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INDEPENDENT AUDITORS' REPORT

ON THE CONSOLIDATED FINANCIAL STATEMENTS OF BHARAT PETROLEUM CORPORATION LIMITED

To the Board of Directors of Bharat Petroleum Corporation Limited

We have audited the accompanying Consolidated Financial Statements of Bharat Petroleum Corporation Limited ("the Corporation") and its subsidiaries, and joint ventures (the Corporation, its subsidiaries and joint ventures constitute "the Group") which comprise of the Consolidated Balance Sheet as at March 31, 2014, the Consolidated Statement of Profit and Loss and Consolidated Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

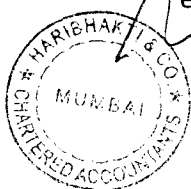
Management's Responsibility for the Consolidated Financial Statements

The Management is responsible for the preparation of these Consolidated Financial Statements on the basis of separate financial statements and other financial information regarding components that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with accounting principles generally accepted in India; this includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the Consolidated Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Consolidated Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and presentation of the Consolidated Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. An audit also includes evaluating the



appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the Consolidated Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

As explained in Note 45 (g) to the Consolidated Financial Statements, a joint venture company ("JV") has during the year recalculated the depreciation on plant and equipment, storage tanks and other assets related to its refinery, based on the useful life of 25 years as determined by the JV effective from the date of capitalisation of such assets. This is subject to approval of Ministry of Corporate Affairs. This deviation has resulted in lesser charge of the depreciation of Rs. 80.93 crore for the year and reversal of depreciation of the previous years of Rs. 150.57 crore. Consequently, the accumulated depreciation is understated and consolidated profit is overstated to the extent of Rs. 231.50 crore.

Opinion

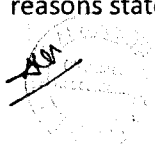
We report that the Consolidated Financial Statements have been prepared by the Corporation's Management in accordance with the requirements of Accounting Standards (AS) 21, "Consolidated Financial Statements" and Accounting Standard (AS) 27 "Financial Reporting of Interests in Joint Ventures" as notified pursuant to the Companies (Accounting Standards) Rules, 2006 and on the basis of the separate financial statements of Bharat Petroleum Corporation Limited, its subsidiaries (including subsidiaries of subsidiaries) and joint ventures.

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on the financial statements of the subsidiaries and joint ventures as mentioned in the 'Other Matter' paragraph below, *except for the effects of the matter described in the Basis for Qualified Opinion paragraph*, the consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2014;
- (b) in the case of the Consolidated Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) in the case of the Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of Matter

1. We draw attention to Note 41 to the consolidated financial statements regarding recognition of marked to market loss of Rs. 324.35 crore on swap contracts. However, the marked to market gain of Rs. 521.14 crore to cover the risk on above transaction is not recognised for reasons stated in the Note.



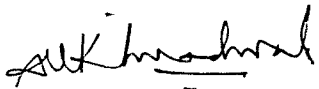
- 2. We also draw attention to Note 45 (o) to the consolidated financial statements regarding recognition of deferred tax assets of Rs. 398.39 crore on unabsorbed losses and unabsorbed depreciation by a JV.

Our opinion is not qualified in respect of these matters.

Other Matter

- 1. The auditors of a JV of a subsidiary company have drawn attention to the fact that the said JV has spent significant amounts that are related mainly to exploration and evaluation costs, the recovery of which is subject to the success of all its exploration campaigns. The Management of the said JV understands that the members of the JV will continue to provide the funds necessary for the JV's operations and therefore, the financial statements for the year ended December 31, 2013 were prepared based on the assumption that the JV will continue to operate as a going concern.
- 2. We did not audit the financial statements of two subsidiaries (including step down subsidiary and JVs), whose financial statements reflect total assets (net) of Rs. 4,053.69 crore as at March 31, 2014, total revenues of Rs. 9,313.57 crore and net cash inflows aggregating Rs. 1,083.56 crore for the year then ended. We also did not audit the financial statements of eight joint venture companies, whose aggregate share of total assets (net) of Rs. 2,178.83 crore as at March 31, 2014/ December 31, 2013, total revenues of Rs. 22,521.33 crore and net cash inflows of Rs. 1.20 crore for the year then ended are also included in the Consolidated Financial Statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management, and our opinion is based solely on the reports of the other auditors.
- 3. Consolidated Financial Statements also include figures in respect of four JVs which are as approved by their Management which have not been subjected to audit and also have not been reviewed by us. Aggregate amount of revenue of these JVs (including step down subsidiaries of the JVs) for the year ended March 31, 2014 of Rs. 391.76 crore, total assets (net) of Rs. 144.18 crore and net cash inflow of Rs. 54.70 crore.

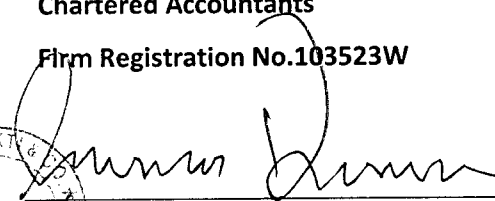

For CNK & Associates LLP
Chartered Accountants
Firm Registration No. 101961W



Himanshu Kishnadwala
Partner

Membership No.: 37391
Mumbai: May 29, 2014

For Haribhakti & Co.
Chartered Accountants
Firm Registration No.103523W

Chetan Desai
Partner

Membership No.: 17000

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INDEPENDENT AUDITORS' REPORT

To the Members of Bharat Petroleum Corporation Limited

Report on the Financial Statements

We have audited the accompanying Financial Statements of Bharat Petroleum Corporation Limited ("the Corporation"), which comprise the Balance Sheet as at March 31, 2014, the Statement of Profit and Loss and Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

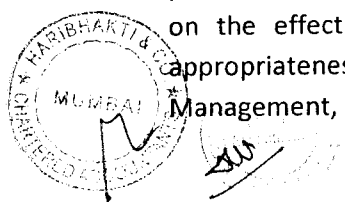
Management's Responsibility for the Financial Statements

The Management is responsible for the preparation of these Financial Statements that give a true and fair view of the financial position, financial performance and cash flows of the Corporation in accordance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these Financial Statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the Financial Statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the Financial Statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Corporation as at March 31, 2014;
- (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of matter:

We draw attention to Note 49(c) to the financial statements regarding recognition of marked to market loss of Rs. 324.35 crore on swap contracts. However, the marked to market gain of Rs. 521.14 crore to cover the risk on above transaction is not recognised for reasons stated in the Note. Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditors' Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, 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 purpose of our audit;
 - b. in our opinion proper books of account as required by law have been kept by the Corporation so far as appears from our examination of those books;
 - c. the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - d. in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Act read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013, except some disclosures as required under Accounting Standard 19, 'Accounting for Leases' are not made (Refer Note 43 of attached financial statements);

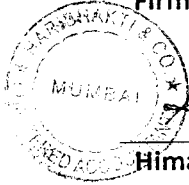


e. In view of exemption given vide notification no. G.S.R. 829 (E) dated 21st October, 2003 issued by Ministry of Corporate Affairs, provisions of clause (g) of sub-section (1) of Section 274 of the Act are not applicable to the Corporation.

For CNK & Associates LLP

Chartered Accountants

Firm Registration No. 101961W



Himanshu Kishnadwala

Himanshu Kishnadwala

Partner

Membership No.: 37391

For Haribhakti & Co.

Chartered Accountants

Firm Registration No.103523W



Chetan Desai

Chetan Desai

Partner

Membership No.: 17000

Mumbai: May 29, 2014

ANNEXURE TO INDEPENDENT AUDITORS' REPORT

[Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditors' Report of even date to the members of Bharat Petroleum Corporation Limited ("the Corporation") on the financial statements for the year ended March 31, 2014]

- (i) (a) The Corporation has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) As per information and explanations given to us, physical verification of fixed assets (except as stated below) has been carried out by the Management during the year in accordance with the phased programme of verification of all assets over three years which, in our opinion, is reasonable having regard to the size of the Corporation and the nature of its assets. As informed, no material discrepancies were noticed on such verification. LPG Cylinders and pressure regulators with customers are not physically verified by the Management.
- (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Corporation during the year.
- (ii) (a) The inventory (excluding stocks with third parties and inventories in transit) has been physically verified by the Management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable.
- (b) The procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Corporation and the nature of its business.
- (c) The Corporation is maintaining proper records of inventory and no material discrepancies were noticed on physical verification carried out at the end of the year.
- (iii) (a) As informed, the Corporation has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956 ("the Act"). Accordingly, the provisions stated in paragraph 4 (iii)(b),(c) and (d) of the order are not applicable.
- (b) As informed, the Corporation has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, the provisions stated in paragraph 4 (iii)(f) and (g) of the order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there exists generally an adequate internal control system commensurate with the size of the Corporation and the nature of its business with regard to purchase of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct weakness in internal control system of the Corporation.



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- (v) According to the information and explanations given to us, we are of the opinion that there have been no contracts or arrangements referred to in Section 301 of the Act that need to be entered into the register maintained under said Section.
- (vi) In our opinion and according to the information and explanations given to us, the Corporation has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
- (vii) In our opinion, the Corporation has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Corporation in respect of products where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act and we are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
- (ix) (a) The Corporation is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other statutory dues applicable to it.

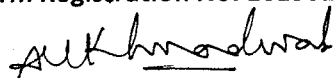
(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory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

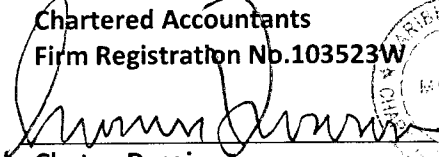
(c) According to the records of the Corporation, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess on account of any dispute, are as per Annexure A.
- (x) The Corporation has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Corporation has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Corporation has not granted loans & advances on the basis of security by way of pledge of shares, debentures and other securities.




(xiii) In our opinion, the Corporation is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause (xiii) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Corporation.

- (xiv) In our opinion, the Corporation is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause (xiv) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Corporation.
- (xv) In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Corporation, for loans taken by subsidiary companies and others from banks or financial institutions during the year, are not prejudicial to the interest of the Corporation.
- (xvi) In our opinion, the term loans have been applied for the purpose for which the loans were raised.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Corporation, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) According to the information and explanation given to us, the Corporation has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Act.
- (xix) According to the information and explanations given to us, no debentures have been issued by the Corporation during the year.
- (xx) The Corporation has not raised money by way of public issue during the year.
- (xxi) During the course of our examination of the books and records of the Corporation, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Corporation, noticed or reported during the year, except for following instances of fraud identified by the Management:
 - a) The incident of an irregularity of Rs. 0.60 crore by a Corporation Owned Corporation Operated retail outlet operator. The amount has since been recovered.
 - b) The incident of an irregularity of Rs. 0.15 crore relating to the Retail Territory by an officer. The amount has since been recovered.
 - c) The fraud of Rs. 0.01 crore in respect of procurement of services committed by an officer at a Retail Territory. Disciplinary action has been taken against the officer concerned.

For CNK & Associates LLP
Chartered Accountants
Firm Registration No. 101961W

Himanshu Kishnadwala
Partner
Membership No.: 37391

For Haribhakti & Co.
Chartered Accountants
Firm Registration No.103523W

Chetan Desai
Partner
Membership No.: 17000



Annexure A

(Amount in ₹ Crores)

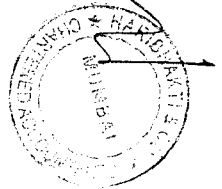
Nature of Statute/ Nature of Dues	Period Block	Forum where Dispute is pending						Grand Total
		Joint Secretary, MOF	Supreme Court	High Court	Appellate Tribunal *	Appellate Authority **	Adjudicating Authority ***	
Bombay Provincial Municipal Corporation Act, 1949	1995 to 2000			22.15				22.15
	2010 to 2014						0.70	0.70
Bombay Provincial Municipal Corporation Act, 1949 Total				22.15			0.70	22.85
Central Excise Act, 1944	1985 to 1990				0.07	0.07		0.14
	1990 to 1995				0.20	0.64		0.84
	1995 to 2000			0.13	45.39	31.12	0.45	77.09
	2000 to 2005	1.63	582.89	2.53	225.92	3.83	53.73	870.52
	2005 to 2010		126.47	28.21	369.61	3,410.12	983.40	4,917.81
	2010 to 2014				256.74	51.76	0.39	308.88
Excise Duty Total		1.63	709.36	30.86	897.93	3,497.53	1,037.96	6,175.28
Customs Act, 1962	1995 to 2000				69.26	103.50	3.25	176.02
	2000 to 2005				11.12	16.52	3.84	31.48
	2005 to 2010				0.68		5.22	5.89
	2010 to 2014						0.55	0.55
Customs Act, 1962 Total				81.06	120.03	12.86	213.94	
Finance Act, 1994 (Service Tax)	2000 to 2005				2.23	0.27		2.50
	2005 to 2010				158.70	4.57	236.32	399.60
	2010 to 2014				4.11	0.00	32.60	36.72
Service Tax Total				165.04	4.85	268.93	438.82	
Income Tax Act, 1961	1990 to 1995			4.41	0.22			4.63
	1995 to 2000			0.27	0.48	1.35		2.10
	2000 to 2005			2.98	5.51			8.49
	2005 to 2010				9.48	9.48		9.48
	2010 to 2014					4.19		4.19
Income Tax Act, 1961 Total				7.65	6.21	15.02	28.89	
Sales Tax/ VAT Legislations	1985 to 1990		1.51	22.31	4.69	9.48	1.19	39.18
	1990 to 1995		12.95		2.03	0.84	64.44	80.26
	1995 to 2000		5.32	13.35	195.42	855.82	210.49	1,280.40
	2000 to 2005		1.02	10.80	1,843.64	597.96	371.56	2,824.98
	2005 to 2010		132.68	29.92	2.93	468.36	185.96	819.85
	2010 to 2014			11.97	14.11	150.70	1.01	177.79
Sales Tax Total			153.48	88.35	2,062.82	2,083.15	834.65	5,222.46
Grand Total		1.63	862.84	149.01	3,213.06	5,720.58	2,155.10	12,102.24

Note- Dues Including Penalty & Interest, wherever applicable

* Appellate Tribunal includes Sales Tax Tribunal, CESTAT and ITAT.

** Appellate Authority includes Commissioner Appeals, Assistant Commissioner Appeals, Deputy Commissioner Appeals, Joint Commissioner Appeals and Deputy Commissioner Commercial Taxes Appeals.

*** Adjudicating Authority includes Collector of Sales Tax, Sales Tax Officer and Deputy Commissioner Sales Tax, Joint / Deputy / Additional Commissioner of Commercial Taxes



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