subsidiary company and its subsidiary company is repayable on demand and therefore the question of overdue amount does not arise.

(e) The Company has not taken any loan secured or unsecured from Companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956 during the year.

(f) Since the Company has not taken any loan from Companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956, the provisions of clause 4 (iii) (f) and (g) of the Order are not applicable to the company.

(iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of inventories and fixed assets and for the sale of services. During the course of our audit, no major weakness has been noticed in the internal controls in respect of these areas.

(v) (a) According to the information and explanations given to us, we are of the opinion that transactions that need to be entered into the Register maintained under Section 301 of the Companies Act, 1956 have been entered in the said Register.

(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the Register maintained under Section 301 of the Companies Act, 1956 have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.

(vi) The Company has not accepted any deposits during the year from the public within the meaning of the provisions of Section 58A and 58AA of the Companies Act, 1956 or any other relevant provisions of the Act and the rules made thereunder.

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

(viii) The Central Government has prescribed maintenance of Cost Records under Section 209 (1) (d) of the Companies Act, 1956 in respect of the wind power generating activity of the Company. We have broadly reviewed the accounts and records of the Company in this connection and are of the opinion, that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.

(ix) (a) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Income Tax, Customs Duty, Sales Tax, Value Added Tax, Wealth Tax, Service Tax, Cess and other material statutory dues applicable to it. We are informed that the Employees' State Insurance Scheme is not applicable to the Company. According to the information and explanations given to us, no undisputed amounts payable in respect of above were in arrears, as at 31st March 2007 for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, there are no dues of Income Tax, Customs Duty, Sales Tax, Value Added Tax, Wealth Tax, Service Tax and Cess, which have not been deposited with appropriate authorities on account of any dispute.

(x) The Company has no accumulated losses as at 31st March 2007 and has not incurred cash losses in the financial year under report or in the immediately preceding financial year.

(xi) Based on our audit procedures and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks or financial institutions. The Company has, during the year issued unsecured Foreign Currency Convertible Bonds through private placement. The Bonds have not become due for payment/ conversion as at the close of the year.

(xii) Based on our examination of the records and the information and explanations given to us, the Company has not granted any loans and / or 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) The Company has given guarantees for loans taken by a subsidiary of its wholly owned foreign subsidiary from banks. According to the information and explanations given to us, we are of the opinion that the terms and conditions thereof are not prima – facie prejudicial to the interest of the Company.

(xvi) In our opinion and according to the information and explanations given to us, the term loans taken by the Company have been applied for the purposes for which they 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 allotted Equity Shares under Employee Stock Option Scheme to its Directors, employees and employees of its Indian subsidiary company in accordance with SEBI guidelines. The price fixed by the Board for these shares is reasonable and not prejudicial to the interest of the Company.

(xix) No debentures have been issued by the Company during the year. However, the Company has issued unsecured Foreign Currency Convertible Bonds. Since the Bonds are unsecured, the provisions of clause 4 (xix) of the Order are not applicable to the Company.

(xx) During the year the Company has not raised money by way of public issue. Hence the provisions of clause 4 (xx) of the Order are not applicable to the Company.

(xxi) During the course of our examination of the books of account, we have neither come across any instance of fraud on or by the Company, either noticed or reported during the year, nor have we been informed of any such case by the management.

For FORD, RHODES, PARKS & CO.,
Chartered Accountants

CA. R. SUBRAMANIAN
Partner
Membership No: 16059

Place : Chennai
Date : June 21, 2007

Aban Offshore Ltd. *(Formerly Aban Loyd Chiles Offshore Ltd.)*

Balance Sheet

As at 31st March 2007

		Schedule	Rupees	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
I.	**SOURCES OF FUNDS**				
1.	**Shareholders' Funds**				
	(a) Share Capital	1		313,38,36,770	157,37,20,250
	(b) Reserves and Surplus	2		349,06,08,427	275,87,14,948
2.	**Loan Funds**				
	Secured Loans	3		606,48,29,325	677,09,03,383
	Unsecured Loan	4		428,49,22,220	-
3.	**Deferred Tax (Net)**	5		73,73,73,331	65,60,73,331
	Total Funds Employed			**1771,15,70,073**	**1175,94,11,912**
II	**APPLICATION OF FUNDS**				
1.	**Fixed Assets**	6			
	Gross Block		1146,98,83,933		1147,63,53,394
	Less:Depreciation		524,56,90,052		431,92,80,888
	Net Block		622,41,93,881		715,70,72,506
	Add: Capital Work in Progress		24,60,70,128		307,64,11,338
				647,02,64,009	1023,34,83,844
2.	**Investments**	7		898,30,22,865	57,00,61,740
3.	**Current Assets,Loans and Advances**				
	(a) Inventory of Stores, Spares and Fuel (at cost) (As certified by the Management)		60,59,51,538		48,53,04,681
	(b) Sundry Debtors	8	67,37,90,500		68,38,60,743
	(c) Cash and Bank Balances	9	178,07,01,918		9,10,16,052
	(d) Loans and Advances	10	46,09,06,921		75,14,68,714
			352,13,50,877		201,16,50,190
	Less:Current Liabilities and Provisions	11			
	(A) Current Liabilities		93,27,21,401		78,29,21,877
	(B) Provisions		33,03,46,277		27,28,61,985
			126,30,67,678		105,57,83,862
	Net Current Assets			225,82,83,199	95,58,66,328
	Total Assets			**1771,15,70,073**	**1175,94,11,912**
	Notes to Accounts	16			

Per our report attached

For Ford, Rhodes, Parks & Co
Chartered Accountants

CA. R. Subramanian
Partner
Membership No. 16059

For and on behalf of the Board

Reji Abraham
Managing Director

P. Murari
Vice Chairman

Chennai
21st June, 2007

K.M. Jaya Rao
Director

K. Bharathan
Director

P. Venkateswaran
Deputy Managing Director

C.P. Gopalkrishnan
Deputy Managing Director & Secretary

Profit and Loss Account

For the year ended 31st March 2007

		Schedule	Year ended 31st March, 2007 Rupees	Year ended 31st March, 2006 Rupees
I	**INCOME**			
	Income from Operations	12	495,31,98,397	490,16,26,405
	Other Income	13	69,27,03,861	15,26,01,979
	TOTAL		**564,59,02,258**	**505,42,28,384**
II	**EXPENDITURE**			
	Operating, Administrative and Other Expenses	14	247,58,23,111	208,81,77,576
	Interest	15	44,82,30,789	43,63,23,304
	Depreciation (See Note No.24)		94,78,08,712	95,08,01,367
	Goodwill Amortised		6,29,32,560	6,29,32,560
	TOTAL		**393,47,95,172**	**353,82,34,807**
	Profit for the year before taxation		**171,11,07,086**	**151,59,93,577**
	Less: Provision for taxation			
	- Current Tax		62,50,00,000	58,00,00,000
	- Fringe Benefit Tax		88,50,735	63,56,144
	- Deferred Tax		8,13,00,000	9,14,71,347
	Profit for the year after taxation		**99,59,56,351**	**83,81,66,086**
	Add: Profit brought forward from Previous Year		232,85,15,463	179,75,91,241
	Profit available for Appropriation		**332,44,71,814**	**263,57,57,327**
	Transfer to Capital Redemption Reserve		20,00,00,000	-
	Transfer to General Reserve		10,00,00,000	9,00,00,000
	Proposed Dividend - Preference		13,56,84,658	9,46,84,932
	Proposed Dividend - Equity		11,08,29,765	9,58,36,325
	Tax on Preference Dividend		2,30,59,608	1,32,79,562
	Tax on Equity Dividend		1,88,29,977	1,34,41,045
	Balance Carried to Balance Sheet		**273,60,67,806**	**232,85,15,463**
	Earnings per Equity Share of Rs. 2/- each (see Note No. 18)			
	- Basic		22.71	19.81
	- Diluted		21.74	19.81
	Notes to Accounts	16		

Per our report attached

For Ford, Rhodes, Parks & Co
Chartered Accountants

CA. R. Subramanian
Partner
Membership No. 16059

For and on behalf of the Board

Reji Abraham
Managing Director

P. Murari
Vice Chairman

Chennai
21st June, 2007

K.M. Jaya Rao
Director

K. Bharathan
Director

P. Venkateswaran
Deputy Managing Director

C.P. Gopalkrishnan
Deputy Managing Director & Secretary

Schedules annexed to and forming part of the accounts

	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
1. SHARE CAPITAL		
Authorised		
250,00,00,000 Equity Shares of Rs.2/- each (Previous year 250,00,00,000 Equity Shares of Rs.2/- each)	500,00,00,000	500,00,00,000
50,00,00,000 Cumulative Redeemable Preference Shares of Rs.10/- each	500,00,00,000	500,00,00,000
(Previous year 50,00,00,000 cumulative redeemable Preference Shares of Rs.10/- each)	1000,00,00,000	1000,00,00,000
Issued and Subscribed		
3,68,86,595 Equity Shares of Rs.2/- each. (Previous Year: 3,68,86,595 Equity Shares of Rs.2/- each) Out of the above,54,92,795 Equity shares of Rs.2/- each, (Previous year 54,92,795 Equity Shares of Rs.2/-) have been issued in pursuance of Scheme of Amalgamation of Hitech Drilling Services India Ltd with the Company	7,37,73,190	7,37,73,190
56,660 Equity Shares of Rs.2/- each issued against Employee Stock Options Scheme (Previous Year : Nil) (See Note No. 19)	1,13,320	-
15,00,00,000 8% Non- Convertible Cumulative Redeemable Preference shares of Rs.10/- each (Previous Year :15,00,00,000 8% Non- Convertible Cumulative Redeemable Preference shares of Rs.10/- each)	150,00,00,000	150,00,00,000
15,60,00,000 9% Non- Convertible Cumulative Redeemable Preference shares of Rs.10/- each (Previous year: Nil)	156,00,00,000	-
	313,38,86,510	157,37,73,190
Called up and Paid up		
3,68,86,595 Equity Shares of Rs.2/- each (Previous Year: 3,68,86,595 Equity Shares of Rs.2/- each)	7,37,73,190	7,37,73,190
56,660 Equity shares of Rs.2/- each against exercise of Stock Options under the Employees Stock Option Scheme.(Previous Year : Nil) (See Note No. 19)	1,13,320	-
Less:Calls in arrears of Re.1 per share on 49,740 Equity Shares (Previous Year : 52,940 Equity Shares)	49,740	52,940
	7,38,36,770	7,37,20,250
15,00,00,000 8% Non - Convertible Cumulative Redeemable Preference shares of Rs.10/- each (Previous Year :15,00,00,000 8% Non-Convertible Cumulative Redeemable Preference shares of Rs.10/- each)	150,00,00,000	150,00,00,000
15,60,00,000 9% Non - Convertible Cumulative Redeemable Preference Shares of Rs.10/- each (Previous Year: Nil)	156,00,00,000	
TOTAL	313,38,36,770	157,37,20,250

Notes

a. 15,00,00,000 Non-Convertible 8% Cummulative Redeemable Preference Shares will be redeemed at par on 16-06-2011, 16-06-2012 & 16-06-2013 in the ratio of 30:30:40 respectively.

b. 15,60,00,000 Non - Convertible 9% Cumulative Redeemable Preference Shares will be redeemed at par at the end of 5th year from the date of allotment of shares as per details given below:

5,50,00,000 shares will be redeemed on 29-12-2011
4,00,00,000 shares will be redeemed on 28-02-2012
6,10,00,000 shares will be redeemed on 30-03-2012

The Company has call option at the end of 3rd year (2009-10) to call Non - Convertible Cumulative Redeemable Preference Shares at par.

c. In April 2006, the Company has issued 1,161 un secured Foreign Currency Convertible Bonds(FCCB) of Japanes Yen (JPY) 10,000,000 each aggregating JPY 11.61 Billion. As per the terms of issue, the bond holders shall have the right to convert the Bonds into equity shares on or after 19th April 2007 upto and including 8th April 2011. The conversion price of Equity Shares of Rs.2/- each for the purpose of the Bond has been fixed at Rs.2,789.04 per equity share. However so far, no Bond holder has excercised the option. (See Note No. 20).

d. The Company has reserved 18,44,000 Equity shares of Rs.2/- each for offering to Employees under Employees stock option scheme (previous year 18,44,000 equity shares of Rs.2/- each), out of which 56,660 equity shares of Rs.2/- each have been already allotted during the year under the said scheme and included under paid up capital.

		As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
2. RESERVES AND SURPLUS	**Rupees**		
(a) Capital Reserve		33,500	33,500
(b) Securities Premium Account			
- As per last Balance Sheet	12,84,03,600		12,84,03,600
Add: Addition during the year on Allotment under ESOS	2,43,41,136		-
		15,27,44,736	12,84,03,600
(c) Investment Allowance Reserve-Utilised		5,24,00,000	5,24,00,000
(d) Capital Redemption Reserve			
Transfer from Profit and Loss Account		20,00,00,000	-
(e) General Reserve			
- As per last Balance Sheet	24,93,62,385		15,93,62,385
Add: Transfer from Profit and Loss Account	10,00,00,000		9,00,00,000
		34,93,62,385	24,93,62,385
(f) Profit and Loss Account		273,60,67,806	232,85,15,463
TOTAL		**349,06,08,427**	**275,87,14,948**

3. SECURED LOANS		
a. Rupee Term Loans from Banks	579,42,82,632	526,43,37,543
b. Foreign Currency Term Loans from Banks	9,65,99,999	104,67,33,333
c. Cash Credit from Banks	17,39,46,694	45,98,32,507
TOTAL	**606,48,29,325**	**677,09,03,383**

Notes:

1. Rupee Term Loans and Foreign currency Term Loans from Banks are secured by first pari-passu charge on the specific offshore drilling rigs, drillship and accessories, windmills. Further, one of the Rupee term loan from a bank is secured by a mortgage of a certain portion of land of the Company.
2. Cash Credits from Banks are secured by way of hypothecation of inventory of stores and spares and Book debts. Moreover, three offshore Jack up rigs of the Company have been offered as a second charge for certain cash credit facilities.
3. The Company has offered a first pari-passu charge on two offshore Jackup Rigs and a Floating Production System for the term loan availed by a subsidiary of its foreign subsidiary.

4. UNSECURED LOAN		
Foreign Currency Convertible Bonds (See Note No.20)	428,49,22,220	-
TOTAL	**428,49,22,220**	-

5. DEFERRED TAX (NET)		
Deferred tax Asset on Timing differences		
Provision for dimunition in the value of investments	(17,61,498)	(61,631)
Deferred Tax Liability on Timing differences		
On depreciation	73,91,34,829	65,61,34,962
TOTAL	**73,73,73,331**	**65,60,73,331**

Schedules annexed to and forming part of the accounts

6. FIXED ASSETS

(In Rupees)

	GROSS BLOCK				DEPRECIATION				NET BLOCK	
Description of the Asset	**As at 1st April, 2006**	**Additions during the year**	**Deductions during the year**	**As at 31st March, 2007**	**As at 1st April, 2006**	**Additions during the year**	**On Deductions during the year**	**As at 31st March, 2007**	**As at 31st March, 2007**	**As at 31st March, 2006**
Goodwill	12,58,65,088	**-**	6,29,32,560	**6,29,32,528**	-	**-**	-	**-**	**6,29,32,528**	12,58,65,088
Land-Freehold	14,11,52,825	**-**	2,50,130	**14,09,02,695**	-	**-**	-	**-**	**14,09,02,695**	14,11,52,825
Building	15,03,66,491	**-**	-	**15,03,66,491**	2,22,07,753	**24,50,974**	-	**2,46,58,727**	**12,57,07,764**	12,81,58,738
Offshore Jackup Drilling Rigs, Floating Production unit and connected machineries	729,16,68,246	# **432,91,16,411**	429,71,64,380	**732,36,20,277**	308,14,16,707	**59,31,35,871**	1,98,45,485	**365,47,07,093**	**366,89,13,184**	421,02,51,539
Drillship and connected machineries	115,27,22,544	**1,28,53,128**	-	**116,55,75,672**	13,61,89,181	**13,06,60,658**	-	**26,68,49,839**	**89,87,25,833**	101,65,33,363
Other Machineries	8,08,24,706	**-**	-	**8,08,24,706**	7,67,35,196	**-**	-	**7,67,35,196**	**40,89,510**	40,89,510
Wind Mills and connected machineries	240,78,13,800	**-**	-	**240,78,13,800**	94,76,53,745	**21,59,24,160**	-	**116,35,77,905**	**124,42,35,895**	146,01,60,055
Office Equipment	3,74,82,043	**38,31,418**	-	**4,13,13,461**	3,28,81,914	**24,51,021**	-	**3,53,32,935**	**59,80,526**	46,00,129
Furniture and Fixtures	1,91,97,375	**24,95,896**	-	**2,16,93,271**	85,33,408	**16,09,046**	-	**1,01,42,454**	**1,15,50,817**	1,06,63,967
Vehicles	2,99,72,997	**61,64,060**	27,96,516	**3,33,40,541**	1,11,64,864	**30,62,612**	15,54,063	**1,26,73,413**	**2,06,67,128**	1,88,08,133
TOTAL	1143,70,66,115	**435,44,60,913**	436,31,43,586	**1142,83,83,442**	431,67,82,768	**94,92,94,342**	2,13,99,548	**524,46,77,562**	**618,37,05,880**	712,02,83,347
Share of Fixed Assets in Joint Venture Operation (including intangible assets)	3,92,87,279	**22,13,212**	-	**4,15,00,491**	24,98,120	**9,42,653** (24,28,283)	***	**10,12,490**	**4,04,88,001**	3,67,89,159
	1147,63,53,394	**435,66,74,125**	**436,31,43,586**	**1146,98,83,933**	**431,92,80,888**	**94,78,08,712**	2,13,99,548	**524,56,90,052**	**622,41,93,881**	**715,70,72,506**
Capital Work- in- progress (includes share in Joint venture Operation - Rs.8,70,70,816/-) (Previous Year-Rs.2,05,42,561)	307,64,11,338	* **143,93,91,885**	# 426,97,33,095	**24,60,70,128**					** **24,60,70,128**	307,64,11,338
TOTAL	**1455,27,64,732**	**579,60,66,010**	863,28,76,681	**1171,59,54,061**	431,92,80,888	**94,78,08,712**	2,13,99,548	**524,56,90,052**	**647,02,64,009**	**1023,34,83,844**
Previous Year	1140,94,86,952	13,14,14,650	6,45,48,208	1147,63,53,394	336,96,67,147	95,08,01,367	11,87,626	431,92,80,888	1023,34,83,844	807,41,40,005

* Includes interest on borrowings Rs.4,55,17,784/- (Previous Year : Rs.7,36,68,655/-)

\# The deductions shown under capital work-in-progress represent asset capitalised during the year and included under Offshore Jackup Rigs, Floating Production Unit & connected Machineries .

** Includes Capital advance Rs.4,65,50,200/- (Previous year Rs.4,65,50,200/-)

*** Refer Note No.24

7. INVESTMENTS

	No. of Shares	Face Value Rupees/ US$	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
LONG TERM INVESTMENTS (At Cost)				
A. Trade Investments				
Equity Shares - Fully Paid (Unquoted)				
(a) Aban Energies Limited , India				
(A wholly owned Subsidiary Company)	2,00,070	10.00	20,00,700	20,00,700
(b) Aban Singapore Pte Ltd , Singapore ***				
(A wholly owned Subsidiary Company)	81,75,000	USD 1 each	-	37,09,28,750
(c) Aban Holdings Pte Ltd, Singapore	16,50,00,000	USD 1 each	737,23,94,308	
(A wholly owned Subsidiary Company)				
(d) Aban Informatics Private Limited	3,00,750	10.00	1,98,49,500	1,98,49,500
(e) Frontier Offshore Exploration (India) Limited	49,993	100.00	49,99,300	49,99,300
(Formerly known as Frontier Aban Drilling (India) Ltd)				
(f) Aban Power Company Limited	1,19,40,000	10.00	11,94,00,000	11,94,00,000

Schedules annexed to and forming part of the accounts

			As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
B. Others (Non Trade)				
Equity Shares - Fully paid (Quoted)				
Arihant Threads Ltd	13,600	10.00	1,70,000	1,70,000
Punjab Woolcombers Ltd	300	10.00	27,000	27,000
State Bank of Travancore	245	100.00	1,47,000	1,47,000
ICICI Bank Ltd	2,316	10.00	9,76,974	7,86,374
Oil & Natural Gas Corporation Ltd *	13,114	10.00	67,27,843	63,21,750
* includes 4,214 Bonus shares				
Infosys Technologies Ltd	149	5.00	3,33,138	-
ASC Enterprises Ltd	5,767	1.00	2,36,071	-
ACC Limited	51	10.00	54,122	-
Bharati Televentures Ltd	224	10.00	1,38,985	-
Bharat Heavy Electricals Ltd	106	10.00	2,65,960	-
Century Textiles and Industries Ltd	184	10.00	1,13,572	-
Dr.Reddy's Laboratories Ltd	119	5.00	91,661	-
Grasim Industries Ltd	45	10.00	1,15,700	-
HCL Technologies Ltd	240	2.00	77,859	-
Hindustan Lever Ltd	497	1.00	1,22,231	-
Indian Bank	69,819	10.00	63,53,529	-
ITC Limited	523	1.00	98,334	-
Larsen & Toubro Ltd	162	2.00	2,30,389	-
Mahindra & Mahindra Ltd	53	10.00	50,348	-
Maruti Udyog Ltd	187	5.00	1,74,193	-
Punjab National Bank	170	10.00	89,555	-
Reliance Industries Ltd	271	10.00	3,45,565	-
Reliance Energies Ltd	90	10.00	47,810	-
Sun TV Networks Ltd	89	10.00	1,20,980	-
State Bank of India	120	10.00	1,50,162	-
Steel Authority of India Ltd	940	10.00	99,678	-
Triveni Engineering & Industries Ltd	726	1.00	39,112	-
Tulip IT Services Ltd	80	10.00	49,144	-
Wipro Ltd	501	2.00	2,98,941	-
CURRENT INVESTMENTS	**No. of Units**	**Face Value Rupees**		
(At lower of cost and fair value) (See note no: 3)				
Mutual Funds (Unquoted)				
Prudential ICICI Liquid Fund	2500418.85	10.00	-	2,50,04,189
Chola Fixed maturity plan	1000000.00	10.00	-	1,00,00,000
JM Liquid Fund	1061027.70	10.00	-	1,06,10,277
DSP ML Liquid fund	20568.04	1,000.00	2,05,72,150	-
Grindlays Liquidity Manager	40932196.42	10.00	40,93,63,010	-
Grindlays Liquidity Manager Plus	5297.87	1,000.00	52,98,395	-
Grindlays Floating Rate Fund	10000000.00	10.00	10,00,00,000	-
Grindlays Arbitrage Fund	21943942.92	10.00	22,25,00,000	-
Reliance Liquidity Fund	4183465.58	10.00	4,18,47,625	-
Reliance Monthly Interval Fund S I Institutional	25000000.00	10.00	25,00,00,000	-
Reliance Monthly Interval Fund S II Institutional	5000000.00	10.00	5,00,00,000	-
SBI Premier Liquid Fund	2053062.15	10.00	2,05,97,346	-
Principal Mutual Fund	17257054.87	10.00	17,25,82,629	-
Prudential ICICI Blended Plan	9579002.83	10.00	10,00,00,000	-
Prudential ICICI Super Plan	82641.18	10.00	8,87,722	-
J M Arbitrage Fund	1500000.00	10.00	1,50,00,000	-
HDFC Floating Rate Fund	76351.00	10.00	7,74,536	-
HSBC Liquid Fund Plus	4258604.84	10.00	4,23,92,188	-
			898,82,05,265	**57,02,44,840**
Less: Provision for diminution in value of Long Term Investment including provision relating to joint venture investment of Rs.49,99,300/- (Previous Year : Nil)			51,82,400	1,83,100
			898,30,22,865	**57,00,61,740**
Aggregate Value of Quoted Investments-Cost			1,75,62,756	72,69,024
Aggregate Value of Quoted Investments- Market Value			2,37,76,322	1,33,07,602
Aggregate Value of Unquoted Investments-Cost			896,54,60,109	56,27,92,716

Note: *** Equity Shares in Aban Singapore Pte Ltd were disinvested in favour of Aban Holdings Pte Ltd, Singapore, a new wholly-owned subsidiary company incorporated during the year

Schedules annexed to and forming part of the accounts

	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
8. SUNDRY DEBTORS		
Considered Good-Unsecured		
(a) Outstanding for more than six months	1,26,39,134	72,15,526
(b) Others	66,11,51,366	67,66,45,217
TOTAL	**67,37,90,500**	**68,38,60,743**
9. CASH AND BANK BALANCES		
Cash on Hand	5,75,648	3,00,278
Balances with Scheduled Banks		
- In Current Accounts	23,80,55,282	5,09,60,332
- In Deposit Accounts	151,56,25,881	3,23,31,002
Balances with other banks in current account		
Standard Chartered Bank, Dubai	2,11,46,427	49,34,572
Emirates Bank, Dubai	52,98,680	24,89,868
TOTAL	**178,07,01,918**	**9,10,16,052**
Maximum balance during the year with other banks,		
Standard Chartered Bank, Dubai	2,11,46,427	1,27,33,044
Emirates Bank, Dubai	52,98,680	60,11,353
10. LOANS AND ADVANCES		
(Unsecured Considered Good)		
Advance to Subsidiary Companies (See Note No.14)	24,16,29,511	57,46,46,307
Advance recoverable in Cash or in Kind or for value to be received (See Note No.15)	18,31,63,261	14,32,02,734
Deposit with Customs	2,61,82,828	2,61,82,828
Sundry Deposits	99,31,321	74,36,845
TOTAL	**46,09,06,921**	**75,14,68,714**
11. CURRENT LIABILITIES AND PROVISIONS		
(A) Current Liabilities		
(a) Sundry Creditors - Amount due to Small Scale Industrial Undertakings	-	-
(b) Sundry Creditors - others (See Note No.25)	91,16,89,043	76,35,66,708
(c) Unclaimed Dividends*	57,16,512	58,12,060
(d) Other Liabilities	1,52,70,166	47,21,026
(e) Interest accrued but not due on secured loans	45,680	88,22,083
	93,27,21,401	**78,29,21,877**
**Note* : *No amount is due to Investor Education & Protection Fund.*		
(B) Provisions		
(a) Provision for taxation (Net of Advance payment of taxes)	3,67,66,859	5,23,21,984
(b) Proposed Dividend - Preference	13,56,84,658	9,46,84,932
(c) Proposed Dividend - Equity	11,08,29,765	9,58,36,325
(d) Tax on Dividend	4,18,89,585	2,67,20,607
(e) Provision for Provident Fund	14,98,407	7,86,895
(f) Provision for Leave Encashment	36,77,003	25,11,242
	33,03,46,277	**27,28,61,985**
TOTAL (A+B)	**126,30,67,678**	**105,57,83,862**

Schedules annexed to and forming part of the accounts

	Rupees	Year Ended 31st March, 2007 Rupees	Year Ended 31st March, 2006 Rupees
12. INCOME FROM OPERATIONS			
Drilling and Production Services		479,07,03,410	475,91,88,738
Wind Power Generation		15,12,26,740	14,24,37,667
Income from Joint Venture operations - Sale of Hydro Carbon		1,12,68,247	-
(See Note No.16)			
TOTAL		**495,31,98,397**	**490,16,26,405**
13. OTHER INCOME			
(a) Rental Income(Gross)		2,52,32,183	1,14,96,468
(b) Dividend Income from Long term Investments		4,21,267	4,28,680
(c) Dividend Income from Current Investments		6,76,55,207	4,10,29,321
(d) Interest on Bank Deposits (Gross)		2,24,10,339	1,78,83,225
(e) Interest-Others (Gross)			
- On Intercorporate deposits	22,10,655		52,38,364
- On Loan to foreign subsidiaries	21,12,56,136		80,91,771
- On Staff loans	2,07,042		2,39,625
- On call money relating to equity shares	24,552	21,36,98,385	56,101
(f) Service charges		45,13,830	9,55,500
(g) Miscellaneous Income		7,46,44,987	2,18,62,986
(h) Claims		-	2,17,333
(i) Profit on Sale of Assets (Net)		11,91,35,963	1,03,413
(j) Foreign currency exchange difference (Net)		16,25,18,260	-
(k) Profit on Sale of Long Term Investments (Net)		2,38,845	5,81,054
(l) Profit on Sale of Current Investments (Net)		22,34,595	4,44,18,138
TOTAL		**69,27,03,861**	**15,26,01,979**

Note:Tax deducted at source on a,d,e, Rs.2,27,31,285/- (Previous year: Rs 48,46,956./-)

	Rupees	Year Ended 31st March, 2007 Rupees	Year Ended 31st March, 2006 Rupees
14. OPERATING, ADMINISTRATIVE AND OTHER EXPENSES			
Consumption - Stores and Spares		42,11,55,041	43,65,48,417
Power and Fuel		13,80,98,402	14,77,08,769
Salaries and Bonus		31,42,82,145	23,22,47,412
Contribution to Provident funds and Other funds		1,75,88,553	1,25,55,780
Staff Welfare		1,87,26,283	1,65,06,319
Rent		45,41,996	48,90,838
Rates and Taxes		1,23,50,083	2,87,23,052
Rental Charges for Machinery		17,06,58,473	16,86,58,698
Repairs and Maintenance			
- Machinery	20,66,63,228		20,07,59,626
- Buildings	61,79,633		42,93,743
- Other assets	51,31,397	21,79,74,258	48,84,196
Insurance		33,53,73,950	21,45,50,163
Drilling Services and Management Fees		15,86,40,258	15,70,57,445
Consultancy and Professional Fees		29,32,33,774	24,88,35,118
Catering Expenses		3,05,96,226	2,90,05,545
Postage, Telegram and Telex		1,39,26,654	94,96,864
Printing and Stationery		32,72,401	32,56,400
Travelling Expenses		8,96,23,881	7,52,79,203
Guarantee Commission , Bank and Other Charges		3,48,41,811	4,30,03,323
Provision for Dimunition in value of Investments		49,99,300	-
Foreign Currency Convertible Bonds Issue Expenses		10,28,48,947	-
Foreign currency exchange difference (Net)		-	83,88,702

Schedules annexed to and forming part of the accounts

	Rupees	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
Auditors' Remuneration :			
Audit Fees (See Note No.26)	16,28,740		5,67,530
Tax Audit Fee	2,52,540		2,67,235
For Certification and Other Services	12,43,171		5,88,415
Reimbursement of Expenses	78,568	32,03,019	66,000
Other Expenses		8,98,87,656	4,00,38,783
TOTAL		**247,58,23,111**	**208,81,77,576**

15. INTEREST

	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
On Term Loans	43,21,11,263	49,96,85,759
Others	6,16,37,310	1,03,06,200
TOTAL	49,37,48,573	50,99,91,959
Less: Interest Capitalised	4,55,17,784	7,36,68,655
TOTAL	**44,82,30,789**	**43,63,23,304**

16. NOTES ATTACHED TO AND FORMING PART OF THE ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

A. ACCOUNTING CONVENTIONS AND CONCEPTS

Financial statements are based on historical cost convention and on the basis of a going concern and comply with the Accounting Standards refered to in section 211(3C) of the Companies Act,1956.The Company follows mercantile system of accounting and recognises income and expenditure on an accrual basis.

B. FIXED ASSETS

Fixed Assets are capitalised at cost inclusive of installation expenses and interest upto the date the asset is put to use. Exchange differences in respect of Foreign currency loans/liabilities relating to Fixed assets are adjusted in the carrying cost of related Fixed Asset. Capital Work in Progress include the cost of Fixed Assets, that are not ready to use at the Balance Sheet date, and advances paid to acquire Fixed Assets before the Balance Sheet date.

C. DEPRECIATION

Depreciation on Fixed Assets is provided on the Straight Line method at rates prescribed in Schedule XIV of the Companies Act,1956 on a pro-rata basis. Depreciation on Drillship is provided at a higher rate of 11.31% p.a. on straight line method based on technical evaluation of the expected useful life. Depreciation on windmills is provided at a higher rate of 10% p.a on straight line method based on technical evaluation of the expected useful life.

D. INVENTORY VALUATION

Inventory of Stores, Spares & Fuel are valued at cost based on First in First out Cost formula.

E. FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currency are recorded at the exchange rate prevailing on the date of transaction. Realised gains and losses on foreign exchange transactions during the year are recognised in the Profit and Loss account. Foreign currency current assets and current liabilities are translated at year end rates and resulting gains / losses are recognised in the profit and loss account. Exchange differences in respect of Foreign currency loans / liabilities relating to Fixed Assets are adjusted in the carrying cost of related Fixed Assets.

In the case of forward contracts:

a. The premium or discount on all such contracts arising at the inception of each contract is amortised as income or expense over the life of the contract.

b. Any profit or loss arising on the cancellation or renewal of such contracts is recognised as income / expense for the year.

F. INVESTMENTS

(a) Long Term Quoted Investments are stated at cost unless there is a permanent fall in the value. A provision for dimunition is made to recognise a decline other than temporary,in the value of long term Investments.

(b) Long Term Unquoted Investments in Subsidiary Companies and investment in Joint Venture Company and other investments of long term nature are stated at cost and no loss is recognised in the fall in their net worth unless there is a permanent fall in their net worth. However, a provision for dimunition in value of investment is made if a fall in net worth is anticipated.

(c) Current Investments are stated at lower of cost and fair value of the category of such investments.

G. PROPOSED DIVIDEND

The Dividend as proposed by the board of directors is provided in the books of account pending approval at the Annual General Meeting.

H. RETIREMENT BENEFITS

Contribution to Provident Fund, which is a defined contribution scheme, is made monthly at a predetermined rate to the Provident Fund authorities and debited to the Profit and Loss Account on accrual basis. The Company has an arrangement with Life Insurance Corporation of India (LIC) and Prudential ICICI to administer its Gratuity scheme and with Life Insurance Corporation of India (LIC) to administer its Super Annuation scheme. The premium advised by them is debited to the Profit and Loss Account on an accrual basis . The gratuity premium is based on acturial valuation as at the year end. The provision for leave encashment has been made on the basis of acturial valuation.

I. BORROWING COST

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets.A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use.All other borrowing costs are charged to revenue.

J. TAXES ON INCOME

The Income tax provision comprises of current tax, fringe benefit tax and deferred tax. Current tax is the amount of tax payable in respect of income for the year.In accordance with the Accounting Standard -22 Accounting for Taxes on Income issued by the Institute of Chartered Accountants of India, the deferred tax on timing difference between book profit and tax profit for the year is accounted based on the rates and laws that have been enacted or substantially enacted as on the Balance sheet date. However deferred tax assets arising from timing difference are recognised to the extent of virtual/reasonable certainity about its realisability in future years.

K. JOINT OPERATING AGREEMENT

Assets, Liabilities, Income and Expenditure relating to Joint Operating Agreement are accounted under appropriate accounting head in proportion to the participating interest of the Company to the extent of authenticated details provided by the Lead Joint Venture Operator. In addition to the Accounting policies stated herein by the Company, as per the Lead Joint Venture Operator, the following Accounting policies have been followed in accounting for assets / liabilities / income and expenditure relating to Hydrocarbon extraction and delivery:

(a) The basis of accounting related to oil extraction / production is generally confirming to the internationally accepted “Successful Effort Method” (SEM) of account read with guidance note on “Accounting for Oil and Gas producing activities” issued by the Institute of Chartered Accountants of India (ICAI) for carrying out petroleum operations and evaluation of prospects for acquisition targets.

(b) Revenue from sale of Hydro Carbon products is recognised on transfer of custody to Oil & Natural Gas Corporation Ltd (ONGC) on the basis of quantitative certificates received and in accordance with the provisions as provided in the contracts entered into with ONGC.

(c) Pending completion of commencement of commercial production, all the expenses incurred net of the billing raised on test production supplied to ONGC are carried forward as capital work in progress. Unsuccessful workover expenses, if any, are charged off in the year of incurrance. Producing properties including acquisition cost are depleted using the “unit of production method” (UOP) based on the related proved developed reserves in accordance with guidance note on “Accounting for Oil and Gas producing activities” issued by the Institute of Chartered Accountants of India.

(d) Closing stock of crude oil in hand is not accounted for, as in the opinion of the lead operator, it does not have any realisable value.

L. IMPAIRMENT OF ASSETS

An Asset is treated as impaired when the carrying cost of the asset exceeds its recoverable value. An impairment loss is charged to Profit & Loss Account in the year in which an asset is identified as impaired. The impairment loss recognised in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

M. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

All Liabilities have been provided for in the accounts except liabilities of a contingent nature, which have been disclosed at their estimated values in the notes to accounts. Contingent Assets are neither recognised nor disclosed in the financial statements.

Schedules annexed to and forming part of the accounts

N. AMORTISATION

Goodwill arising out of amalgamation is being amortised over a period of seven years from the year of amalgamation, based on prudent estimation of its useful life.

	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
2. **Contingent liabilities not provided for**		
a. Guarantees given by banks on behalf of the Company	86,84,37,419	72,25,38,321
Relating to joint venture - 50% share	13,08,500	1,79,07,500
b. Letter of Credit	-	5,46,73,010
Relating to joint venture - 50% share	-	49,98,000
c. Corporate Guarantee given by the Company for a subsidiary of Company's foreign subsidiary	1905,45,09,390	1058,69,60,000
d. Capital commitments not provided for	3,34,42,724	-
Relating to joint venture - 50% share	-	2,83,00,000

3. **During the year the Company acquired and sold the following Current Investments:**

Particulars	**Purchased**	**Sold**
Investments in Units in Mutual Funds (Units)	**Units**	**Units**
Grindlays Liquidity Manager	8,45,64,667.42	4,36,32,471.00
Grindlays Liquidity Manager Plus	95,35,670.87	95,30,372.00
Grindlays Floating rate fund	1,00,00,000.00	-
Grindlays Arbitrage Fund	2,19,43,942.92	-
Prudential ICICI liquid fund	11,53,68,505.00	11,78,68,923.85
Prudential ICICI - Blended Plan	1,15,47,700.83	19,68,698.00
Principal Mutual Fund	29,54,03,702.87	27,81,46,648.00
DSP ML Liquid Fund	20,568.04	-
JM Arbitrage Fund	15,00,000.00	-
Chola Fixed Maturity Plan	-	10,00,000.00
JM Liquid Fund	1,415.00	10,62,442.70
HDFC Floating Rate Fund	1,30,96,507.00	1,30,20,156.00
SBI Premier Liquid Fund	20,53,062.15	-
Reliance Monthly Interval fund SI Institutional	2,50,00,000.00	-
Reliance Monthly Interval fund SII Institutional	50,00,000.00	-
Reliance Liquidity fund	1,01,81,605.58	59,98,140.00
Prudential ICICI superplan	4,24,472.18	3,41,831.00
HSBC Liquid Fund Plus	42,58,604.84	-

4. a.**Managerial Remuneration**	**31.03.2007 Rupees**	**31.3.2006 Rupees**
Salary & Allowances	74,66,400	61,24,800
Monetary Value of Perquisites	27,70,603	18,94,341
Sitting fees	3,62,000	3,96,000
Commission	3,79,68,537	3,14,74,259
	4,85,67,540	3,98,89,400

b. Computation of Net Profit in accordance with Section 309(5),198 & 349 of the Companies Act, 1956 and calculation of Managing Director and Wholetime Director's Commission.

Net Profit as per Profit & Loss Account	171,11,07,086	151,59,93,577
Add: Directors' Remuneration	4,82,05,540	3,94,93,400
Director's Sitting Fees	3,62,000	3,96,000
Provision for Dimunition in value of Investment in Joint Venture	49,99,300	-
Adjustment relating to Profit on sale of Asset	1,98,45,485	-
Goodwill Amortised	6,29,32,560	6,29,32,560
	184,74,51,971	161,88,15,537
Less: Profit on Sale of Assets (Net)	11,91,35,963	1,03,413
Less: Profit on Sale of Investments(Net)	24,73,440	4,49,99,192
	12,16,09,403	4,51,02,605
Profit as per Section 309(5),198 & 349 of the Companies Act, 1956	172,58,42,568	157,37,12,932
Commission to Managing Director @ 2% p.a	3,45,16,852	3,14,74,259
Commission to two Wholetime Directors @ 0.10% p.a each	34,51,685	-
	3,79,68,537	3,14,74,259

Schedules annexed to and forming part of the accounts

		31.03.2007		31.3.2006
5. Licence/Installed capacities		NOT APPLICABLE		NOT APPLICABLE
	Units	Value (Rs.)	Units	Value (Rs.)
6. Generation of Wind Power (Net)	5,61,66,455	15,12,26,740	5,18,09,424	14,24,37,667

		Rupees	Rupees
7. Value of Imports by the Company on CIF basis			
a.	Capital items	13,77,70,994	299,52,58,035
b.	Stores & Spare Parts	25,06,30,952	17,48,95,034
8. Expenditure in Foreign Currency (Cash Basis)			
a.	Interest on Foreign Currency Loans	2,77,68,125	1,90,70,909
b.	Drilling Services & Management Fees	3,32,78,117	11,84,23,877
c.	Travel and Others	13,50,30,669	13,91,69,914
d.	Consultancy fees	6,19,64,302	3,11,64,184
e.	Rental charges for Machinery	17,05,05,114	14,82,81,481
f.	Insurance	16,59,97,588	11,19,28,758
g.	Repairs to machinery	95,21,380	4,39,57,736
9.Income Earned in Foreign Exchange			
a.	Drilling and Production services	479,07,03,410	475,91,88,738
b.	Interest from Foreign Subsidiaries	21,12,56,136	80,91,771
c.	Claims received	-	2,17,333
d.	Interest received on Escrow deposit	-	49,99,099
e.	Profit on sale of Assets	11,98,45,485	-
f.	Interest on Bank Deposit	1,49,52,263	-
g.	Others	1,39,89,126	7,00,329
10.	a. Value of Imported Stores & Spares Consumed	21,82,47,968	15,76,95,594
	% of above to total consumption	51.82%	36.12%
	b. Value of Indigenous Stores & Spares consumed	20,29,07,073	27,88,52,823
	% of above to total consumption	48.18%	63.88%

11. Dividend remitted in Foreign Currency	No.of Non-Resident Shareholders	No. of Equity Shares held	Net Dividend Remitted (Rs.)
For the Financial year 2005-06 (Equity Shares of Rs.2/- each)	1	83,28,750	2,16,54,750
Previous year (Equity shares of Rs.10/- each)	1	16,65,750	1,66,57,500

12. Related Party disclosure:

Enterprise where control exists

A. Subsidiary Companies (Wholly owned subsidiaries)

Aban Energies Limited, India
Aban Holdings Pte Ltd, Singapore

B. Subsidiaries of Aban Holdings Pte Ltd

Aban Singapore Pte Ltd, Singapore
Aban 7 Pte Ltd, Singapore
Aban 8 Pte Ltd, Singapore
Aban Abraham Pte Ltd, Singpore
Aban International Norway AS
Sinvest AS, Norway
DDI Holding AS Norway
Deep Drilling Invest Pte Ltd, Singapore
Deep Drilling 1 Pte Ltd, Singapore
Deep Drilling 2 Pte Ltd, Singapore
Deep Drilling 3 Pte Ltd, Singapore
Deep Drilling 4 Pte Ltd, Singapore
Deep Drilling 5 Pte Ltd, Singapore
Deep Drilling 6 Pte Ltd, Singapore
Deep Drilling 7 Pte Ltd, Singapore
Deep Drilling 8 Pte Ltd, Singapore
Beta Drilling Pte Ltd , Singapore
Venture Drilling Pte. Ltd., Singapore

Schedules annexed to and forming part of the accounts

C. Other related parties with whom the company had transactions

a. Joint Venture Operator

Prize Petroleum Limited

b. Key Management personnel

(i) Mr. Reji Abraham - Managing Director

(ii) Mr. P Venkateswaran - Deputy Managing Director

(iii) Mr. C P Gopalkrishnan - Deputy Managing Director and Secretary

TRANSACTION WITH RELATED PARTIES DURING THE YEAR

Nature of Transaction	Subsidiary companies Rs.		Joint Venture Operator Rs.		Key Management Personnel Rs.	
	2006-07	2005-06	**2006-07**	2005-06	**2006-07**	2005-06
i) Machinery maintenance charges paid	1,07,65,792	96,00,000	-	-	-	-
ii) Rent paid	-	-	-	-	24,44,516	24,00,000-
iii) Remuneration	-	-	-	-	4,82,05,540	3,94,93,400
iv) Interest received	21,12,56,136	80,91,771	-	-	2,07,042	2,39,625
v) Purchase of Assets	-	-	22,13,212	5,98,46,329	-	-
vi) Sale of Assets	436,97,33,095	-	-	-	-	-
vii) Investment in Foreign Subsidiary	737,23,94,308	37,09,28,750	-	-	-	-
vii) Advances recoverable / (payable)	5,27,15,166	1,62,37,640	(2,09,92,221)	-	-	-
ix) Income from transfer of Hydro Carbon	-	-	1,12,68,247	-	-	-
x) Loan given to Foreign Subsidiaries	716,05,05,495	147,73,15,313	-	-	-	-
xi) Loan repaid	772,41,34,639	93,33,97,500	-	-	3,60,000	2,90,000
xii) Operation call money	-	-	9,52,00,000	-	-	-
xiii) Sale of Investment	37,09,28,750	-				
xiv) Dividend paid	-	-	-	-	1,21,08,307	93,14,082
xv) Amount received towards Equity shares allotted under Employees Stock Option Scheme (including premium)	-	-	-	-	44,02,320	-
xvi) Amount Outstanding as at 31.03.2007 receivable/(payable)	24,16,29,511	57,46,46,307	(1,44,56,909)	(58,44,431)	18,75,000	22,35,000

Disclosure in respect of transactions which are more than 10% of the total transactions of the same type with related parties during the year:

	2006-07 Rs.	2005-06 Rs.
i) Machinery maintenance charges paid		
- Aban Energies Limited	1,07,65,792	96,00,000
ii) Remuneration to Key Management Personnel		
- Mr. Reji Abraham	3,73,35,027	3,35,21,554
- Mr. C.P. Gopalkrishnan	54,93,888	30,03,321
- Mr. P. Venkateswaran	53,76,625	29,68,525
iii) Interest received		
- Aban Singapore Pte Ltd	21,12,55,398	80,91,771
iv) Sale of Assets		
- Aban 7 Pte Ltd	436,97,33,095	-
v) Investment in Foreign subsidiary		
- Aban Holdings Pte Ltd	737,23,94,308	-
- Aban Singapore Pte Ltd	-	37,09,28,750
vi) Advances recoverable		
- Aban Energies Limited	1,54,50,000	1,62,37,640
- Aban 7 Pte Ltd.	1,99,93,203	-
- Aban Abraham Pte Ltd	1,38,84,165	-
vii) Loan given to Foreign Subsidiaries		
- Aban Singapore Pte Ltd	716,04,62,025	147,73,15,313
viii) Loan repaid by Foreign subsidiaries		
- Aban Singapore Pte Ltd	772,41,34,639	93,33,97,500
ix) Sale of Investments		
- Aban Holdings Pte Ltd	37,09,28,750	-
x) Rent paid		
- Mr. Reji Abraham	24,44,516	24,00,000
xi) Dividend paid		
- Mr. Reji Abraham	1,20,56,294	92,74,072
xii) Amount received towards Equity shares allotted under Employee Stock Option Scheme (including premium)		
- Mr. C.P. Gopalkrishnan	22,01,160	-
- Mr. P. Venkateswaran	22,01,160	-

13. Segment Reporting

(as per the Accounting Standard 17- Segment reporting issued by the Institute of Chartered Accountants of India)

A. Primary Segment

The company's primary segments are Offshore Oil Drilling and Production services and Wind Power generation

The above business segments have been identified considering the nature of services rendered and the internal financial reporting system. Hydcro carbon delivery income through joint venture operation is considered as part of Drilling Segment.

Income and Expenses have been accounted for based on their relationship to the operating activities of the segment

B. Secondary Segment

The Substantial Assets of the Company are Rigs/Drillship, which are mobile assets and can operate across the world, in view of which geographical segment is not considered.

Primary Segment Information

	2006-2007 Rs.	2006-2007 Rs.	2005-2006 Rs.	2005-2006 Rs.
1. Segment revenue				
- Drilling	548,01,16,141		490,15,20,532	
- Wind Energy	16,57,86,117	564,59,02,258	15,27,07,852	505,42,28,384
2. Segment Result				
- Drilling	224,91,66,718		205,49,77,147	
- Wind Energy	(8,98,28,843)		(10,26,60,266)	
	215,93,37,875		195,23,16,881	
Less : Interest Expenses	(44,82,30,789)	171,11,07,086	(43,63,23,304)	151,59,93,577
3. Segment Assets				
- Drilling	1755,14,11,968		1066,06,73,115	
- Wind Energy	142,32,25,783	1897,46,37,751	163,00,75,385	1229,07,48,500
4. Segment liabilities				
- Drilling	1048,72,93,461		755,47,19,228	
- Wind Energy	80,03,54,895	1128,76,48,356	24,04,169	755,71,23,397
5. Depreciation				
- Drilling	73,18,84,552		73,51,14,152	
- Wind Energy	21,59,24,160	94,78,08,712	21,56,87,215	95,08,01,367
6. Goodwill Amortised				
- Drilling	6,29,32,560		6,29,32,560	
- Wind Energy	-	6,29,32,560	-	6,29,32,560
7. Capital Expenditure				
- Drilling	26,59,18,399		316,92,88,154	
- Wind Energy	-	26,59,18,399	26,01,986	317,18,90,140

14. Loans and Advances include the following:

Particulars	Relationship	Balance outstanding as at 31.03.2007	Maximum Balance outstanding during the year	Balance outstanding as at 31.03.2006	Maximum Balance outstanding during the previous year
Aban Energies Ltd, India.	Indian Subsidiary	1,56,14,818	1,56,14,818	1,32,35,817	1,52,28,962
Aban Holdings Pte Ltd, Singapore	Foreign Subsidiary	44,208	44,360	-	-
Aban Singapore Pte Ltd, Singapore	Subsidiary of Foreign Subsidiary	19,20,93,117	721,05,29,701	56,14,10,490	147,73,15,313
Aban 7 Pte Ltd, Singapore	Subsidiary of Foreign Subsidiary	1,99,93,203	1,99,93,203	-	-
Aban 8 Pte Ltd, Singapore	Subsidiary of Foreign Subsidiary	22,62,124	22,62,124	-	-
Aban Abraham Pte Ltd, Singapore	Subsidiary of Foreign Subsidiary	1,16,22,041	1,16,22,041	-	-

15. Loans and Advances include loan to a wholetime Director of the Company who was an officer at the time of taking the loan - Rs.18,75,000/- (previous year Rs.22,35,000/-). Maximum amount outstanding during the the year Rs. 22,35,000/-(Previous Year Rs.25,25,000/-).

16. The Company had entered into a Joint Operating Agreement with Prize Petroleum Limited for development of ONGC's Oil fields at Hirapur, Khambel and West Bechraji in the state of Gujarat. The Company's participating share in the contract is 50%. During the year

Schedules annexed to and forming part of the accounts

2006-07, commercial production has been started in two wells. The Company's share of Assets, Liabilities, Income and Expenditure under the joint operating agreement, for the current financial year 2006-07 has been considered based on audited reuslts of the joint venture company.

The Company's share of 50% of Assets and Liabilities as at 31st March 2007 and the Income and Expenditure for the year in respect of the joint venture operation is as follows:

Particulars	**2006-07** ***(Audited)***	**2005-06** ***(Unaudited)***
	Rs.	Rs.
Fixed Assets including Capital Work in Progress	12,75,58,817	5,96,46,329
Current Assets	88,39,020	38,35,263
Current Liabilities	6,75,829	2,08,35,598
Income	1,12,68,247	-
Expenditure	1,35,58,246	-
Depreciation	9,42,653	24,37,361

Hydrocarbon delivered during the year under Joint Venture Agreement is 72044.21 barrels (Previous Year Nil)

The income relates to 50% of the above delivery being Company's share in Joint Venture (Previous Year Nil).

17. Proposed dividend on preference shares for the current year 2006-07, represent dividend provided on 8% non convertible cumulative redeemable Preference shares and dividend provided on 9% non convertible cumulative redeemable preference shares on prorata basis from the date of allotment of shares. For the previous year 2005-06, proposed dividend on preference shares represent dividend provided on 8% non convertible cumulative redeemable preference shares on prorata basis from the date of allotment of shares.

18.Earning per share is calculated as shown below: (Equity shares of Rs.2/- each)

			2006-07	**2005-06**
a)	Profit after tax, preference dividend and tax thereon	Rs.	83,72,12,085	73,02,01,592
			No. of shares	No. of shares
b)	Weighted average number of fully paid equity shares used in calculating			
	Basic earnings per share		3,68,39,975	3,68,33,655
	Add: Partly paid Equity shares calculated as fully paid		24,870	26,470
	TOTAL		3,68,64,845	3,68,60,125
	Basic earnings per share (Rupees)	(a/b)	22.71	19.81
c)	Weighted average number of fully paid equity shares used in calculating			
	Diluted earnings per share		384,91,901	3,68,33,655
	Add: Partly paid Equity shares calculated as fully paid		24,870	26,470
	TOTAL		3,85,16,771	3,68,60,125
	Diluted Earning per Share - (Rupees)	(a/c)	21.74	19.81

19. The Company has instituted Employees Stock Option Scheme - 2005 duly approved by the shareholders in the Extraordinary General Meeting of the Company held on 23rd April 2005 . As per the scheme, the compensation committee of the board evaluates the performance and other criteria of employees and approves the grant of option. These options vest with employees over a specified period subject to fulfillment of certain conditions. Upon vesting, employees are eligible to apply and secure allotment of Company's share at the prevailing market price on the date of grant of option.

The Securities Exchange Board of India (SEBI) issued the Employees Stock Option scheme and Employee Stock purchase scheme Guidelines in 1999, applicable to stock option schemes established on or after June 19, 1999. Under these Guidelines, the excess of the market price of the underlying equity shares as of the date of the grant over the exercise price of the option is to be recognised and amortized on a straight- line basis over the vesting period

The Company has not recorded any Deferred Compensation Expenses, as the exercise price was equal to the market value as defined by SEBI of the underlying Equity shares on the grant date.

The details of option granted are given below:

Maximum number of options that may be granted under the scheme duirng the year is 18,44,000 number of equity shares of Rs.2/- each (Previous year 18,44,000 equity shares of Rs.2/- each) - Options granted during the year 47,000 number of equity shares of Rs.2/- each (Previous year 96,200) - Options lapsed during the year 1,760 number of equity shares of Rs.2/- each (Previous year 2,200) - Options exercised during the year 56,660 number of equity shares of Rs.2/- each (Previous year Nil) - Outstanding at the end of the year 82,580 number of equity shares of Rs.2/- each (Previous year Nil) - Options yet to be granted under the scheme 17,04,760 number of equity shares of Rs.2/- each (Previous year 18,44,000 equity shares of Rs.2/- each).

20. The Company has issued 1161 un secured unrated zero coupon convertible bond of Japanese Yen 10,000,000 each aggregating to Japanese Yen 11,610,000,000 (Rs.428,49,22,220/-) in April 2006 (Previous year Nil) The Bondholder has an option to convert these bonds into Equity shares of Rs.2/- each of the Company at a conversion price on or after 19th April 2007 and upto the close of the business on the 8th April 2011. The conversion price has been fixed as Rs.2,789.04 per Equity shares of Rs.2/- each. No bond holder has excersied the option of conversion till the date.

    The Company has an option to redeem the bonds at their accredited principal amount in whole and not in part at any time on or after 14th April 2009 and on or prior to 8th April 2011 subject to certain terms and conditions

    No interest accrues or is payable on the bonds unless willful default is made in respect of any payment in which case the overdue sum shall bear interest at the rate of 4% per annum from the due date.

    Unless previously redeemed, converted or repurchased and cancelled, the Company will redeem each bond at 121.811% of its principal amount on 15th April 2011, being the Maturity date of the Bond.

21.The year end foreign currency exposures that have not been hedged by Derivative Instruments or otherwise are as under:

Serial Number	Underline Exposure	Amount in USD (Million)	Amount in INR (crores)
1	Payables	20.00	86.94
2	Foreign currency loans	2.22	9.66

22. The Company has also entered into interest rate swap and currency derivatives to counter the impact of interest rate volatility. The outstanding value of hedged forward covers / derivatives as at 31st March 2007 are Rs.726.17 crores the details of which are given below:
As at 31st March 2007, the following derivative transactions are outstanding:

Nature of Derivative Transactions	**Amount INR (Crores)**	**Underline Exposure**	**Purpose**
Currency Forward contracts	358.68	Trade Receivable	Hedging the risk of exchange rate fluctuations
Interest swap	367.49	Debt Servicing	Hedging the risk of interest rates

23. Disclosure under Accounting Standard 27-Financial Reporting of interests in joint ventures. The Company's interests, as a venturer, in jointly controlled entity and Jointly controlled operation are :

Name of the Company	**Country of Incorporation**	**Proportion of ownership interest 2006-07**	**Proportion of ownership interest 2005-06**
Frontier Offshore Exploration (India) Limited (Formerly known as Frontier Aban Drilling (India) Ltd) - Jointly controlled entity	India	25% of share capital	25% of share capital
Prize Petroleum Limited - Jointly controlled assets	India	50% Participating share	50% Participating share

The Company's interests in the joint venture - Frontier Offshore Exploration (India) Limited (formerly known as Frontier Aban Drilling (India) Ltd) is reported as Long Term Investments (Schedule 7) and stated at cost.
The Company has ceased to have joint control over Frontier Offshore Exploration (India) Limited (Formerly known as Frontier Aban Drilling (India) Ltd).
However the Company has provided for Dimunition in value of this long term investment considering the state of affairs of the Venture Company.
(Following are the details of Assets / Liabilities / Income and Expenses of the Company as at 31st March 2006 - Fixed Assets Net - Rs.0.91 lakhs, Deferred Tax Net - Rs.3.04 lakhs, Current Assets,Loans & Advances - Rs.198.14 lakhs , Current Liabilities & Provisions - Rs.206.59 lakhs, Income - Rs.4.78 lakhs, Expenses - Rs.76.49 lakhs , Provision for Tax - Rs.0.54 lakhs.)

24. A sum of Rs.24,28,283 being excess depreciation charge relating to joint venture assets in the previous year has been adjusted to the depreciation charge for the year based on Audited figures provided by the Lead Operator.

25. There are no Micro, Small and Medium Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days at the balance sheet date, computed on unit wise basis. The information regarding Micro, Small and Medium Entreprises has been determined to the extent such parties have been identified on the basis of data available with the Company.

Schedules annexed to and forming part of the accounts

26. Audit fees include Rs.7,29,860/- for special purpose Audit carried out towards Investments in shares of Foreign subsidiaries (Previous year Nil). Auditors' remuneration includes Service Tax.

27.Unutilised monies out of the privately placed Preference Share Issue have been held in Bank Deposits & Current Investments, pending deployment for intended use.

28. Previous year's figures are re-grouped/re-arranged wherever necessary, to confirm to the current year's presentation.

Per our report attached

For Ford, Rhodes, Parks & Co
Chartered Accountants

CA. R. Subramanian
Partner
Membership No. 16059

For and on behalf of the Board

Reji Abraham
Managing Director

P. Murari
Vice Chairman

Chennai
21st June, 2007

K.M. Jaya Rao
Director

K. Bharathan
Director

P. Venkateswaran
Deputy Managing Director

C.P. Gopalkrishnan
Deputy Managing Director & Secretary

Balance Sheet Abstract

As at 31st March 2007

Additional Information as per Part IV of Schedules VI to the Companies Act, 1956

Balance Sheet Abstract and Company's General Business Profile

I Registration Details

Registration No.	13473	State Code	18
Balance Sheet Date	31 03 2007		

II Capital raised during the year *(Amount in Rs. Thousands)*

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement (ESOS)	113
Private Placement *(9% Preference Shares)*	1560000		

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

Total Assets	17711570	Total Liabilities	17711570

Sources of Funds

Paid up Capital	3133837	Reserves and Surplus	3490608
Secured Loans	6064829	Unsecured Loans	4284922
Deferred Tax (Net)	737374	Total	17711570

Application of Funds *(Amount in Rs. Thousands)*

Net Fixed Assets	6470264	Investments	8983023
Net Current Assets	2258283	Total	17711570

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

Turnover	4953198	Other Income	692704
Total Expenditure	3934795	Profit before Tax	1711107
Profit after tax	995956	EPS Basic in Rs.	22.71
EPS Diluted in Rs.	21.74	Dividend Rate *(Equity Share Capital)*	150%
Dividend Rate (8% Preference Share Capital)	8%	Dividend Rate (9% Preference Share Capital)	9%

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

Item Code No. (ITC Code)	Product Description
842831.02	Oil Well Drilling
890520.00	Oil / Gas Production
NA	Wind Power Generation

Cash Flow Statement

For the year ended 31st March 2007

		2006-2007 Rupees in lacs	2005-2006 Rupees in lacs
A	**CASH FLOW FROM OPERATING ACTIVITIES:**		
	NET PROFIT BEFORE TAX	**17,111.07**	**15,159.94**
	ADJUSTMENTS FOR:		
	Depreciation	9,478.09	9,508.01
	Goodwill written off	629.33	629.33
	Interest	4,482.31	4,363.23
	Interest and Dividend Income	(3,041.85)	(729.67)
	Profit on sale of Long Term and Current Investments (Net)	(24.73)	(449.99)
	Profit on sale of Assets (Net)	(1,191.36)	(1.03)
	Unrealised Exchange (Gain) / Loss - Net	(1,561.72)	(7.42)
	OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	**25,881.14**	**28,472.40**
	ADJUSTMENTS FOR:		
	Inventories	(1,206.47)	(416.75)
	Trade and other receivables	(640.35)	(215.06)
	Trade and other payables	1,614.77	2,589.45
	CASH GENERATED FROM OPERATIONS	**25,649.09**	**30,430.04**
	Direct taxes paid	(6,494.06)	(5,536.18)
	NET CASH FROM OPERATING ACTIVITIES	**19,155.03**	**24,893.86**
B	**CASH FLOW FROM INVESTING ACTIVITIES:**		
	Purchase of fixed assets	(15,263.33)	(31,735.06)
	Sale of fixed assets	43,979.47	5.31
	Interest and dividend received	1,167.03	773.55
	Purchase of Investments	(155,942.45)	(106,059.86)
	Sale of Investments	141,848.98	106,904.77
	Sale of Investments in Foreign Subsidiary	3,712.53	-
	Investment in subsidiary	(73,723.94)	(3,709.29)
	NET CASH USED IN INVESTING ACTIVITIES	**(54,221.71)**	**(33,820.58)**
C	**CASH FLOW FROM FINANCING ACTIVITIES:**		
	Proceeds/(Repayment) of Long Term Borrowings	(7,008.55)	(4,075.72)
	Proceeds from partly paid shares	0.03	0.09
	Proceeds from fresh allotment under ESOS	244.54	-
	Proceeds from preference shares	15,600.00	15,000.00
	Proceeds from Foreign currency convertible Bonds	44,374.87	-
	Dividend paid including tax on dividend	(2,172.42)	(840.49)
	Loans (given to) / Repaid by Foreign Subsidiaries	5,521.50	(5,554.04)
	Interest paid	(4,570.07)	(4,459.32)
	NET CASH FROM FINANCING ACTIVTIES	**51,989.90**	**70.52**
	NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS	**16,923.22**	**(8,856.20)**
	CASH AND CASH EQUIVALENTS -at beginning of the year	**910.16**	**9,815.51**
	Effect of Exchange (Loss) / Gain on cash and cash equivalents	**(26.36)**	**(49.15)**
	CASH AND CASH EQUIVALENTS- at end of the year	**17,807.02**	**910.16**

Per our report attached

For Ford, Rhodes, Parks & Co
Chartered Accountants

For and on behalf of the Board

CA. R. Subramanian
Partner
Membership No. 16059

Reji Abraham
Managing Director

P. Murari
Vice Chairman

Chennai
21st June, 2007

K.M. Jaya Rao
Director

K. Bharathan
Director

P. Venkateswaran
Deputy Managing Director

C.P. Gopalkrishnan
Deputy Managing Director & Secretary

Auditors' Certificate on Cash Flow Statement

We have examined the above Cash Flow Statement of Aban Offshore Limited (Formerly known as Aban Loyd Chiles Offshore Limited) for the year ended 31st March 2007. This statement has been prepared by the Company in accordance with the requirements under clause 32 of the Listing Agreement with the Stock Exchange and is based on and in agreement with the corresponding Profit and Loss Account and Balance Sheet of the Company for the year ended 31st March 2007.

For FORD, RHODES, PARKS & CO.,
Chartered Accountants

CA. R. SUBRAMANIAN
Partner
Membership No: 16059

Place : Chennai
Date : June 21, 2007

Statement Pursuant to Section 212 (1) (e) of the Companies Act, 1956

		Aban Energies Limited	Aban Holdings Pte Ltd
1	Name of the Subsidiary Company	**Aban Energies Limited**	**Aban Holdings Pte Ltd**
2	Financial Year of the Subsidiary Company	**Year Ended 31.03.2007**	**Year Ended 31.03.2007**
3	Shares of the Subsidiary Company held by Aban Offshore Limited (Formerly known as Aban LoydChiles Offshore Limited)		
	(a) Number of Shares	2,00,070	16,50,00,000
	(b) Face Value	Rs.10	USD 1/- each
	(c) Paid up value	Rs.10	USD 1/- each
	(d) Extent of Holding	100%	100%
4	Net aggregate amount of Profit / (Loss) of the subdiary Company so far as they concern the members of Aban Offshore Limited (Formerly known as Aban Loyd Chiles Offshore Limited) not dealt with in the accounts of the Aban Offshore Limited amount to:		
	(a) For the Subsidiary Company's financial year ended on 31.03.2007	(3,72,584)	(7,61,946)
	(b) For the previous financial years of the subsidiary since it became the Holding Company's subsidiary	(1,02,13,168)	NA
5	Net aggregate amount of Profit / (Loss) of the Subsidiary Company, dealt with in the Accounts of Aban Offshore Limited (Formerly known as Aban Loyd Chiles Offshore Limited) amount to:		
	(a) For subsidiary Company's Financial Year ended 31.03.2007	NIL	NIL
	(b) For the previous financial years of the subsidiary since it became the Holding Company's Subsidiary	NIL	NA
6	As the financial year of the Subsidiary Company coincides with the financial year of the Holding Company, Section 212(5) of the Companies Act is not applicable		

Note: Aban Holdings Pte Ltd is having the following subsidiaries. Financial year of these Companies ended on 31st March 2007:

(a) Aban Singapore Pte Ltd
(b) Aban 7 Pte Ltd, Singapore
(c) Aban 8 Pte Ltd, Singapore
(d) Aban Abraham Pte Ltd, Singpore
(e) Aban International Norway AS
(f) Sinvest ASA, Norway
(g) DDI Holding AS Norway
(h) Deep Drilling Invest Pte Ltd, Singapore
(i) Deep Drilling 1 Pte Ltd, Singapore
(j) Deep Drilling 2 Pte Ltd, Singapore
(k) Deep Drilling 3 Pte Ltd, Singapore
(l) Deep Drilling 4 Pte Ltd, Singapore
(m) Deep Drilling 5 Pte Ltd, Singapore
(n) Deep Drilling 6 Pte Ltd, Singapore
(o) Deep Drilling 7 Pte Ltd, Singapore
(p) Deep Drilling 8 Pte Ltd, Singapore
(q) Beta Drilling Pte Ltd , Singapore
(r) Venture Drilling Pte Ltd, Singapore

For and on behalf of the Board

Reji Abraham
Managing Director

P. Murari
Vice Chairman

Chennai
21st June, 2007

K.M. Jaya Rao
Director

K. Bharathan
Director

P. Venkateswaran
Deputy Managing Director

C.P. Gopalkrishnan
Deputy Managing Director & Secretary

Disclosure under Clause 32 of the Listing Agreement

Name of the Listed Company
Aban Offshore Limited
(Formerly Aban Loyd Chiles Offshore Limited)

Subsidiary	**Amount Outstanding As at 31st March 2007 Rs.**	**Value of Investments As at 31st March 2007 Rs.**	**Terms**
Aban Holdings Pte. Ltd. Singapore	44,208	737,23,94,308	Principal amount repayable on demand. Interest received as per stipulation

Statement of details to be furnished for subsidiaries as prescribed by the Ministry of Company Affairs

	Name of the subsidiary Company	Aban Energies Ltd India	Aban Holdings Pte Ltd Singapore	Aban Singapore Pte Ltd, Singapore	Aban Abraham Pte Ltd, Singapore	Aban 7 Pte Ltd, Singapore	Aban 8 Pte Ltd, Singapore	Aban International Norway ASA,Norway	Sinvest ASA, Norway
a)	Share Capital	200,070 Equity Shares of Rs. 10 each fully paid up Rs.20,00,700/-	165000000 ordinary shares of USD 1 each fully paid up Rs.737,23,94,308/-	165000000 ordinary shares of USD 1 each fully paid up Rs.737,23,94,308/-	37000000 ordinary shares of USD 1 each fully paid up Rs.160,83,90,000/-	21000000 ordinary shares of USD 1 each fully paid up Rs.91,28,70,000/-	24000000 ordinary shares of USD 1 each fully paid up Rs.104,32,80,000/-	56200 ordinary shares of NOK 1000 each fully paid up Rs.40,71,51,844/-	60705000 ordinary shares of NOK 6 each fully paid up Rs.234,61,62,840/-
b)	Reserves & Surplus (Refer Note 3)	(10,585,752)	(731,165)	(1,098,171,604)	(1,591,915)	186,000,106	(847,480)	2,968,206,971	7,593,607,984
c)	Total Assets	18,800,612	7,372,402,871	40,132,575,494	6,299,152,156	4,385,256,603	3,778,910,175	35,214,662,676	47,763,595,496
d)	Total Liabilities	18,800,612	7,372,402,871	40,132,575,494	6,299,152,156	4,385,256,603	3,778,910,175	35,214,662,676	47,763,595,496
e)	Investments (except in case of investment in subsidiaries)	-	-	-	-	-	-	-	3,073,899,587
f)	Turnover	12,754,734	-	377,732,057	-	829,866,489	-	13,189,050	1,571,850,068
g)	Profit before Taxation	75,439	(761,914)	(1,251,647,814)	(1,225,478)	199,993,484	(724,800)	(273,382,465)	(130,013,854)
h)	Provision for Taxation	448,023	-	-	-	-	-	-	31,026,559
I)	Profit after Taxation	(372,584)	(761,914)	(1,251,647,814)	(1,225,478)	199,993,484	(724,800)	(273,382,465)	(161,040,413)
j)	Proposed Dividend	-	-	-	-	-	-	-	-

	Name of the subsidiary Company	DDI Holding AS Norway	Deep Drilling Invest Pte Ltd, Singapore	Deep Drilling 1 Pte Ltd, Singapore	Deep Drilling 2 Pte Ltd, Singapore	Deep Drilling 3 Pte Ltd, Singapore	Deep Drilling 4 Pte Ltd, Singapore	Deep Drilling 5 Pte Ltd, Singapore	Deep Drilling 6 Pte Ltd, Singapore
a)	Share Capital	29251000 ordinary shares of NOK 100 per share Rs. 1883,06,69,667	64,28,40,539 ordinary shares of USD 1 each Rs.2794,42,78,230/-	13,54,38,562 ordinary shares of USD 1 each Rs.588,75,14,290/-	14,57,60,395 ordinary shares of USD 1 each Rs.633,62,04,371/-	12,99,52,368 ordinary shares of USD 1 each Rs.564,90,29,437/-	3,77,34,739 ordinary shares of USD 1 each Rs.164,03,29,104/-	6,81,46,423 ordinary shares of USD 1 each Rs.296,23,25,008/-	5,13,12,024 ordinary shares of USD 1 each Rs.223,05,33,683/-
b)	Reserves & Surplus (Refer Note 3	31,823,300	(281,534,803)	685,287,466	1,131,770,749	(82,808,655)	(32,675,008)	(43,992,814)	(30,155,878)
c)	Total Assets	50,282,272,292	29,305,219,602	6,170,795,109	6,445,328,459	6,308,910,514	1,674,999,255	3,016,537,097	2,164,820,562
d)	Total Liabilities	50,282,272,292	29,305,219,602	6,170,795,109	6,445,328,459	6,308,910,514	1,674,999,255	3,016,537,097	2,164,820,562
e)	Investments (except in case of investment in subsidiaries)	-	-	-	-	-	-	-	-
f)	Turnover	34,834,104	22,572,499	621,879,490	722,962,109	99,222,214	-	-	
g)	Profit before Taxation	(247,982,419)	(195,747,267)	566,203,413	888,269,012	(49,631,668)	(11,493,889))	(19,718,386)	(9,707,785)
h)	Provision for Taxation	-	-	11,688,869	16,866,714	1,217,586	-	-	-
I)	Profit after Taxation	-	-	1,688,869	16,866,714	1,217,586	-	-	-
j)	Proposed Dividend	-	-	-	-	-	-	-	-

	Name of the subsidiary Company	Deep Drilling 7 Pte Ltd, Singapore	Deep Drilling 8 Pte Ltd, Singapore	Beta Drilling Pte Ltd, Singapore	Venture Drilling Pte Ltd, Singapore
a)	Share Capital	5,61,77,343 ordinary shares of USD 1 each Rs. 244,20,29,100/-	2,80,56,351 ordinary shares of USD 1 each Rs121,96,09,578/-	3,05,00,000 ordinary shares of USD 1 each Rs.132,58,35,000/-	100 ordinary shares of USD 1 each Rs.4,347/-
b)	Reserves & Surplus (Refer Note 3)	(441,612)	(287,293)	456,696	(427,484)
c)	Total Assets	2,445,295,175	1,220,096,616	2,310,751,482	4,347
d)	Total Liabilities	2,445,295,175	1,220,096,616	2,310,751,482	4,347
e)	Investments (except in case of investment in subsidiaries)	-	-	-	-
f)	Turnover	-	-	-	-
g)	Profit before Taxation	(320,918)	(208,775)	-	-
h)	Provision for Taxation	-	-	-	-
I)	Profit after Taxation	(320,918)	(208,775)	-	-
j)	Proposed Dividend	-	-	-	-

Note:

1. As per the approval granted by the Ministry of Company Affairs, under Section 212 (8) of the Companies Act, the Company has been exempted from attaching the Balance Sheet and Profit & Loss Account of twenty of its subsidiaries to the Annual audited accounts of the Parent Company for the year ended 31.03.2007. However, as directed by the Ministry of Company Affairs, the aforesaid details are provided.
2. Other than the Indian subsidiary, Aban Energies Ltd., where accounts is in Indian Rupee, other 19 subsidiary accounts which are in US Dollar are converted into Indian Rupee at the Exchange Rate of 1USD=Rs. 43.47 for the purpose of the details given above.
3. Reserves & Surplus of the following Companies include Translation Reserve:
   a) Aban Singapore Pte. Ltd.
   b) Aban Abraham Pte. Ltd.
   c) Aban 7 Pte. Ltd.
   d) Aban 8 Pte. Ltd.
   e) Aban International Norway AS

For and on behalf of the Board

Chennai	**Reji Abraham**	**P. Murari**	**K.M. Jaya Rao**	**K. Bharathan**	**P. Venkateswaran**	**C.P. Gopalkrishnan**
21st June 2007	*Managing Director*	*Vice Chairman*	*Director*	*Director*	*Deputy Managing Director*	*Deputy Managing Director & Secretary*

Auditors' Report on Consolidated Financial Statements

To
The Board of Directors
Aban Offshore Limited
Chennai
India

We have examined the attached Consolidated Balance Sheet of Aban Offshore Limited (Formerly known as Aban Loyd Chiles Offshore Limited), the Parent Company, and its subsidiaries as at 31st March 2007, the Consolidated Profit and Loss Account and also the Consolidated Cash Flow Statement for the year then ended.

These financial statements are the responsibility of Aban Offshore Limited's Management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Generally Accepted Auditing Standards in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit also 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 the Management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

We report that the consolidated financial statements have been prepared by the company in accordance with the requirements of Accounting Standard (AS) 21 - "Consolidated Financial Statements" , AS 23 - "Accounting for Investments in Associates in Consolidated Financial Statement" and AS 27 - "Financial Reporting of Interests in Joint Ventures" issued by the Institute of Chartered Accountants of India.

We have audited the financial statements of the Indian subsidiary of the Parent Company M/s Aban Energies Limited, Chennai, India. The Consolidated financial statements of Sinvest Group of the parent company consisting 13 Foreign Subsidiary Companies and the financial statements of another 5 Foreign Subsidiary Companies of the parent company have been audited by other auditors, whose reports have been furnished to us and our opinion in respect of these subsidiaries is based solely on the report of these auditors. With regard to one more Foreign Subsidiary M/s Aban International Norway AS of the Parent Company, we have relied on the "Report on the review of financial statements" issued to the Company by their auditors and our opinion so far it relates to the amount included in respect of this subsidiary is based solely on the Review Report of the auditor and Management's representation to us in this regard. The audited financial statements of the Sinvest Group of the parent company consisting 13 Foreign Subsidiaries and another 5 Foreign Subsidiaries of the parent company reflect total assets of Rs. 10,424.63 Crores as at 31st March 2007 and total revenue of Rs. 277.94 Crores for the period then ended. The reviewed financial statements of M/s Aban International Norway AS the subsidiary of the Parent Company reflect total assets of Rs. 3,497.94 Crores as at 31st March 2007 and total revenue of Rs. 1.32 Crores for the period then ended.

On the basis of the information and explanations given to us and on the consideration of the separate audit reports and a review report on individual financial statements of Aban Offshore Limited (Formerly known as Aban Loyd Chiles Offshore Limited), its Indian subsidiary and its aforesaid foreign subsidiaries, we are of the opinion that:

i. The Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of Aban Offshore Limited, and its subsidiaries as at 31st March 2007;

ii. The Consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of Aban Offshore Limited, and its subsidiaries for the year then ended; and

iii. The Consolidated Cash Flow Statement gives a true and fair view of the consolidated cash flows of Aban Offshore Limited and its subsidiaries for the year then ended.

For FORD, RHODES, PARKS & CO.,
Chartered Accountants

CA. R. SUBRAMANIAN
Partner
Membership No: 16059

Place : Chennai
Date : June 21, 2007

Aban Offshore Ltd. *(Formerly Aban Loyd Chiles Offshore Ltd.)*

Consolidated Balance Sheet

As at 31st March 2007

		Schedule	Rupees	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
I.	**SOURCES OF FUNDS**				
1.	**Shareholders' Funds**				
	(a) Share Capital	1		313,38,36,770	157,37,20,250
	(b) Reserves and Surplus	2		217,44,04,816	273,04,55,813
2.	**Loan Funds**				
	Secured Loans	3		9726,45,92,819	1109,80,73,383
	Unsecured Loans	4		1126,06,88,573	-
3.	**Deferred Tax (Net)**	5		73,74,73,431	65,58,98,798
	Total Funds Employed			11457,09,96,409	1605,81,48,244
II	**APPLICATION OF FUNDS**				
1.	**Fixed Assets**	6			
	Gross Block		8099,42,70,251		1147,87,89,722
	Less:Depreciation		579,08,94,648		432,05,09,088
	Net Block		7520,33,75,603		715,82,80,634
	Add: Capital Work in Progress		2244,41,38,642		830,80,56,173
				9764,75,14,245	1546,63,36,807
2.	**Investments**	7		468,25,27,444	19,21,32,990
3.	**Current Assets,Loans and Advances**				
	(a) Inventory of Stores, Spares and Fuel (at cost) (As certified by the Management)		102,22,73,959		48,88,27,993
	(b) Sundry Debtors	8	203,31,02,470		69,90,41,204
	(c) Cash and Bank Balances	9	1326,39,58,973		13,54,10,098
	(d) Loans and Advances	10	287,07,55,437		18,13,89,131
			1919,00,90,839		150,46,68,426
	Less:Current Liabilities and Provisions	11			
	(A) Current Liabilities		662,44,85,716		83,19,61,496
	(B) Provisions		32,46,50,403		27,30,28,483
			694,91,36,119		110,49,89,979
	Net Current Assets			1224,09,54,720	39,96,78,447
	Total Assets			11457,09,96,409	1605,81,48,244
	Notes to Accounts	16			

Per our report attached

For Ford, Rhodes, Parks & Co
Chartered Accountants

CA. R. Subramanian
Partner
Membership No. 16059

For and on behalf of the Board

Chennai
21st June, 2007

Reji Abraham
Managing Director

C.P. Gopalkrishnan
Deputy Managing Director & Secretary

Consolidated Profit and Loss Account

For the year ended 31st March 2007

		Schedule	Year ended 31st March, 2007 Rupees	Year ended 31st March, 2006 Rupees
I	**INCOME**			
	Income from Operations	12	718,67,50,645	490,16,26,405
	Other Income	13	88,09,25,569	14,77,68,070
	Total		**806,76,76,214**	504,93,94,475
II	**EXPENDITURE**			
	Operating, Administrative and Other Expenses	14	371,26,38,667	209,79,69,002
	Interest	15	268,64,21,841	43,63,28,586
	Depreciation (See Note 17)		120,26,23,822	95,10,93,902
	Goodwill Amortised		6,29,32,560	6,29,32,560
	Total		**766,46,16,890**	354,83,24,050
	Profit for the year before taxation		**40,30,59,324**	150,10,70,425
	Less: Provision for taxation			
	- Current Tax		65,62,26,559	58,04,00,000
	- Fringe Benefit Tax		91,27,887	66,09,241
	- Deferred Tax		8,12,70,871	9,14,39,923
	Profit / (Loss) for the year after taxation but before share in earnings of associates/Joint Ventures		**(34,35,65,993)**	82,26,21,261
	Share in earnings of associates / Joint Ventures (after providing depreciation of Rs. 26,94,14,662)		20,35,56,819	–
	Profit / (Loss) after share in earningsof associates / Joint Ventures		(14,00,09,174)	82,26,21,261
	Add: Profit brought forward from Previous Year		230,91,20,684	179,37,41,287
	Profit available for Appropriation		**216,91,11,510**	261,63,62,548
	Transfer to Capital Redemption Reserve		20,00,00,000	–
	Transfer to General Reserve		10,00,00,000	9,00,00,000
	Proposed Dividend - Preference		13,56,84,658	9,46,84,932
	Proposed Dividend - Equity		11,08,29,765	9,58,36,325
	Tax on Preference Dividend		2,30,59,608	1,32,79,562
	Tax on Equity Dividend		1,88,29,977	1,34,41,045
	Balance Carried to Balance Sheet		**158,07,07,502**	230,91,20,684
	Earnings per Equity Share of Rs. 2/- each (see Note 18)			
	- Basic		(8.10)	19.39
	- Diluted		(7.76)	19.39
	Notes to Accounts	16		

Per our report attached

For Ford, Rhodes, Parks & Co
Chartered Accountants

CA. R. Subramanian
Partner
Membership No. 16059

For and onn behalf of the Board

Chennai
21st June, 2007

Reji Abraham
Managing Director

C.P. Gopalkrishnan
Deputy Managing Director & Secretary

Schedules annexed to and forming part of the consolidated accounts

1. SHARE CAPITAL

	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
Authorised		
250,00,00,000 Equity Shares of Rs.2/- each (Previous year 250,00,00,000 Equity Shares of Rs.2/- each)	500,00,00,000	500,00,00,000
50,00,00,000 Cumulative Redeemable Preference Shares of Rs.10/- each	500,00,00,000	500,00,00,000
(Previous year 50,00,00,000 Cumulative Redeemable Preference Shares of Rs.10/- each)	1000,00,00,000	1000,00,00,000
Issued and Subscribed		
3,68,86,595 Equity Shares of Rs.2/- each. (Previous Year: 3,68,86,595 Equity Shares of Rs.2/- each)	7,37,73,190	7,37,73,190
Out of the above,54,92,795 Equity shares of Rs.2/- each, (Previous year 54,92,795 Equity Shares of Rs.2/-) have been issued in pursuance of Scheme of Amalgamation of Hitech Drilling Services India Ltd with the Company		
56,660 Equity Shares of Rs.2/- each issued against Employee Stock Options Scheme (Previous Year : Nil)	1,13,320	–
(See note 12)		
15,00,00,000 8% Non- Convertible Cumulative Redeemable Preference shares of Rs.10/- each	150,00,00,000	150,00,00,000
(Previous Year :15,00,00,000 8% Non- Convertible Cumulative Redeemable Preference shares of Rs.10/- each)		
15,60,00,000 9% Non- Convertible Cumulative Redeemable Preference shares of Rs.10/- each	156,00,00,000	–
(Previous year: Nil)		
	313,38,86,510	157,37,73,190
Called up and Paid up		
3,68,86,595 Equity Shares of Rs.2/- each (Previous Year: 3,68,86,595 Equity Shares of Rs.2/- each)	7,37,73,190	7,37,73,190
56,660 Equity shares of Rs.2/- each against exercise of Stock Options under the Employees Stock Option Scheme.(Previous Year : Nil) (See Note 12)	1,13,320	-
Less:Calls in arrears of Re.1 per share on 49,740 Equity Shares (Previous Year : 52,940 Equity Shares)	49,740	52,940
	7,38,36,770	7,37,20,250
15,00,00,000 8% Non - Convertible Cumulative Redeemable Preference shares of Rs.10/- each (Previous Year :15,00,00,000 8% Non- Convertible Cumulative Redeemable Preference shares of Rs.10/- each)	150,00,00,000	150,00,00,000
15,60,00,000 9% Non - Convertible Cumulative Redeemable Preference Shares of Rs.10/- each (Previous Year: Nil)	156,00,00,000	-
TOTAL	313,38,36,770	157,37,20,250

Notes

a. 15,00,00,000 Non-Convertible 8% Cummulative Redeemable Preference Shares will be redeemed at par on 16-06-2011, 16-06-2012 & 16-06-2013 in the ratio of 30:30:40 respectively.

b. 15,60,00,000 Non - Convertible 9% Cumulative Redeemable Preference Shares will be redeemed at par at the end of 5th year from the date of allotment of shares as per details given below:
5,50,00,000 shares will be redeemed on 29-12-2011
4,00,00,000 shares will be redeemed on 28-02-2012
6,10,00,000 shares will be redeemed on 30-03-2012
The Company has call option at the end of 3rd year (2009-10) to call Non Convertible Cumulative Redeemable Preference Shares at par.

c. In April 2006, the Company has issued 1,161 unsecured Foreign Currency Convertible Bonds(FCCB) of Japanese Yen (JPY) 10,000,000 each aggregating JPY 11.61 Billion . As per the terms of issue, the bond holders shall have the right to convert the Bonds into equity shares on or after 19th April 2007 upto and including 8th April 2011. The conversion price of Equity Shares of Rs.2/- each for the purpose of the Bond has been fixed at Rs.2,789.04 per equity share. However so far, no Bond holder has excercised the option. (See Note No. 13).

d. The Company has reserved 18,44,000 Equity shares of Rs.2/- each for offering to Employees under Employees stock option scheme (previous year 18,44,000 equity shares of Rs.2/- each), out of which 56,660 equity shares of Rs.2/- each have been already allotted during the year under the said scheme and included under paid up capital.

Schedules annexed to and forming part of the consolidated accounts

	Rupees	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
2. RESERVES AND SURPLUS			
(a) Capital Reserve		33,500	33,500
(b) Securities Premium Account			
- As per last Balance Sheet	12,84,03,600		12,84,03,600
Add: Addition during the year on Allotment under ESOS	2,43,41,136		-
		15,27,44,736	12,84,03,600
(c) Investment Allowance Reserve-Utilised		5,24,00,000	5,24,00,000
(d) Capital Redemption Reserve			
Transfer from Profit and Loss Account		20,00,00,000	-
(e) General Reserve			
- As per last Balance Sheet	24,92,91,943		15,92,91,943
Add: Transfer from Profit and Loss Account	10,00,00,000		9,00,00,000
		34,92,91,943	24,92,91,943
(f) Profit and Loss Account		158,07,07,502	230,91,20,684
(g) Share in joint venture		-	(47,15,746)
(h) Translation reserve		(16,07,72,865)	(40,78,168)
TOTAL		217,44,04,816	273,04,55,813

3. SECURED LOANS	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
a. Rupee Term Loans from Banks	579,42,82,632	526,43,37,543
b. Foreign Currency Term Loans from Banks	5661,93,06,212	537,39,03,333
c. Bond Loans	2736,21,43,031	-
d. Convertible Notes	652,05,00,000	-
e. Cash Credit from Banks	17,39,46,694	45,98,32,507
f. Others	79,44,14,250	-
TOTAL	9726,45,92,819	1109,80,73,383

Notes:

1. Term Loans from Banks are secured by first charge on specific offshore Drilling Rigs, Drillships and accessories, floating production units and Windmills. Further, one of the term loans from a Bank is secured by a Mortgage of a certain portion of land of the Company. Some of the Term loans availed by subsidiary are secured by way of first pledge over the shares of the other Company acquired by it.
2. Cash Credits from Banks are secured by way of hypothecation of inventory of stores and spares and Book debts. Morever, three offshore jack-up rigs of the parent Company have been offered as a second charge for certain cash credit facilities.
3. The parent Company has offered a first pari-passu charge on two offshore jackup Rigs and a Floating Production System for the term loan availed by a subsidiary of its foreign subsidiary
4. Convertible notes issued by a subsidiary of the wholly owned foreign subsidiary of the Parent Company have maturity of seven years and a coupon of 5.50% per annum. The convertible notes are secured by first priority security over 49% of the wholly owned subsidiaries interest in such subsidiary, second priority security created in favour of such subsidiary over 57% share capital held in Company acquired by the subsidiary and second priority charge over the rigs owned by all the foreign subsidiaries with the value constituting not less than 29.10% of the principal amount of the notes on the date of issue of such notes.
5. The bond loans issued by a foreign subsidiary are secured by first pledge on the rigs owned by such subsidiary and assignment of Rig insurances.
6. Secured Loan Others - Guaranteed by the Bankers.

4. UNSECURED LOAN	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
Foreign Currency Convertible Bonds (See Note No.13)	428,49,22,220	-
Bond Loans - issued by a Foreign Subsidiary Repayable in December 2009	697,57,66,353	-
TOTAL	1126,06,88,573	-

Schedules annexed to and forming part of the consolidated accounts

5. DEFERRED TAX (NET)

	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
Deferred tax Asset on Timing differences		
Provision for dimunition in the value of investments	(17,61,498)	(61,631)
Deferred Tax Liability on Timing differences		
On depreciation	73,92,34,929	65,59,60,429
TOTAL	73,74,73,431	65,58,98,798

6. FIXED ASSETS

(In Rupees)

	GROSS BLOCK				DEPRECIATION				NET BLOCK	
Description of the Asset	As at 1st April, 2006	Additions during the year	Deductions during the year	As at 31st March, 2007	As at 1st April, 2006	Additions during the year	On Deductions during the year	As at 31st March, 2007	As at 31st March, 2007	As at 31st March, 2006
Goodwill on Amalgamation	12,58,65,088	-	6,29,32,560	6,29,32,528	-	-	-	-	6,29,32,528	12,58,65,088
Goodwill on Acquisition of subsidiary		4800,02,54,977		4800,02,54,977	-	-	-	-	4800,02,54,977	-
Land-Freehold	14,11,52,825	-	2,50,130	14,09,02,695	-	-	-	-	14,09,02,695	14,11,52,825
Building	15,03,66,491	-	-	15,03,66,491	2,22,07,753	24,50,974	-	2,46,58,727	12,57,07,764	12,81,58,738
Offshore Jackup Drilling Rigs, Floating Production unit and connected machineries	729,16,68,246	# 2157,53,41,026	2,74,31,285	2883,95,77,987	308,14,16,707	111,51,73,506	-	419,65,90,213	2464,29,87,774	421,02,51,539
Drillship and connected machineries	115,27,22,544	1,28,53,128	-	116,55,75,672	13,61,89,181	13,06,60,658	-	26,68,49,839	89,87,25,833	101,65,33,363
Other Machineries	8,08,24,706	-	-	8,08,24,706	7,67,35,196	-	-	7,67,35,196	40,89,510	40,89,510
Wind Mills and connected machineries	240,78,13,800	-	-	240,78,13,800	94,76,53,745	21,59,24,160	-	116,35,77,905	124,42,35,895	146,01,60,055
Office Equipment	3,77,83,666	83,86,130	-	4,61,69,796	3,30,84,332	40,33,660	-	3,71,17,992	90,51,804	46,99,334
Furniture and Fixtures	1,91,97,375	38,68,592	-	2,30,65,967	85,33,408	20,33,807	-	1,05,67,215	1,24,98,752	1,06,63,967
Vehicles	3,19,17,597	61,64,060	27,96,516	3,52,85,141	1,20,91,785	32,47,349	15,54,063	1,37,85,071	2,15,00,070	1,98,25,812
TOTAL	1143,93,12,338	6960,68,67,913	9,34,10,491	8095,27,69,760	431,79,12,107	147,35,24,114	15,54,063	578,98,82,158	7516,28,87,602	712,14,00,231
Share of Fixed Assets in Joint Venture Operation including intangible assets.	3,92,87,279	22,13,212	-	4,15,00,491	24,98,120	9,42,653 ***(24,28,283)		10,12,490	4,04,88,001	3,67,89,159
Share in Joint Venture enterpises (Refer Note no. 16)	1,90,105	-	-	-	98,861	-	-	-	-	91,244
	1147,87,89,722	6960,90,81,125	9,34,10,491	8099,42,70,251	432,05,09,088	147,20,38,484	15,54,063	579,08,94,648	7520,33,75,603	715,82,80,634
Capital Work- in- progress (includes share in Joint venture Operation - Rs.8,70,70,816/-) (Previous Year - Rs.2,05,42,561)	830,80,56,173	* 1840,58,15,564	# 426,97,33,095	2244,41,38,642	-	-	-	-	** 2244,41,38,642	830,80,56,173
TOTAL	1978,68,45,895	8801,48,96,689	436,31,43,586	10343,84,08,893	432,05,09,088	147,20,38,484	15,54,063	579,08,94,648	9764,75,14,245	1546,63,36,807
Previous Year (includes joint venture assets)	1141,26,32,580	13,14,65,350	6,53,08,208	1147,87,89,722	337,08,49,475	95,10,93,902	14,34,289	432,05,09,088	1546,63,36,807	807,61,03,305

* Includes interest on borrowings Rs.4,55,17,784/- (Previous Year : Rs.7,36,68,655/-)

\# The deductions shown under capital work-in-progress represent asset capitalised during the year and included under Offshore Jackup Rigs, Floating Production Unit & connected Machineries .

** Includes Capital advance Rs.50,09,63,280/- (Previous year Rs.4,65,50,200/-)

*** Refer Note No.17

Schedules annexed to and forming part of the consolidated accounts

7. INVESTMENTS

	No. of Shares	Face Value Rupees/ NOK	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
LONG TERM INVESTMENTS (At Cost)				
A. Trade Investments				
(a) Aban Informatics Private Limited	3,00,750	10.00	1,98,49,500	1,98,49,500
(b) Aban Power Company Limited	1,19,40,000	10.00	11,94,00,000	11,94,00,000
(c) FrontierOffshore Exploration (India) Limited (Formerly known as Frontier Aban Drilling (India) Ltd.	49,993	100.00	49,99,300	-
(d) Petro Jack ASA - Quoted	1,17,24,000	NOK 5	144,82,61,952	-
(e) Ocean Heavy Lift ASA - Quoted	500,000	NOK 2	4,59,97,128	-
B. Others (Non Trade)				
Equity Shares - Fully paid (Quoted)				
Arihant Threads Ltd	13,600	10.00	1,70,000	1,70,000
Punjab Woolcombers Ltd	300	10.00	27,000	27,000
State Bank of Travancore	245	100.00	1,47,000	1,47,000
ICICI Bank Ltd	2,316	10.00	9,76,974	7,86,374
Oil & Natural Gas Corporation Ltd *	13,114	10.00	67,27,843	63,21,750
* includes 4,214 Bonus shares				
Infosys Technologies Ltd	149	5.00	3,33,138	-
ASC Enterprises Ltd	5,767	1.00	2,36,071	-
ACC Limited	51	10.00	54,122	-
Bharati Televentures Ltd	224	10.00	1,38,985	-
Bharat Heavy Electricals Ltd	106	10.00	2,65,960	-
Century Textiles and Industries Ltd	184	10.00	1,13,572	-
Dr.Reddy's Laboratories Ltd	119	5.00	91,661	-
Grasim Industries Ltd	45	10.00	1,15,700	-
HCL Technologies Ltd	240	2.00	77,859	-
Hindustan Lever Ltd	497	1.00	1,22,231	-
Indian Bank	69,819	10.00	63,53,529	-
ITC Limited	523	1.00	98,334	-
Larsen & Toubro Ltd	162	2.00	2,30,389	-
Mahindra & Mahindra Ltd	53	10.00	50,348	-
Maruti Udyog Ltd	187	5.00	1,74,193	-
Punjab National Bank	170	10.00	89,555	-
Reliance Industries Ltd	271	10.00	3,45,565	-
Reliance Energies Ltd	90	10.00	47,810	-
Sun TV Networks Ltd	89	10.00	1,20,980	-
State Bank of India	120	10.00	1,50,162	-
Steel Authority of India Ltd	940	10.00	99,678	-
Triveni Engineering & Industries Ltd	726	1.00	39,112	-
Tulip IT Services Ltd	80	10.00	49,144	-
Wipro Ltd	501	2.00	2,98,941	-
C. Investment in Joint Venture				
Venture Drilling ASA	301,77,466	NOK 1	157,96,40,507	-
Current Investments (At lower of cost and fair value)	No. of Units	Face Value Rupees		
Mutual Funds (Unquoted)				
Prudential ICICI Liquid Fund	25,00,418.85	10.00	-	2,50,04,189
Chola Fixed maturity plan	10,00,000.00	10.00	-	1,00,00,000
JM Liquid Fund	10,61,027.70	10.00	-	1,06,10,277
DSP ML Liquid fund	20,568.04	1,000.00	2,05,72,150	-
Grindlays Liquidity Manager	4,09,32,196.42	10.00	40,93,63,010	-
Grindlays Liquidity Manager Plus	5,297.87	1,000.00	52,98,395	-
Grindlays Floating Rate Fund	1,00,00,000.00	10.00	10,00,00,000	-
Grindlays Arbitrage Fund	2,19,43,942.92	10.00	22,25,00,000	-
Reliance Liquidity Fund	41,83,465.58	10.00	4,18,47,625	-
Reliance Monthly Interval Fund S I Institutional	2,50,00,000.00	10.00	25,00,00,000	-
Reliance Monthly Interval Fund S II Institutional	50,00,000.00	10.00	5,00,00,000	-
SBI Premier Liquid Fund	20,53,062.15	10.00	2,05,97,346	-
Principal Mutual Fund	1,72,57,054.87	10.00	17,25,82,629	-
Prudential ICICI Blended Plan	95,79,002.83	10.00	10,00,00,000	-
Prudential ICICI Super Plan	82,641.18	10.00	8,87,722	-
J M Arbitrage Fund	15,00,000.00	10.00	1,50,00,000	-
HDFC Floating Rate Fund	76,351.00	10.00	7,74,536	-
HSBC Liquid Fund Plus	42,58,604.84	10.00	4,23,92,188	-
			468,77,09,844	19,23,16,090
Less: Provision for diminution in value of Long Term Investment including provision relating to joint venture investment of Rs.49,99,300/- (Previous Year : Nil)			51,82,400	1,83,100
			468,25,27,444	19,21,32,990
Aggregate Value of Quoted Investments-Cost			151,18,21,836	72,69,024
Aggregate Value of Quoted Investments- Market Value			338,67,13,982	1,33,07,602
Aggregate Value of Unquoted Investments-Cost			317,07,05,608	18,48,63,966

Schedules annexed to and forming part of the consolidated accounts

	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
8. SUNDRY DEBTORS		
Considered Good-Unsecured		
(a) Outstanding for more than six months	1,26,53,134	72,15,526
(b) Others	202,04,49,336	69,18,25,678
TOTAL	203,31,02,470	69,90,41,204
9. CASH AND BANK BALANCES		
Cash on Hand	7,00,642	5,05,099
Balances with Scheduled Banks		
- In Current Accounts	35,99,62,732	9,51,49,557
- In Deposit Accounts	239,13,18,563	3,23,31,002
Balances with other banks in Current Account		
Standard Chartered Bank, Dubai	2,11,46,427	49,34,572
Emirates Bank, Dubai	52,98,680	24,89,868
SP, Pluss	171,27,87,682	-
HSBC	3,04,45,084	-
OCBC	4,37,526	-
DNB Nor	100,65,46,198	-
Swed Bank	12,57,04,801	-
Balances with other banks indeposit Account		
Handels Banken	677,06,27,293	
DNB Nor	83,89,83,345	-
TOTAL	1326,39,58,973	13,54,10,098
Maximum balance during the year with other banks, in Current Accounts		
Standard Chartered Bank, Dubai	2,11,46,427	1,27,33,044
Emirates Bank, Dubai	52,98,680	60,11,353
SP. PLUSS	171,27,87,682	-
HSBC	3,04,45,084	-
OCBC	4,37,526	-
DNB Nor	100,65,46,198	-
Swed Bank	12,57,04,801	-
In Deposit Accounts		
Handels Banken	677,06,27,293	-
DNB Nor	83,89,83,345	-
10. LOANS AND ADVANCES		
LOANS AND ADVANCES (Unsecured,Considered Good)		
Advance recoverable in Cash or in Kind or for value to be received (See Note No.9)	282,88,71,460	14,77,53,958
Deposit with Customs	2,61,82,828	2,61,82,828
Sundry Deposits	1,57,01,149	74,52,345
TOTAL	287,07,55,437	18,13,89,131

Schedules annexed to and forming part of the consolidated accounts

		As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
11. CURRENT LIABILITIES AND PROVISIONS			
(A) Current Liabilities			
a) Sundry Creditors - Amount due to Small Scale Industrial Undertakings		-	-
(b) Sundry Creditors - others		453,86,25,830	78,83,68,822
(c) Unclaimed Dividends*		57,16,512	58,12,060
(d) Other Liabilities		63,69,55,769	47,21,026
(e) Interest accrued but not due on secured loans		144,31,87,605	3,30,59,588
		662,44,85,716	83,19,61,496
**Note : No amount is due to Investor Education & Protection Fund.*			
(B) Provisions			
(a) Provision for taxation (Net of Advance payment of taxes)		3,10,07,757	5,24,34,601
(b) Proposed Dividend - Preference		13,56,84,658	9,46,84,932
(c) Proposed Dividend - Equity		11,08,29,765	9,58,36,325
(d) Tax on Dividend		4,18,89,585	2,67,20,607
(e) Provision for Provident Fund		15,61,635	8,40,776
(f) Provision for Leave Encashment		36,77,003	25,11,242
		32,46,50,403	27,30,28,483
TOTAL (A+B)		694,91,36,119	110,49,89,979
12. INCOME FROM OPERATIONS			
Drilling and Production Services		702,42,55,658	475,91,88,738
Wind Power generation		15,12,26,740	14,24,37,667
Income from Joint Venture operations - Sale of Hydro Carbon (See Note No.10)		1,12,68,247	-
TOTAL		718,67,50,645	490,16,26,405
13. OTHER INCOME			
(a) Rental Income(Gross)		2,52,32,183	1,14,96,468
(b) Dividend Income from Long term Investments		4,21,267	4,28,680
(c) Dividend Income from Current Investments		6,76,55,207	4,10,29,321
(d) Interest on Bank Deposits (Gross)		5,33,76,880	1,78,83,225
(e) Interest-Others (Gross)			
-On Intercorporate deposits	22,10,655		52,38,364
-On Staff loans	2,07,042		2,39,625
-On call money relating to equity shares	24,552	24,42,249	56,101
(f) Service charges		65,02,772	36,59,857
(g) Miscellaneous Income		56,09,00,372	2,24,16,491
(h) Claims		-	2,17,333
(i) Profit on Sale of Assets (Net)		-	1,03,413
(j) Foreign currency exchange difference (Net)		16,30,54,877	-
(k) Profit on Sale of Long Term Investments (Net)		2,38,845	5,81,054
(l) Profit on Sale of Current Investments (Net)		11,00,917	4,44,18,138
TOTAL		88,09,25,569	14,77,68,070

Note:
Tax deducted at source on the above income Rs.2,27,31,285/- (Previous year: 48,46,956)

Schedules annexed to and forming part of the consolidated accounts

14. OPERATING, ADMINISTRATIVE AND OTHER EXPENSES

		Year Ended 31st March, 2007 Rupees	Year Ended 31st March, 2006 Rupees
Consumption - Stores and Spares		53,21,10,806	43,66,12,442
Power and Fuel		15,18,06,970	14,78,20,866
Salaries and Bonus		49,70,52,385	23,76,38,946
Contribution to Provident funds and Other funds		2,07,90,184	1,30,47,206
Staff Welfare		4,66,54,947	1,71,24,629
Rent		48,38,339	50,62,438
Rates and Taxes		1,29,41,405	2,87,50,434
Rental Charges for Machinery		23,05,63,697	16,86,58,698
Repairs and Maintenance			
- Machinery	25,89,30,807		19,23,35,163
- Buildings	61,81,581		42,93,743
- Other assets	52,28,792	27,03,41,180	55,49,025
Insurance		43,82,21,180	21,45,68,473
Drilling Services and Management Fees		15,86,40,258	15,70,57,445
Consultancy and Professional Fees		48,40,17,549	25,38,90,893
Catering Expenses		3,54,29,558	2,90,05,545
Postage, Telegram and Telex		1,81,23,060	96,64,059
Printing and Stationery		37,40,617	33,93,875
Travelling Expenses		11,79,87,445	7,93,39,884
Loss on sale of Assets (Net)		7,09,522	
Guarantee Commission , Bank and Other Charges		10,20,98,802	4,31,75,387
Provision for Dimunition in value of Investments		49,99,300	-
Foreign Currency Convertible Bonds Issue Expenses		10,28,48,947	-
Foreign currency exchange difference (Net)		-	83,88,702
Auditors' Remuneration :			
Audit Fees	2,55,91,426		6,21,980
Tax Audit Fee	2,74,990		2,87,071
For Certification and Other Services	12,49,905		5,88,415
Reimbursement of Expenses	89,740	2,72,06,061	77,355
Other Expenses		45,15,16,455	4,10,16,328
TOTAL		371,26,38,667	209,79,69,002

15. INTEREST

	Year Ended 31st March, 2007 Rupees	Year Ended 31st March, 2006 Rupees
On Term Loans	262,41,60,030	49,96,85,759
Others	10,77,79,595	1,03,11,482
TOTAL	273,19,39,625	50,99,97,241
Less: Interest Capitalised	4,55,17,784	7,36,68,655
TOTAL	268,64,21,841	43,63,28,586

Schedules forming part of the consolidated Financial Statements for the year ended 31st March 2007

16. NOTES ATTACHED TO AND FORMING PART OF THE CONSOLIDATED ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The financial statements have been prepared to comply with the Accounting Standards issued by the Institute of Chartered Accountants of India ("ICAI") and the relevant provisions of the Companies Act,1956 ("the Act"). The financial statements have been prepared under historical cost convention on accrual basis. Income and expenditure are recognized on accrual basis. The accounting policies have been applied consistently by the Company.

The preparation of the financial statements requires using of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the financial period. Although these estimates are based on management's best knowledge of current event and actions, actual results may ultimately differ from those estimates.

B. PRINCPLES OF CONSOLIDATION

The consolidated financial statements have been prepared in accordance with the Accounting Standard-21 "Consolidated Financial Statement", Accounting Standard-23 "Accounting for Investments in Associates in Consolidated Financial Statement" and Accounting Standard -27 – "Financial reporting of Interests in Joint Ventures" issued by the Institute of Chartered Accountants of India. (ICAI).

The financial statements of the Aban Offshore Ltd.,(Parent Company) and its subsidiaries have been consolidated on a line-by-line basis by adding the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances/transactions and profits in full.

The excess/deficit of cost to the Parent Company of its investment over its portion of net worth in consolidated Subsidiaries at the respective dates on which the investment in such entities was made is recognized in the financial statements as goodwill/capital reserve.

C. DEPRECIATION

Depreciation on Fixed Assets is provided on the Straight Line Method based on the rates prescribed in Schedule XIV of the Companies Act,1956 on a pro-rata basis. Depreciation on Drillship is provided at a higher rate of 11.31% p.a. on Straight Line Method based on technical evaluation of the expected useful life. Depreciation on Fixed Assets of subsidiaries is determined using the Straight line method over the useful life of the assets based on the technical evaluation of the expected useful life.

D. GOODWILL

Goodwill reflects the excess of the purchase price over the book value of the net assets acquired. Goodwill arising on amalgamation of the subsidiary with the Parent Company is amortized over a period of seven years from the year of amalgamation. Goodwill arising on consolidation is not amortized but tested for impairment on an annual basis.

E. INVENTORY VALUATION

Inventory of stores and spares are valued at cost based on First-in-first out cost formula

F. FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of transaction. Currents assets and Current liabilities are translated at year end exchange rates and the realized exchange gains or losses are recognized in the Profit and Loss Account. Wherever forward exchange contracts are entered into, the exchange differences are dealt with in the Profit and Loss Account over the life of the contracts. In respect of non-integral operations, assets and liabilities are translated at the exchange rate prevailing at the date of the balance sheet. The items in the profit and loss account are translated at the average exchange rate during the period. The differences arising out of the translation are transferred to translation reserve.

G. INVESTMENTS

(a) Long Term Quoted investments are stated at cost unless there is a permanent diminution in the value. A provision for diminution is made to recognize a decline other than temporary, in the value of long term investments.

(b) Current investments are stated at lower of cost and fair value of the category of such investments

H. PROPOSED DIVIDEND

The dividend on Preference Share Capital and Equity Share Capital as proposed by the Board of Directors is provided in the books of account pending the approval of the shareholders at the Annual General Meeting.

I. RETIREMENT BENEFITS

Contribution to Provident Fund which is a defined contribution scheme is made monthly at a predetermined rate to the Provident Fund Authorities and is debited to the Profit and Loss account on accrual basis. The Company has an arrangement with Life Insurance Corporation of India (LIC) and Prudential ICICI Insurance Co Ltd to administer its Gratuity Scheme and with LIC to administer its Superannuation Scheme. The premium advised by them is debited to the Profit and Loss Account on accrual basis. The gratuity premium is based on actuarial valuation as at the year end. The provision for leave encashment has been made on the basis of actuarial valuation.

J. BORROWING COST

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such asset. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

K. TAXES ON INCOME

The income tax provision comprises of current tax, fringe benefit tax and deferred tax. Current tax is the amount of tax payable in respect of income for the period. In accordance with the Accounting Standard-22 –Accounting for taxes on income issued by the Institute of Chartered Accountants of India, the deferred tax on timing difference between book profit and tax profit for the year is accounted based on the rates and laws that have been enacted or substantially enacted as on the Balance Sheet date. However, deferred tax assets arising from timing difference are recognized to the extent of their actual realisability in future years.

L. JOINT OPERATING AGREEMENT

Assets, liabilities, income and expenditure relating to Joint Operating Agreement are accounted under appropriate accounting head in proportion to the participating interest of the Company to the extent of authenticated details provided by the Operating Contractor. The Company has followed, in addition to the accounting policies stated, the following accounting policies while accounting for Assets, liabilities, income and expenditure relating to Joint Operating Agreement as specified and adopted by the lead Joint operator.

(a) The basis of accounting is generally confirming to the internationally accepted "Successful Effort Method" (SEM) of account read with guidance note on "Accounting for Oil and Gas producing activities" issued by the Institute of Chartered Accountants of India (ICAI) for carrying out petroleum operations and evaluation of prospects for acquisition targets.

(b) Revenue from sale of Hydrocarbon products is recognized on transfer of custody to Oil and Natural Gas Corporation Ltd (ONGC) on the basis of quantitative certificates received and in accordance with the provisions as provided in the contracts entered into with ONGC.

(c) Pending commencement of commercial production, all the expenses incurred net of the billing raised on test production supplied to ONGC are carried forward as capital work-in-progress. Unsuccessful work-over expenses, if any, are charged off in the year of incurrence. Producing properties including acquisition cost are depleted using the "unit of production method" (UOP) based on the related proved developed reserves in accordance with guidance note on "Accounting for Oil and Gas producing activities" issued by ICAI.

(d) Closing stock of crude oil in hand is not accounted for, as in the opinion of the lead operator, it does not have any realizable value.

M. IMPAIRMENT OF ASSETS

An asset is treated as impaired when the carrying cost of the asset exceeds its recoverable value. An impairment loss is charged to Profit and Loss Account in the year in which the asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there is a change in the estimate of recoverable amount.

N. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

All liabilities have been provided for in the accounts except liabilities of a contingent nature, which have been disclosed at their estimated values in the notes to accounts. Contingent assets are neither recognized nor disclosed in the financial statements.

2. The Consolidated financial statements include the financial statements of the Parent Company, its subsidiaries and joint operating company. The details of the subsidiaries and the joint operating company are given below:

Name of the company	Country of Incorporation	Percentage of holding	Accounts considered	Reporting Currency
Aban Energies Ltd	India	100%	31st March 2007 (audited)	Indian Rupee
Aban Holdings Pte Ltd	Singapore	100%	31st March,2007(audited)	US Dollars
Aban Singapore Pte Ltd	Singapore	(a)	31st March,2007(audited)	US Dollars
Aban International Norway AS	Norway	(b)	31stMarch,2007(reviewed)	US Dollars
Aban 7 Pte Ltd	Singapore	(b)	31st March,2007(audited)	US Dollars
Aban 8 Pte Ltd	Singapore	(b)	31st March,2007(audited)	US Dollars
Aban Abraham Pte Ltd	Singapore	(b)	31st March,2007(audited)	US Dollars
Sinvest AS, Norway (Formerly Sinvest ASA Norway)	Norway	(b)	31st March,2007(audited)	US Dollars
DDI Holding AS	Norway	(c)	31st March,2007(audited)	US Dollars
Deep Drilling Invest Pte Ltd	Singapore	(d)	31st March,2007(audited)	US Dollars
Deep Drilling 1 Pte Ltd	Singapore	(e)	31st March,2007 (audited)	US Dollars
Deep Drilling 2 PteLtd	Singapore	(e)	31st March,2007 (audited)	US Dollars
Deep Drilling 3 PteLtd	Singapore	(e)	31st March,2007 (audited)	US Dollars
Deep Drilling 4 Pte Ltd	Singapore	(e)	31st March,2007 (audited)	US Dollars
Deep Drilling 5 Pte Ltd	Singapore	(e)	31st March,2007 (audited)	US Dollars
Deep Drilling 6 Pte Ltd	Singapore	(e)	31st March,2007 (audited)	US Dollars
Deep Drilling 7 Pte Ltd	Singapore	(e)	31st March,2007 (audited)	US Dollars
Deep Drilling 8 Pte Ltd	Singapore	(e)	31st March,2007 (audited)	US Dollars
Beta Drilling Pte Ltd	Singapore	(c)	31st March,2007(audited)	US Dollars
Venture Drilling Pte Ltd	Singapore	(c)	31st March, 2007 (audited)	US Dollars

Note:

a) Wholly-owned subsidiary of Aban Holdings Pte Ltd.
b) Wholly-owned subsidiaries of Aban Singapore Pte Ltd.
c) Wholly-owned subsidiary of Sinvest AS.
d) Wholly-owned subsidiary of DDI Holding AS.
e) Wholly-owned subsidiaries of Deep Drilling Invest Pte Ltd.
f) Financial statements of Sinvest AS and its subsidiaries is for the period of 15 months.
g) West Africa Drilling N.V., Netherlands Antilles has been liquidated during the year.

Name of the company	Nature of interest	Percentage of interest	Accounts considered	Reporting Currency
Prize Petroleum Ltd	Share in Joint Operating Agreement	50%	31st March,2007 (audited)	Indian Rupee

During the year, Aban Singapore Pte Ltd, acquired Sinvest AS,("the investee").Initially the investment is treated as "Investment in Associated Companies" and has been accounted under the Equity Method as per Accounting Standard -23. Under the Equity Method of accounting, the investment is initially recorded at cost, identifying any goodwill/capital reserve arising at each time of making investment in the associated company. The carrying amount of investment is adjusted thereafter for the post acquisition change in the investor's share of the net assets of the Investee until 8h of January,2007. The consolidated statement of profit and loss reflects the investor's share of the results of operations of the investee. Thereafter, the line-by-line consolidation of the assets, liabilities, income and expenses of the investee is done relating to the period 9h January,2007 to 31st March,2007, when it became a subsidiary of Aban Singapore Pte Ltd on 9th January,2007. The profit/(loss) in Sinvest AS attributable to proportionate share of Aban Singapore Pte. Ltd for the period from the date of first acquisition until 9h January,2007 is accounted as profit/(loss) in associate companies in the consolidated profit and loss account. As at 31st March,2007,there is no minority interest in Sinvest AS as it has become a wholly-owned subsidiary of Aban Singapore Pte Ltd before year end. Goodwill on consolidation of Sinvest AS as on the balance sheet date is Rs.4800,02,54,977/-

Schedules annexed to and forming part of the consolidated accounts

	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
3. Contingent Liabilities not provided for		
a. Guarantees given by banks on behalf of the Parent Company	86,97,45,919	72,25,38,321
b. Letters of Credit	68,81,04,452	5,46,73,010
c. Corporate Guarantees given by the Parent Company	97,09,89,390	13,45,80,000
d. Capital commitments not provided for	2,389,32,56,324	610,09,60,000
4. Managerial Remuneration		
Salary and Allowances	74,66,400	61,24,800
Monetary value of perquisites	27,70,603	18,94,341
Sitting Fees	3,62,000	3,96,000
Commission	3,79,68,537	3,14,74,259
TOTAL	4,85,67,540	3,98,89,400

5. Related Party Disclosure Enterprise where control exists

A. Subsidiary Companies(Wholly-owned subsidiaries)

Aban Energies Limited , India
Aban Holdings Pte Ltd,Singapore

B. Subsidiaries of Aban Holdings Pte Ltd

Aban Singapore Pte Ltd,Singapore
Aban 7 Pte Ltd,Singapore
Aban 8 Pte Ltd,Singapore
Aban Abraham Pte Ltd,Singapore
Aban International Norway AS,Norway
Sinvest AS, Norway
DDI Holding AS,Norway
Deep Drilling Invest Pte Ltd,Singapore
Deep Drilling 1 Pte Ltd,Singapore
Deep Drilling 2 Pte Ltd,Singapore
Deep Drilling 3 Pte Ltd, Singapore
Deep Drilling 4 Pte Ltd,Singapore
Deep Drilling 5 Pte Ltd,Singapore
Deep Drilling 6 Pte Ltd,Singapore
Deep Drilling 7 Pte Ltd,Singapore
Deep Drilling 8 Pte Ltd,Singapore
Beta Drilling Pte Ltd,Singapore
Venture Drilling Pte Ltd, Singapore

C. Other related parties with whom the Parent Company had transactions

a) Joint Venture Operator
Prize Petroleum Limited

b) Key Management Personnel

(i)	Mr.Reji Abraham	-	Managing Director
(ii)	Mr.P.Venkateswaran	-	Deputy Managing Director
(iii)	Mr.C.P.Gopalkrishnan	-	Deputy Managing Director and Secretary

TRANSACTIONS WITH RELATED PARTIES DURING THE YEAR

Nature of Transaction	Joint Venture Operator Rs.		Key Management Personnel Rs.	
	2006-2007	2005-2006	2006-2007	2005-2006
1. Machinery maintenance charges paid	-	-	-	-
2. Rent paid	-	-	24,44,516	24,00,000
3. Remuneration	-	-	4,82,05,540	3,94,93,400
4 .Interest received	-	-	2,07,042	2,39,625
5. Purchase of assets	22,13,212	5,98,46,329	-	-
6. Operation call money	9,52,00,000	-	-	-
7. Loan repaid	-	-	3,60,000	2,90,000
8. Dividend paid	-	-	1,21,08,307	93,14,082
9. Amount received towards equity shares allotted under ESOS	-	-	44,02,320	-
10. Advance payable	2,09,92,221	-	-	-
11. Income from Transfer of Hydro Carbon	1,12,68,247	-	-	-
12 .Amount receivable/(payable) as on 31st March,2007	(1,44,56,909)	(58,44,131)	18,75,000	22,35,000

NOTE: Transactions relating to subsidiary companies have been eliminated in full in the consolidated financial statements. Hence the details of such transactions are not provided above.

Disclosure in respect of transactions that are more 10% of the same type with related parties during the year:

	Year Ended 31st March, 2007 Rupees	Year Ended 31st March, 2006 Rupees
1. Rent paid to Mr.Reji Abraham	24,44,516	24,00,000
2. Dividend paid to Mr.Reji Abraham	1,20,56,294	92,74,072
3. Amount received towards equity shares allotted under ESOS		
- Mr.P.Venkateswaran	22,01,160	-
- Mr.C.P.Gopalkrishnan	22,01,160	-

6. Segment Reporting (As per Accounting Standard 17-Segment Reporting issued by the Institute of Chartered Accountants of India)

A. Primary Segment

The Group's primary segments are Offshore Drilling and Production Services, Wind Energy services and Wind Power generation. The above business segments have been identified considering the nature of services rendered and the internal financial reporting system. Income and Expenses have been accounted for based on their relationship to the operating activities of the segment. Hydro carbon transfer through the Joint venture has been considered as part of Drilling and Production Services

B. Secondary Segment

The substantial assets of the Company are rigs/drillships which are mobile assets and can operate across the world in view of which geographical segment is not considered

	2006-2007 Rs.	Rs.	2005-2006 Rs.	Rs.
1.Segment Revenue				
-Drilling	790,18,90,097		489,35,03,922	
-Wind Energy	16,57,86,117		15,54,12,209	
-Share in Joint Venture	-		4,78,344	
		806,76,76,214		504,93,94,475
2.Segment Result				
-Drilling	317,93,10,008		204,64,62,168	
-Wind Energy	(8,98,28,843)		(10,18,92,441)	
-Share in Joint Venture	-		(71,70,716)	
Less: Interest Expenses	(268,64,21,841)		(43,63,28,586)	
		40,30,59,234		150,10,70,425
3.Segment Assets				
-Drilling	12009,69,06,745		1537,39,66,551	
-Wind Energy	142,32,25,783		162,27,46,197	
-Share in Joint Venture	-		1,99,06,952	
		12152,01,32,529		1701,66,19,700
4.Segment Liabilities				
-Drilling	11435,46,50,851		1190,96,82,341	
-Wind Energy	80,03,54,895		30,45,603	
-Share in Joint Venture	-		2,06,58,953	
		11515,50,05,746		1193,33,86,897
5. Depreciation				
-Drilling	98,66,99,661		73,51,14,152	
-Wind Energy	21,59,24,160		21,59,24,219	
-Share in Joint Venture	-		55,531	95,10,93,902
		120,26,23,821		
6.Goodwill Amortised				
-Drilling	6,29,32,560		6,29,32,560	
-Wind Energy	-		-	
		6,29,32,560		6,29,32,560
7.Capital Expenditure				
-Drilling	8374,51,63,594		840,01,72,990	
-Wind Energy	-		26,52,686	
-Share in Joint Venture	-		-	
		8374,51,63,594		840,28,25,676

7. Aban Singapore Pte Ltd, one of the Subsidiary Company, issued secured convertible Notes having a maturity of seven years due in February 2014. These notes has an initial coupon rate of 5.5% p.a. The coupon will step upto 6.5% p.a payable semi annually on the completion of third year if the company does not complete a qualifying initial Public Offering. The notes would be convertible into ordinary shares representing 10.37% of the equity share capital of the company on a post conversion basis. Note holders shall have the option to convert the notes into equity shares at any time from the date of issue upto the maturity of the notes, except in the event the company completes a qualifying IPO in which case the notes will be mandatorily convertible at such IPO.
8. The Maritime and Port Authority of Singapore has awarded "Approved International Shipping Enterprise "(AIS) status to Aban Singapore Pte Ltd (ASPL) and its subsidiaries with effect from 1st June 2006 for an initial period of 10 years. The Singapore Subsidiaries are exempted from Singapore Income tax from the qualifying income under Section 13F of the Singapore Income Tax Act. During the year it has earned all its income from the qualifying activities and including foreign exchange, interest rate swaps and derivative gains and hence no provision is required to be made.
9. Loans and Advances include loan to a whole-time director of the Parent Company who was an Officer at the time of taking the loan-Rs.18,75,000/- (Previous year: Rs.22,35,000/-) Maximum amount outstanding during the year: Rs.22,35,000/-(Previous year: Rs.25,25,000/-.)
10. The Parent Company had entered into a Joint Operating Agreement with Prize Petroleum Limited for development of Oil and Natural Gas Corporation Ltd's oilfields at Hirapur, Khambel and West Bechraji in the state of Gujarat. The Parent Company's participating share in the contract is 50%. During the year 2006-07, commercial production has been started in two wells. The Parent Company's share of assets, liabilities, income and expenditure under the Joint Operating Agreement for the current year has been considered based on the audited financial statements of the Joint Venture company.

    The Parent Company's share of 50% of assets and liabilities as at 31st March,2007 and the income and expenditure for the year in respect of the joint venture operations is given below:

Particulars	2006-07(Audited) Rs.	2005-06(Unaudited) Rs.
Fixed Assets including capital work in progress	12,75,58,817	5,96,46,329
Current Assets	88,39,020	38,35,263
Current Liabilities	6,75,829	2,08,35,598
Income	1,12,68,247	-
Expenditure	1,35,58,246	-
Depreciation	9,42,653	24,37,361

Hydrocarbon delivered during the year under the Joint Venture Agreement-72044.21 barrels (Previous year: Nil)
The Income relates to 50% of above delivery being Parent Company's share in joint venture (Previous year: Nil)

11. Proposed Dividend on Preference shares for the current year represent dividend provided on 8% Non-Convertible Cumulative Redeemable Preference Shares and dividend provided on 9% Non-Convertible Cumulative Redeemable Preference Shares on pro-rata basis from the date of allotment of shares. For the previous year 2005-06 the proposed dividend on preference shares represent dividend provided on 8% Non-Convertible Cumulative Redeemable Preference Shares on pro-rata basis from the date of allotment of shares.
12. The Parent Company has instituted Employee Stock Option Scheme-2005 duly approved by the shareholders in the Extra-ordinary General Meeting of the Company held on 23rd April,2005. As per the scheme, the Compensation Committee of the Board evaluates the performance and other criteria of the employees and approves the grant of options. These options vest with the employees over a specified period subject to fulfillment of certain conditions. Upon vesting, the employees are eligible to apply and secure allotment of Parent Company's share at the prevailing market price on the date of grant of option.

    The Securities Exchange Board of India (SEBI) issued the Employee Stock Option Scheme and the Employee Stock Purchase Scheme guidelines in 1999 applicable to stock options established on or after June 19,1999. Under these guidelines, the excess of market price of the underlying equity shares as of the date of grant of option over the exercise price of the option is to be recognized and amortised on a straight line basis over the vesting period. The Parent Company has not recorded any deferred compensation expenses as the exercise price was equal to the market value of the underlying shares on the date of grant of option as defined by SEBI. The details of options granted are given below:

    Maximum number of options that may be granted under the scheme during the year: 18,44,000 equity shares of Rs.2/- each (Previous year: 18,44,000 equity shares of Rs.2/- each)- Options granted during the year: 47,000 equity shares of Rs.2/- each (Previous year: 96,200)- Options lapsed during the year: 1,760 equity shares of Rs.2/- each (Previous year: 2,200)-Options exercised during the year:56,660 equity shares of Rs.2/- each(Previous year: Nil)-Outstanding at the end of the year: 82,580 equity shares of Rs.2/- each (Previous year:Nil)-Options yet to be granted under the scheme:17,04,760 equity shares of Rs.2/- each (Previous Year: 18,44,000 equity shares of Rs.2/- each).
13. The Parent Company has issued 1,161 unsecured unrated zero coupon Foreign Currency Convertible Bond of Japanese Yen of 10,000,000 each aggregating to JPY 11,610,000,000 (Rs.428,49,22,220) in April 2006 (Previous year: Nil). The bondholder has an option to convert these bonds into equity shares of Rs.2/- each of the Parent Company at a conversion price on or after 19th April,2007 and upto the close of business on 8th April,2011. The conversion price has been fixed as Rs.2,789.04 per equity share of Rs.2/- each. No bondholder has exercised the option of conversion till date. The Parent Company has an option to redeem the bonds at the accredited principal amount in whole and not in part at any time on or after 14th April,2009 and on or prior to 8th April,2011 subject to certain terms and conditions.No interest accrues or is payable on the bonds unless willful default is made in respect of any payment in which case the overdue sum shall bear interest at the rate of 4% per annum from the due date.Unless previously redeemed, converted or re-purchased and cancelled, the Parent Company will redeem each bond at 121.811% of its principal amount on 15th April,2011 being the maturity date of the bond.
14. The year end foreign currency exposure that have not been hedged by derivative instruments or otherwise of parent Company, are as under:

Sr.No	Underlying Exposure	USD (million)	Rs.(crores)
1.	Payables	20.00	86.94
2.	Foreign Currency Loans	2.22	9.66

15. The Parent Company and its subsidiaries have entered into interest rate swaps and currency derivatives to counter the impact of interest rate volatility. The outstanding value of hedged forward covers/derivatives as at 31st March,2007 are Rs.1,517.32 crores. The details are given below:

Nature of Derivative transaction	Rs (Crores)	Underlying exposure	Purpose
Currency Forward Contracts	358.68	Trade Receivables	Hedging the risk of exchange rate fluctuations
Interest Swaps	367.49	Debt servicing	Hedging the risk of interest rate change.
Interest and currency swaps	573.80	Debt Servicing	Hedging the risk of interest rate change.
Interest rate swap	217.35	Debt Servicing	Hedging the risk of interest rate change.

16. Disclosure under Accounting Standard 27-Financial Reporting of interest in Joint Ventures. The Parent Company's interest as venturer in jointly controlled entity and jointly controlled operation are as under:

Name of the Company	Country of Incorporation	Proportion of ownership interest 2006-07	Proportion of ownership interest 2005-06
Frontier Offshore Exploration India Ltd *(Formerly known as Frontier Aban Drilling India Ltd)* - Jointly controlled entity	India	25% of share capital	25% of share capital
Prize Petroleum Ltd – Joint Controlled assets	India	50% participating share	50% participating share

The Parent Company's interest in joint venture –Frontier Offshore Exploration India Ltd is reported as Long Term Investment and stated at cost.
The Parent Company has ceased to have joint control over Frontier Offshore Exploration India Ltd. However, the Parent Company has provided for diminution in value of this Long term investment considering the state of affairs of the venture company.(Following are the details of assets/liabilities/ income and expenses as at 31st March 2006 – Fixed Assets(Net)-Rs.0.91 lakhs, deferred tax (Net)-Rs.3.04 lakhs, Current assets,loans and advances-Rs.198.14 lakhs, Current liabilities and provisions-Rs.206.59 lacs,income-Rs.4.78 lacs,expenses-Rs.76.49 lakhs, provision for tax-Rs.0.54 lakhs.

17. A sum of Rs.24,28,283 being excess depreciation charged relating to joint operating venture assets in the previous year has been adjusted to the depreciation charge for the current year based on audited figures provided by the lead operator – Prize Petroleum Limited.

18. Earning per share is calculated as shown below: (Equity shares of Rs.2/-each)

	2006-07 Rs.	2005-06 Rs.
a) Profit after tax ,preference dividend and tax thereon	(29,87,53,440)	71,46,56,767
b) Weighted average number of fully paid equity shares	No. of shares	No.of shares
used in calculating basic earnings per share	3,68,39,975	3,68,33,655
Add: Partly paid Equity Shares calculated as fully paid	24,870	26,470
TOTAL	**3,68,64,845**	**3,68,60,125**
Basic Earnings per share (Rupees) (a/b)	**(8.10)**	**19.39**
c) Weighted average number of fully paid equity shares used in calculating Diluted Earnings per share	3,84,91,901	3,68,33,655
Add: Partly paid Equity shares calculated as fully paid	24,870	26,470
TOTAL	**3,85,16,771**	3,68,60,125
Diluted earnings per share (Rupees) (a/c)	(7.76)	19.39

19. Previous year's figures are regrouped/ rearranged wherever necessary to conform to the current year's classification . In the current year, the Company has consolidated the financials of a large number of subsidiaries as compared to the previous year. Hence the previous year figures are strictly not comparable with the current year figures.

Per our report attached

For Ford, Rhodes, Parks & Co
Chartered Accountants

CA. R. Subramanian
Partner
Membership No. 16059

For and on behalf of the Board

Chennai
21st June, 2007

Reji Abraham
Managing Director

C.P. Gopalkrishnan
Deputy Managing Director & Secretary

Consolidated Cash Flow Statement

For the year ended 31st March 2007

	2006-2007 Rupees in lakhs	2005-2006 Rupees in lakhs
A CASH FLOW FROM OPERATING ACTIVITIES:		
NET PROFIT BEFORE TAX	4,030.59	15,010.70
ADJUSTMENTS FOR:		
Depreciation	12,026.24	9,510.94
Goodwill written off	629.33	629.33
Interest	26,864.22	4,363.29
Interest and Dividend Income	(1,238.96)	(649.50)
Profit on sale of Long Term and Current Investments (Net)	(13.40)	(449.99)
(Profit) / Loss on sale of Assets (Net)	7.10	(1.03)
Unrealised Exchange (Gain) / Loss - Net	(1,561.72)	(7.42)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	**40,743.40**	**28,406.32**
ADJUSTMENTS FOR:		
Inventories	(5,334.46)	(416.11)
Trade and other receivables	(40,188.21)	(116.92)
Trade and other payables	43,542.79	2,647.37
CASH GENERATED FROM OPERATIONS	38,763.52	30,520.66
Direct taxes paid	(6,867.81)	(5,541.59)
NET CASH FROM OPERATING ACTIVITIES	**31,895.71**	**24,979.07**
B CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(3,57,449.09)	(84,052.01)
Sale of fixed assets	480.60	10.45
Interest and dividend received	1,192.89	654.38
Purchase of Investments	(6,63,416.38)	(1,06,059.85)
Sale of Investments	1,41,848.98	1,06,904.77
NET CASH USED IN INVESTING ACTIVITIES	**(8,77,343.00)**	**(82,542.26)**
C CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds/(Repayment) of Long Term Borrowings	8,61,717.39	39,195.99
Proceeds from partly paid shares	0.03	0.09
Proceeds from fresh allotment under ESOS	244.54	-
Proceeds from preference shares	15,600.00	15,000.00
Proceeds from Foreign currency convertible Bonds and Bond loans	1,14,132.53	-
Dividend paid including tax on dividend	(2,172.42)	(840.49)
Interest paid	(12,762.94)	(4,217.00)
NET CASH FROM FINANCING ACTIVTIES	**9,76,759.13**	**49,138.59**
NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS	**1,31,311.84**	**(8,424.60)**
CASH AND CASH EQUIVALENTS -at beginning of the year	**1,354.11**	**9,827.86**
Effect of Exchange (Loss) / Gain on cash and cash equivalents	**(26.36)**	**(49.15)**
CASH AND CASH EQUIVALENTS- at end of the year	**1,32,639.59**	**1,354.11**

Per our report attached

For Ford, Rhodes, Parks & Co
Chartered Accountants

CA. R. Subramanian
Partner
Membership No. 16059

On behalf of the Board

Chennai
21st June, 2007

Reji Abraham
Managing Director

C.P. Gopalkrishnan
Deputy Managing Director & Secretary