INDUS GAS LIMITED



INDUS GAS

ANNUAL REPORT 2009-10

www.indusgas.com

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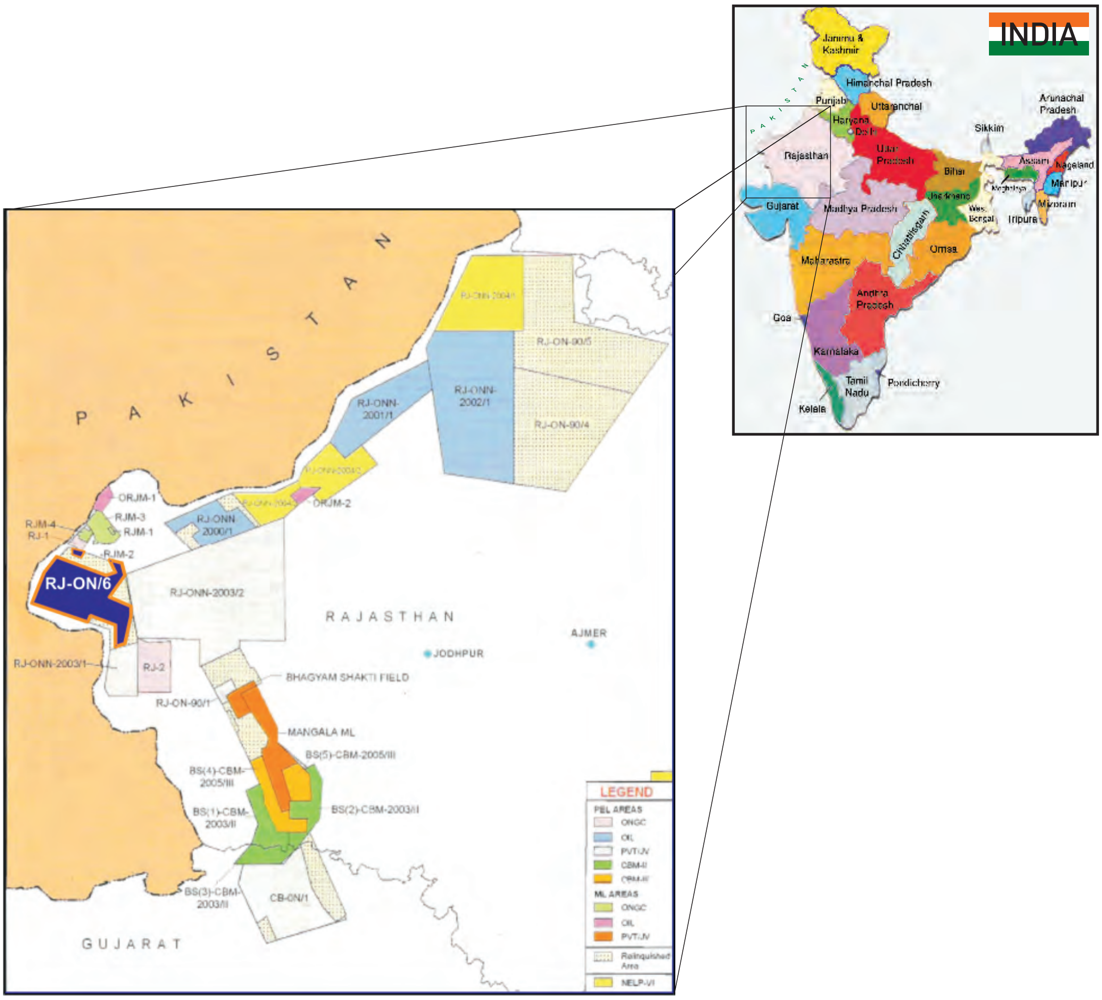
OVERVIEW

Indus Gas Limited (Indus) is focused exclusively on oil and gas exploration and development in Rajasthan, India in Block RJ-ON/6. Indus owns a 90% participating interest in the Block (excluding SGL gas field, in respect of which its participating interest has reduced to 63%). Other partners in the Block are (i) Focus Energy Ltd., which operates the Block and (ii) Oil and Natural Gas Corporation (ONGC), India., which is the licensee of the Block.

The Block measuring 4,026 Km², lies onshore in the highly prospective mid Indus Basin. Indus has pursued an aggressive exploration, appraisal and development program and has recently commenced gas production/sales from the discovered SGL gas field.

Indus has acquired an extensive set of 2D and 3D seismic data and so far drilled 20 exploratory/appraisal wells in the Block. Several of these wells have encountered significant gas shows in different geographical formations in addition to SGL discovery. In the coming years, Indus plans to test the existing wells having gas shows, drill new appraisal wells and pursue exploitation of tight gas through extensive fracturing simulation program, which if successful, may substantially increase the reserve/resources base of the Company.



HIGHLIGHTS

- Commencement of production and revenues , through 'take or pay' agreement, from the SGL field from July 2010, including the following key development activities:
  - » Award of 'Petroleum Mining License' for 176 km² SGL field area and grant of other key approvals from Government of India and other relevant authorities.
  - » Completion of Phase 1 production facilities for around 7 mmscf/d production and 90 km distribution pipeline, connecting the field to the end user power plant.
  - » End user power plant on target to expand capacity and demand for SGL gas, paving the way to increase sales to around 33.5 mmscf/d.
  - » Planning and ordering of Phase 2 SGL field production and CO^2 removal facilities commenced.

- New drilling and seismic program on track with extensive ramp up in operations.
  - » Drilled 1 exploratory and 7 appraisal wells since April 2009 with a cumulative depth of over 23,631 meters.
  - » Drilling campaign targeted to extend well coverage from previous success over sparsely drilled western portion of the Block.
  - » Emergence of significant tight gas plays in B&B and Pariwar formations in addition to earlier tested conventional gas discoveries/shows from Pariwar formation.
  - » Currently drilling Southern Comfort and SSG-2 wells as planned.
  - » Acquisition of 207 km² 3D seismic data since April 2009.
  - » First hydro-fracturing pilot completed on Indian Shingli 1 well. Further hydro-fracturing operations planned to test the potentially large tight gas plays.

- Strong funding position with:
  - » Cash Balance (including short term deposits with Banks) of US$ 8.76 m as of 31 March 2010.
  - » SGL Field development fully funded post completion of US$110 million long term bank debt and restructuring of US$40 million long term loan from Focus Energy on unsecured subordinated terms.

- Total investments in exploration, evaluation and development assets of US$41.17 million during FY ending 31 March 2010 with total cumulative investment of US$119.86 million as of 31 March 2010.

CHAIRMAN'S STATEMENT

It is my pleasure to present to Shareholders the Second Annual Report and Consolidated Financial Statements of Indus Gas Limited (the "Company"), covering the financial year from 1 April 2009 to 31 March 2010.

Indus is today a balanced investment opportunity; offering a combination of risk and reward, through its step out drilling operations, combined and underpinned by existing and growing gas discoveries and production into a market that is in ever increasing need of energy resources.

During the last year, the Company continued to make solid progress in developing the hydrocarbon potential of Block RJ-ON/6, through an aggressive drilling program.

The completion of the production facilities on the SGL field and readiness to supply sales gas also represents another significant step forward for such a young company.

First production is a key moment in the life of an oil and gas company and we look forward to growing sales in 2011 and generating meaningful cash flow for the business.

While many countries and companies have been significantly affected by recession during the period, we have been fortunate that our plans for activity on the Block have not been materially altered by any funding constraints. Indeed our corporate funding position was enhanced with the completion of a US$ 110m loan facility, from a consortium of Indian banks, and the restructuring of a US$ 40 million loan from our partner, Focus, on long term subordinated unsecured terms, repayable after full settlement of US$ 110m facility. The strategy of achieving some early gas sales from the Block has been the key to widening the sources of finance available to the Company and we remain capable of funding all the capital commitment, which we may choose to undertake on the SGL asset.

We will continue to channel resources into the development of our assets and maintain a prudent approach that has meant we continue to have one of the lowest corporate overhead costs within our sector. We will also continue to respect and comply with all legal and regulatory requirements and maintaining strong relationships with all our stakeholders and partners, based on mutual trust, remains a key objective.

Again this year, I would like to take the opportunity to publically thank the Operator of the Block, for their hard work and coordination with all partners and the Commercial Sector within India that is key to maintaining our progress. I would also like to thank the ongoing commitment from everyone in the Company, our Partners, Lenders, Advisors and Consultants, for another year of hard work and success on the RJ-ON/6 Block. I remain confident that we are well positioned as a company to have a great future ahead of us.

Marc Holtzman
Chairman
13 September 2010

CHIEF EXECUTIVE'S REVIEW

INTRODUCTION

I am pleased to report that Indus Gas has now become a producing oil & gas company, along side its ongoing appraisal and development operations. Following the completion of the production facilities on the SGL field and the distribution pipeline connecting the field to the end user, sales commenced, under the Take or Pay agreement, on 9th July 2010. This marks a further milestone in the evolution of Indus Gas and is the first step towards monetising the hydrocarbon resources within Block RJ-ON/6.

Moving to become a production company sits alongside other achievements made during the period including further drilling successes, the beginnings of starting to tap the tight gas potential within the Block and securing major debt funding.

PRODUCTION – SGL FIELD

During the year, the operator, Focus, put in place the facilities required to enable production of 7 mmscf/d and production commenced from the SGL field meeting the commitments under the 1st phase of the Company's gas sales contract with the Gas Authority of India Limited (GAIL).

Completion of the production facilities for phase 1 included the installation and commissioning of the Gas Gathering Station (GGS), a gas dehydration plant, condensate removal and storage facilities together with the related flow lines up to the delivery point and various other associated facilities.

During the period, GAIL also successfully installed and commissioned the 90km 10" dia pipeline from our GGS to the power plant at Ramgarh, where 1st phase gas supplies are to be used to fill the shortfall of gas required to operate the existing 110 MW power plant.

Consequent to the completion of the phase 1 production facilities, the Group started invoicing GAIL, with effect from 9th July 2010. While gas was initially supplied to GAIL, deliveries ceased shortly thereafter due to part of the Ramgarh power plant going temporarily off line for operational repairs. It is Group's understanding that these repairs have now been largely completed and gas supplies will resume shortly. The Group intends to exercise its right under the "take or pay" Gas Sale Agreement with GAIL, to recover a minimum of 80% value of the contracted supplies (7 mmscf/d) on each quarterly basis and an additional 10% value on an annual basis for any shortfall in the contracted quantities and actual gas supplies due to such stoppages. The operator has now commenced the planning and ordering of equipment for the 2nd phase SGL production facilities, which will enable daily production capacity to increase suitably to meet contracted sales requirement of 33.5 mmscf/d. Work and equipment needed to satisfy this second phase of the project include the installation of a Carbon Dioxide removal plant, additional production facilities and further production wells. Under the sales agreement with GAIL, there is a requirement to remove approximately 18% of the CO^2 from the produced gas. In order to meet the sales commitment of around 33.5 mmscf/d, we estimate upto four additional producing well will be required, bringing the total to six producing wells. An additional eight producing wells will be needed during next 10 years to maintain the required daily flow rate over the estimated 21 year life of the field.

The Ramgarh power plant is expected to be in a position to receive the additional quantities of gas in Q2/Q3 2011, post the construction of a new power plant, that will sit along side the existing facilities, and installation of an additional gas turbine capable of producing a further 160 MW of electricity. It is the Group's understanding that the new gas turbine has already been received and that construction of the new plant will commence shortly. Based on the valuable experience gained from the installation of the SGL phase 1 facilities, the group is confident of being able to install the 2nd phase production facilities in and around the same timeframe. If for any reason there is a delay in the uptake of the additional quantities of gas by GAIL or the power plant, the Group has "take or pay" rights similar to those described above such that its cash flows will remain protected.

DRILLING, SEISMIC AND COMPLETION OPERATIONS

As previously outlined, the planned drilling campaign is determined by a number of factors, including the terms of the production sharing contract (PSC) for the Block. As is often standard under PSCs, the Group is required to relinquish certain areas of the Block where discoveries have not been made post the end of the exploration/appraisal period. The drilling strategy, over the last year, has as such been to further delineate the hydrocarbon resources within the Block, particularly within the western part, where there has been previous success but is sparsely covered and substantial in size and with significant and varying play types. The program has therefore included a series of step outs from known discoveries, with a higher risk factor than in the previous year conventional appraisal wells. We believe this is a strategy that provides shareholders with the best possible long terms returns from the Block combined with limited funding risk due to the favourable drilling payback terms under the SGL field sales and revenue agreement in place.

Since April 2009, appraisal drilling continued as planned, with six additional wells spudded and further drilling on two existing wells, with a total cumulative depth drilled of over 23,631 meters as at 31 August 2010. Some of these wells, particularly, Eastern Promise and Indian Shingli, have recorded significant hydrocarbon shows, which are further being evaluated for hydrocarbon resources. These new wells have provided a significant amount of additional data, enabling the Group to get a better understanding of the Block, including affirmation of the various plays types. The earlier SGL discovery was from a conventional gas reservoir in the Pariwar formation, but now additional potential for tight gas from the B&B formation and parts of the Pariwar formation have been established.

Post this additional drilling work and the data obtained, the Company has engaged a UK based technical consulting firm to provide an independent report on the hydrocarbon resources within the Block. The report is expected to be completed in Q4, 2010.

Between 1st April 2009 and 31 August 2010, the Group acquired a further 207 Km^2 of 3D seismic in the north-west portion of the Block, bringing the total amount of 3D seismic data acquired to date to 873 km^2, covering 21.68% area of the Block. The Group also has 1,037 Km^2 of 2D seismic covering 25.75% area of the Block. The seismic data acquired greatly enhances the group's analysis and interpretation of the Block and supports the ongoing drilling activities.

DRILLING OF WELLS :

As mentioned above, in additional to the follow on drilling on two existing wells, Indian Shingli and SSM-1, the following 6 new wells were spudded since April 2009:

1. **Eastern Promise [Total drilled 4355 meter]**

   The Eastern Promise well was located to test a structural closure target in the western parts of Block RJ-ON/6, approximately 16.5 kilometers to the south-southwest of the proven productive SGL-1 well. The primary objective of the well was to assess the potential of the Pariwar Formation, including the same key reservoir zones as those proven in the SGL Field to the north. The secondary objectives of the well were to target gas bearing sands of the B&B Formation. The well successfully flowed gas from sands in the upper parts of the Pariwar Formation. Significant gas shows were also encountered within the Upper B&B target sands, although these were not tested.

2. **Tirath [Total drilled - 3867 meter]**

   Tirath-1 was located in the northernmost part of RJ-ON/6 to test a structural target approximately 24.5 kilometers to the Northeast of the proven SGL-1 well. The primary aims of this well were to assess key reservoir sands within the Pariwar Formation under structural closure and to establish the northern extent of gas within the Lower B&B Formation overpressured tight gas sand system. The well did not encounter significant gas shows in the Pariwar target zones, but significant overpressured gas was encountered in the basal B&B tight gas Sands, proving the extent of this system as far north as the Tirath Location. Technical difficulties due to the effect of controlling the over pressured lower B&B section in this well led to hole collapse and abandonment of the well without further testing.

3. **Sandwich [Total drilled - 3912 meter]**

   The Sandwich-1 well was located 19.5 kilometers to the southeast of the proven SGL-1 location. The well was drilled on a structural closure in a structurally complex part of the Block in order to assess the potential for gas within the key Pariwar and Upper B&B Formation conventional reservoir zones. The second key objective of the well was to assess the eastern extent of the Lower B&B Formation overpressured tight gas system. The well encountered gas shows at the Pariwar Target level but testing of these was inconclusive due to problems relating to sand production. Local gas shows were also present within the Upper B&B Formation and throughout the Lower B&B interval, although these were somewhat subdued relative to the very significant gas shows usually associated with the lower B&B section in wells further to the west where this section is significantly overpressured. The well has been cased throughout the entire B&B interval suitable for further assessment / testing.

4. **Sanu [Total drilled - 3516 meter]**

   Sanu-1 was located 1 kilometre to the west-southwest of the Eastern Promise location. The aim of this well was to further appraise the Pariwar reservoir target that was successfully tested in Eastern Promise, whilst also penetrating the Lower B&B interval. The well encountered gas shows at the key Pariwar reservoir level but technical difficulties meant that it terminated within the Pariwar section without further testing.

5. **Southern comfort [Drilling at 3385 meters as of 31 August 2010]**

   The Southern Comfort well spudded as planned in the middle of the year. The well is located in the extreme south-western part of the RJ-ON/6 Block and drilling is continuing. The primary aim of this well is to assess the distribution of the Lower B&B Formation overpressured tight gas system in this part of the Block, which was successfully encountered by well Indian Shingli 12.5 kilometers to the Northeast of this present location. The secondary objective of the well is to assess the Pariwar and Upper B&B reservoir targets.

6. **SSG-2 [Drilling at 3275 meters as of 31 August 2010]**

   Well SSG-2 is located 1.7 kilometers to the south-southwest of well SSG-1, which encountered gas within the upper Pariwar reservoir sands but failed to fully penetrate and test the key lower Pariwar reservoir zone. The purpose of SSG-2 is therefore to target both of the Pariwar reservoir zones for further testing on the same structural closure target as the previous SSG-1 well. Drilling of this well remained underway.

The Company's initial primary target was the conventional gas reservoir in Pariwar formations. Subsequent appraisal drilling, however, resulted in emergence of whole new plays in the Block, leading to the possibility of finding a significant section of tight gas, within the Baisaskhi & Bedesir (B&B) and Pariwar formations, prevalent across a very large section of the western portion of the Block.

Indian Shingli was the first well aimed at specifically assessing this tight gas play. The well reached a depth of approximately 5,351m and intersected a 650m gas bearing interval largely in the B&B formation. While there were extensive indications of hydrocarbon shows during drilling, the interval showed characteristics of low porosity and permeability requiring hydro-fracturing in order to achieve a better gas flow rate.

In addition to Indian Shingli, the Group now has data from a number of deep wells intersecting the B&B formation, which support the notion of a large tight gas play in the western part of the Block. These wells include Lang 2 (drilled by ONGC prior to commencement of drilling by the Group), Saatchi, SSF-2 and Eastern Promise.

In order to further evaluate the tight gas play, Schlumberger was contracted to undertake a small hydro-fracturing pilot in one gas bearing zone in the B&B formation in the Indian Shingli well. The fracturing was based on the initial data set available. Commencing in December 2009 and after a series of operations, a 12 meter zone at a depth of between 3950 and 3962 meters was successfully fractured with gas flowing to surface in several test sequences.

The pilot provided significant data on the potential of the B&B tight gas formation, including pressures, rock/sand characteristics and gas flowed to surface. It also, however, became apparent during the fracturing operations that equipment with greater pressure capacity will generally be required for future hydro-fracturing operations to enable the fracturing of a larger reservoir area and achieve better flow rates. The Group has now gained access to certain of the equipment required, which is under contract on a stand by basis. The additional equipment needed has been requested and is likely to become available to the Group before the end of the year. Once in place, the Group intends to undertake a series of hydro-fracturing operations during late 2010 and 2011 across various wells. These operations will focus on the tight gas formations in the B&B sequence as well as where tight gas has been found within the shallower Pariwar formation.

FINANCIALS

During the period, the Company completed a US$110 million long term debt facility and made its first drawing under the facility of US$15 million, which was used to refund prepayments made on Indus' behalf to finance its share of the SGL field development to-date. As previously stated, the remainder of the funds will also be used to finance the development of the SGL field and certain other operations.

Combined with future cashflows, the loan facility provides sufficient funding to fully finance the development of the SGL field. We received commitments in excess of our needs from the international offices of Indian banks and their funding support for the expansion of the Indian energy industry deserves recognition. In addition to the US$110 million facility, Indus has also restructured a US$40 million long term loan from Focus on unsecured subordinated terms, which along with interest due thereon (US$2.6 million as of 31 March 2010), is repayable after full settlement of US$110 million debt facility. This amount was previously repayable to Focus on demand. Both these loan facilities have been contracted at reasonable costs.

The Company has incurred a total investment in exploration, evaluation and development assets of US$41.17 million during the FY ending March 2010 with cumulative investment of US$119.86 million as of March 2010. The expenses of US$ 41.17 million represents Company share of expenses for drilling the wells as described above, seismic data acquisition, hydro-fracturing operations, installation of part of phase-1 of SGL production facilities and capitalization of interest payable on debt funding. The Company had a cash balance (including short term fixed deposit with banks) of US$ 8.76 million as of 31 March, 2010.

OUTLOOK

The Company intends to continue its current strategy of assessing the hydrocarbon potential of the Block, by drilling additional step out appraisal wells, ahead of the appraisal period coming to an end in 2013 pursuant to the PSC terms.

Over the next year, the Group will continue to put in place the production facilities on the SGL field needed to meet the increase in the contracted quantity of gas under phase-2 of the project. Once the reasonable progress has been made on these facilities, we also intend to drill additional production wells to meet the increased levels of production needed. Completion of these wells will be timed to co-inside with the completion of the phase-2 production facilities.

With an aggressive drilling program in place, complemented by growing production and revenues, underpinned by established funding, we look forward to the year ahead confident of making further solid progress.

Ajay Kalsi
Chief Executive Officer
13 September 2010

BOARD & EXECUTIVE MANAGEMENT

Marc Holtzman (50)
Chairman & Non Executive Director.

Mr. Holtzman is the VC and MD of Barclays Capital. He has over two decades of International business, financial, political and public service experience across America, Russia and Eastern Europe, in various capacities, including being vice chairman of ABN Amro Bank, co-founder of MeesPierson EurAmerica (later acquired by ABN Amro), senior adviser to Salomon Brothers, several partnerships in Kazakhstan financial sectors, president of the University of Denver, Secretary of Technology of Colorado State and senior positions in various committees and non-profit organizations. He holds a BA in economics from Lehigh University.

Ajay Kalsi (49)
Chief Executive Officer.

Mr. Kalsi is a successful businessman from India who has established and built a portfolio of companies in a range of business sectors including oil and gas, footwear, real estate and business process outsourcing. He has international business experience, which includes oil and gas industry operating experience with various oil and gas assets in India (both onshore and offshore). He holds a M. Phil in Economics from Cambridge University and a BSc (Economics) from the London School of Economics.

John Scott (52)
Chief Financial Officer.

Mr Scott entered the oil industry in 1980 with the British National Oil Corporation and worked in a variety of technical and commercial roles. Following an MBA at London Business School, he joined the Energy Group of Citibank and subsequently gained corporate finance experience at ABN Amro and Standard Bank. Mr Scott returned to the industry with Halliburton in a senior financial role and has been Finance Director of the Toronto Stock Venture Exchange listed Exile Resources Inc.

John Behar (40)
Non Executive Director.

Mr. Behar has over 15 years financial services and investment banking experience, most recently involved in listings on the Luxembourg Stock Exchange for Indian mid-market companies, as well as private equity transactions across a range of countries and deal sizes. He is the founder and MD of Prospect Capital, a London based corporate finance advisory firm, and has also acted as a consultant to ICICI Bank UK, part of the major Indian banking and private equity group. Mr. Behar holds an MBA from Cass Business School.

DIRECTORS' REPORT

The Directors present their report and the financial statements of Indus Gas Limited ("the Company") and its subsidiaries, iServices Investments Ltd. and Newbury Oil Co. Limited (collectively the "Group"), which covers the year from 1 April 2009 to 31 March 2010.

Principal activity and review of the business

The principal activity of the Company is that of oil and gas exploration & development.

Results and dividends

The trading results for the year, and the group's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend for the year (FY 2008-2009: £nil).

Review of business and future developments

A review of the business and likely future developments of the Company are contained in the Chairman's statement on page 04 and CEO's review on page 05.

Directors and Directors' interests

The Directors of the Company during the year are noted on page 09.

Directors Remuneration

The directors' remuneration for the year ended 31 March 2010 was:

	Remuneration (£)	Remuneration (US$)
Ajay Kalsi	£150,000	$226,006
John Scott	£100,000	$150,670
Marc Holtzman	£40,000	$60,267
John Behar	£25,000	$37,668
Total Director's Remuneration	£315,000	$474,611

There are no further cash payments or benefits provided to Directors.

Directors Share Options

The share options in force at 31 March 2010 and held by current directors are as follows:

	Options Granted	Options Vested	Options remaining to be Vested	Exercise Price
John Scott	100,000	33,333	66,667	164p
Marc Holtzman	60,000	20,000	40,000	164p
John Behar	50,000	16,667	33,333	164p
	210,000	70,000	140,000	

One half of the options remaining to be vested (70,000) has since vested on 6th June 2010 and remaining 70,000 options will vest on 6th June 2011.

FINANCIAL INSTRUMENTS

Details of the use of financial instruments by the Company are contained in note 28 to the attached financial statements.

Related party contract of significance

Last year we outlined that a related party transaction with Focus Energy Ltd, the operator of the Block and an affiliate company being loan financing of US$ 46.34 million. While the Company incurred an additional debt of US$ 47.01 million to Focus during the year towards its share of PSC and other costs, a part sum of US$ 26.42 million was paid during the year, resulting in a net debt of US 66.93 million as at March 31, 2010. As per previously agreed terms, this amount was payable on demand. However, during the year, this transaction has been replaced with new arrangements post the signing of our US $110 million debt facility. Out of the amount due to Focus against our share of Block costs, US$ 42.6 million (including interest of $2.6 million) has been converted into a subordinated long term loan repayable after the full settlement of US$110 million debt facility. The balance amount of US$ 24.33 million is repayable on demand as shown in note 17 to the financial statements which it is intended to repay out of our debt facility and future cash flows. Post new arrangements, our earlier guarantee and charge on certain of our future gas sales receivables in favour of Punjab National Bank, India to secure INR 820 million loan to Focus also stands released.

Internal control

The Directors acknowledge their responsibility for the Company's system of internal control and for reviewing its effectiveness. The system of internal control is designed to manage the risk of failure to achieve the Company's strategic objectives. It cannot totally eliminate the risk of failure but will provide reasonable, although not absolute, assurance against material misstatement or loss.

Going concern

After making enquiries, the Directors have a reasonable expectation that the Company will have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Directors' Responsibilities

The Directors are responsible for preparing the Directors' reports and consolidated financial statements for each financial year which give a true and fair view of the state of affairs of the Group Company and of the profit or loss of the Group Company for that year. In preparing those financial statements the Directors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether International Financial Reporting Standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- Prepare consolidated financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors confirm that the financial statements comply with the above requirements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group to enable them to ensure that the financial statements comply with the requirements of the Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website.

Legislation in the Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

To the best of our knowledge and belief :

- The financial statements have been prepared in accordance with International Financial Reporting Standards;
- Give a true and fair view of the financial position and results of the Group; and
- The financial statements include an analysis of the principal financial instruments specific risks and uncertainties faced by the Group. There has not been any material change in business risks and uncertainties as described in the Admission Document dated 29 May 2008.

Auditors

All of the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's Auditors for the purposes of their audit and to establish that the Auditors are aware of that information. The Directors are not aware of any relevant audit information of which the Auditors are unaware.

By order of the Board
John Scott
Director
13 September 2010

CORPORATE GOVERNANCE

The Directors recognise the importance of sound corporate governance and intend for the Company to comply with the main provisions of the QCA Guidelines and Guernsey regulations insofar as they are appropriate given the Company's size and stage of development. The Company may take additional Corporate Governance measures beyond QCA guidelines and Guernsey regulations as may be appropriate considering Company's operations from time to time.

Board of Directors

The Board is responsible for the proper management of the Company. The Board comprises of two Executive Directors, Ajay Kalsi (CEO) & John Scott (CFO) and two Non-Executive Directors, Marc Holtzman (Chairman) and John Behar. The resume of the board members is as outlined in the Admission Document.

The Executive Directors bring knowledge of the oil and gas industry and a range of general business skills. The Non-Executive Directors form a number of committees to assist in the governance of the Company and details are below.

All Directors have access to independent professional advice, at the Company's expense, if and when required.

Sub-Committees

The Board has appointed the three sub-committees outlined below. All of the sub-committees have met during the year.

Audit committee

The Audit committee comprises of John Behar as chairman and Marc Holtzman. The committee is responsible for ensuring that the financial performance of the Company is properly monitored and reported on and for meeting with the auditors and reviewing findings of the audit with the external auditor. It is authorised to seek any information it properly requires from any employee and may ask questions of any employee. It will meet the auditors once per year without any members of management being present and are also responsible for considering and making recommendations regarding the identity and remuneration of such auditors.

Remuneration committee

The Remuneration committee comprises of Marc Holtzman as chairman and John Behar. The committee will consider and recommend to the Board the framework for the remuneration of the executive directors of the Company and any other senior management. It will further consider and recommend to the Board the total individual package of each executive director including bonuses, incentive payments and share options or other share awards. In addition, subject to existing contractual obligations, it will review the design of all share incentive plans for approval by the Board and the Company's shareholders and, for each such plan, will recommend whether awards are made and, if so, the overall amount of such awards, the individual awards to executive directors and performance targets to be used. No director will be involved in decisions concerning his own remuneration.

Nomination committee

The Nomination committee comprises Marc Holtzman as chairman and John Behar. The committee will consider the selection and re-appointment of Directors. It will identify and nominate candidates to all board vacancies and will regularly review the structure, size and composition of the board (including the skills, knowledge and experience) and will make recommendations to the Board with regard to any changes.

Share Dealing

The Company has adopted a share dealing code (based on the Model Code) and the Company will take all proper and reasonable steps to ensure compliance by Directors and relevant employees.

The City Code on Takeovers and Mergers

The Code applies to offers for all listed and unlisted public companies considered by the Panel resident in the UK, the Channel Islands or the Isle of Man. The Panel will normally consider a company to be resident only if it is incorporated in the United Kingdom, the Channel Islands or the Isle of Man and has its place of central management in one of those jurisdictions. Although the Company is incorporated in Guernsey and its place of management is in Guernsey, the Panel considers that the code does not apply to the Company. It is emphasised that although the Ordinary Shares will trade on AIM, the company will not be subject to takeover regulations in the UK. However, certain provisions analogous to pats of the Code in particular the making of mandatory offers have been incorporated into the Articles which are available on the Company website, www.indusgas.com.

Disclosure and Transparency Rules

As a company incorporated in Guernsey, Shareholders are not obliged to disclose their interests in the Company in the same way as shareholders of certain companies incorporated in the UK. In particular, the relevant provisions of chapter 5 of the DTR do not apply. While the Articles contain provisions requiring disclosure of voting rights in Ordinary Shares which are similar to the provisions of the DTR, this may not always ensure compliance with the requirements of Rule 17 of the AIM Rules. Furthermore, the Articles may be amended in the future by a special resolution of the Shareholders.

Control by significant shareholder

Mr Ajay Kalsi through private companies mainly Gynia owns a significant percentage of the Company. Mr Kalsi could exercise significant influence over certain corporate governance matters requiring shareholder approval, including the election of directors and the approval of significant corporate transactions and other transactions requiring a majority vote.

The Company, Arden Partners (Broker & Nomad), Gynia and Mr Ajay Kalsi have entered into a relationship agreement to regulate the arrangements between them. The relationship agreement applies for as long as Gynia directly or indirectly holds in excess of thirty per cent of the issued share capital of the Company and the Company's shares remain admitted to trading on AIM. The relationship agreement includes provisions to ensure that:

I. The Board and its committees are able to carry on their business independently of the personal interests of Gynia;

ii. The constitutional documents of the Company are not changed in such a way which would be inconsistent with the relationship agreement;

iii. All transactions between the Group and Gynia (or its affiliates) are on a normal commercial basis and at arm's length;

iv. In the event of a conflict of interest between Gynia and the Board, no person who is connected with Gynia is appointed as a Non-Executive Director of the Company and no existing Non-Executive Director is removed as a director of the Company unless such an appointment or removal has been previously approved by the nomination committee of the Board and that to the extent that any previously approved by the nomination committees concerns the composition of the Board which has been approved by the Board requiring the approval of the shareholders of the Company then Gynia will vote its Ordinary Shares in favour ; and

v. Certain restrictions are out in place to prevent interference by the Shareholder with the business of the Company.

INDEPENDENT AUDITORS' REPORT

Independent Auditors' Report to the Shareholders of Indus Gas Limited

We have audited the consolidated financial statements of Indus Gas Limited for the year ended 31 March 2010 which comprise the Consolidated Statement of Financial Position, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flow and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as issued by the IASB.

This report is made solely to the company's members, as a body, in accordance with Section 262 of The Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities on page 11, the company's directors are responsible for the preparation of the consolidated financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit the consolidated financial statements in accordance with applicable legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the consolidated financial statements

An audit involves obtaining evidence about the amounts and disclosures in the consolidated financial statements sufficient to give reasonable assurance that the consolidated financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the consolidated financial statements.

Opinion on the consolidated financial statements

In our opinion the consolidated financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2010 and of its losses for the year then ended;
- have been properly prepared in accordance with IFRSs as issued by the IASB; and
- have been prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under The Companies (Guernsey) Law, 2008 we are required to report to you, if in our opinion:

- the Group has not kept proper accounting records; or
- the consolidated financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations, which to the best of our knowledge and belief, are necessary for the purposes of our audit.

Grant Thornton Limited
Chartered Accountants
St Peter Port, Guernsey, Channel Islands
13 September 2010

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(All amounts in United States Dollars, unless otherwise stated)

ASSETS		31 March 2010	31 March 2009
Non-Current Assets			
Intangible assets - Exploration and Evaluation assets	7	68,534,029	32,464,788
Property, plant and equipment	8	55,869,566	47,719,923
Capital work-in-progress	8	1,332,454	1,222,420
Other assets		9,643	9,092
Total non-current assets		**125,745,692**	**81,416,223**
Current Assets			
Inventories	9	5,337,532	3,090,900
Recoverable from related party		56,543	2,544
Other current assets	10	1,216,007	22,836
Short term investments	11	8,538,802	-
Cash and cash equivalents	12	220,724	20,308,583
Total current assets		**15,369,608**	**23,424,863**
Total assets		**141,115,300**	**104,841,086**

LIABILITIES AND EQUITY			
STOCKHOLDERS' EQUITY			
Share capital	13	3,618,472	3,618,472
Additional paid-in capital	13	46,501,666	46,501,666
Currency translation reserve		(10,554,972)	(12,726,337)
Merger reserve		19,570,288	19,570,288
Share options reserve	21	341,303	-
Accumulated earnings/(losses)		(1,124,725)	601,803
Total Stockholders' Equity		**58,352,032**	**57,565,892**
Liabilities			
Non-current liabilities			
Long term debt from banks	14	14,815,524	-
Provisions for decommissioning	15	369,809	273,264
Finance lease obligations, excluding current portion	16	99,289	156,692
Payable to related parties, other than current	17	42,600,000	-
Total non-current liabilities		**57,884,622**	**429,956**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTD.)

(All amounts in United States Dollars, unless otherwise stated)

		31 March 2010	31 March 2009
Current liabilities			
Payable to related parties – current portion	17	24,753,666	46,709,224
Finance lease obligations – current portion	16	75,270	90,404
Accrued expenses and other liability		49,710	45,610
Total current liabilities		**24,878,646**	**46,845,238**
Total liabilities		**82,763,268**	**47,275,194**
TOTAL EQUITY AND LIABILITIES		**141,115,300**	**104,841,086**

(The accompanying notes are an integral part of these consolidated financial statements)

These financial statements were approved and authorised for issue by the board on 13 September 2010 and was signed on its behalf by:

John Scott
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in United States Dollars, unless otherwise stated)

		31 March 2010	31 March 2009
Revenues		—	—
Cost and expenses			
Administrative expenses		1,754,580	2,118,378
Loss from operations		**(1,754,580)**	**(2,118,378)**
Foreign exchange (loss)/ gain, net	18	(353,424)	2,424,705
Interest income		381,476	863,958
(Loss)/ profit before tax		**(1,726,528)**	**1,170,285**
Income tax expense	20	—	—
(Loss)/ profit for the year		**(1,726,528)**	**1,170,285**
Other comprehensive income		—	—
Currency translation adjustment		2,171,365	(12,727,418)
Total comprehensive income/ (loss) for the year		**444,837**	**(11,557,133)**
(Loss)/ earnings per share			
Basic	22	*(0.01)*	*0.01*
Diluted		*(0.01)*	*0.01*
Par value of each share	GBP	0.01	0.01

(The accompanying notes are an integral part of these consolidated financial statements)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in United States Dollars, unless otherwise stated)

	Common stock		Additional paid in capital	Currency translation reserve	Merger reserve	Share option reserve	Accumulated earnings/ (losses)	Total stockholders' equity
	No. of shares	Amount						
Balance as at 1 April 2008	167,670,002	3,320,856	-	1,081	19,570,288	-	(568,482)	22,323,743
Profit for the year	-	-	-	-	-	-	1,170,285	1,170,285
Currency translation adjustment	-	-	-	(12,727,418)	-	-	-	(12,727,418)
Total comprehensive loss for the year	-	-	-	(12,727,418)	-	-	1,170,285	(11,557,133)
Share capital issued	15,243,922	297,616	48,511,505	-	-	-	-	48,809,121
Cost of issue of shares	-	-	(2,009,839)	-	-	-	-	(2,009,839)
Transaction with owners	15,243,922	297,616	46,501,666	-	-	-	-	47,799,382
Balance as at 31 March 2009	**182,913,924**	**3,618,472**	**46,501,666**	**(12,726,337)**	**19,570,288**	**-**	**601,803**	**57,565,892**
Loss for the year	-	-	-	-	-	-	(1,726,528)	(1,726,528)
Currency translation adjustment	-	-	-	2,171,365	-	-	-	2,171,365
Total comprehensive income for the year	-	-	-	2,171,365	-	-	(1,726,528)	444,837
Share based payment transactions	-	-	-	-	-	341,303	-	341,303
Transaction with owners	-	-	-	-	-	341,303	-	341,303
Balance as at 31 March 2010	**182,913,924**	**3,618,472**	**46,501,666**	**(10,554,972)**	**19,570,288**	**341,303**	**(1,124,725)**	**58,352,032**

(The accompanying notes are an integral part of these consolidated financial statements)

Consolidated Statement of Cash Flows

(All amounts in United States Dollars, unless otherwise stated)

	31 March 2010	31 March 2009
Cash flows from operating activities		
(Loss)/ profit before tax	(1,726,528)	1,170,284
Adjustments		
Unrealised exchange gain	(1,996,001)	(2,450,620)
Interest earned	(381,476)	(863,958)
Share based payment	341,303	-
Changes in operating assets and liabilities		
Inventories	(2,246,633)	(804,647)
Payable to related parties – Operating activities	2,948,901	983,128
Other current and non current assets	(1,312,674)	(22,220)
Accrued expenses and other liabilities	1,058	41,148
Cash used in operations	(4,372,050)	(1,946,885)
Income taxes paid	-	-
Net cash used in operating activities	**(4,372,050)**	**(1,946,885)**
Cash flow for investing activities		
Investment in Exploration and Evaluation assets	(18,105,302)	(22,097,471)
Purchase of property, plant and equipment	(8,332,214)	(1,492,068)
Purchase of short term investments	(8,906,497)	-
Interest received	258,445	863,958
Net cash used in investing activities	**(35,085,568)**	**(22,725,581)**
Cash flow from financing activities		
Issue of share capital, net of cost of issue	-	47,070,086
(Repayment)/ proceeds from short term borrowings	(170,000)	170,000
Proceeds from loans by related parties	-	8,364,107
Proceeds from debt	17,662,975	-
Net cash provided by financing activities	**17,492,975**	**55,604,193**
Net (decrease)/ increase in cash and cash equivalents	**(21,964,643)**	**30,931,727**
Cash and cash equivalents at the beginning of the year	20,308,583	5,720
Effects of exchange rate changes on the balance of cash held in foreign currencies	1,876,784	(10,628,864)
Cash and cash equivalents at the end of the year	**220,724**	**20,308,583**

(The accompanying notes are an integral part of these consolidated financial statements)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in United States Dollars, unless otherwise stated)

1 INTRODUCTION

Indus Gas Limited ("Indus Gas" or "the Company") was incorporated in the Island of Guernsey on 4 March 2008 pursuant to an Act of the Royal Court of the Island of Guernsey. The Company was set up to act as the holding company of iServices Investments Limited ("iServices") and Newbury Oil Company Limited ("Newbury"). iServices and Newbury are companies incorporated in Mauritius and Cyprus respectively. iServices was incorporated on 18 June 2003 and Newbury was incorporated on 17 February 2005. The Company was listed on the Alternative Investment Market (AIM) of the London Stock Exchange on 6 June 2008.

Indus Gas through its subsidiaries iServices and Newbury (hereinafter collectively referred to as "the Group") is engaged in the business of oil and gas exploration, development and production. The Group owns an aggregate of 90 per cent participating interest in a petroleum exploration and development concession in India known as RJ-ON/06 ("the Block"). The balance 10 per cent participating interest is owned by Focus Energy Limited ("Focus"). Focus entered into a Production Sharing Contract ("PSC") with the Government of India ("GOI") and Oil and Natural Gas Corporation Limited ("ONGC") on 30 June 1998 in respect of the Block. The participating interest explained above is subject to any option exercised by ONGC in respect of individual wells (already exercised for SGL field as further explained in Note 3).

2 GENERAL INFORMATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ('IFRS') as developed and published by the International Accounting Standards Board ('IASB'). The consolidated financial statements have been prepared on a going concern basis, and are prepared and presented in United States Dollar (US$). US$ was the Company's functional currency up to its listing on the AIM as well as that of its subsidiaries. Upon listing the functional currency of the Company was re-assessed as Pound Sterling (GBP) and that of its subsidiaries continues to be US$. The Group's management believes that US$ is a better presentation currency than Pound Sterling considering that operations of the Group are primarily conducted in US$ and internationally the oil and gas industry largely operates and transacts in US$.

3 JOINTLY CONTROLLED ASSETS

The Group is jointly engaged in oil and gas exploration, development and production activities along with Focus. This venture is a jointly controlled asset as defined under IAS 31: Interest in Joint Ventures. All rights and obligations in respect of exploration, development and production of oil and gas resources under the Interest sharing agreement are shared between Focus, iServices and Newbury in the ratio of 10 per cent, 65 per cent and 25 per cent respectively.

Under the PSC, subsequent to the declaration of commercial discovery in well SGL #1 and SGL #2 on 21 January 2008 (SGL being an area within the Block declared as a commercial discovery on 21 January 2008), the GOI through ONGC, has exercised the option to acquire a 30 per cent participating interest in the discovered fields on 6 June 2008. On exercise of this option, the GOI (through ONGC) is required to contribute its share i.e. 30 per cent in development and production costs in respect of the relevant fields from the date of service of notice of the option i.e. 4 June 2008 and it shall be entitled to a 30 per cent share in the revenues. Following the exercise of this option, Indus' participating interest in the SGL Field is reduced to 63 per cent. The ONGC will also be responsible for 100 per cent of the applicable royalty and certain taxes with reference to the income from the field. Focus, iServices and Newbury continue to share costs and revenues after excluding GOI's share as explained above, in the existing ratio of 10 per cent, 65 per cent and 25 per cent respectively. The contribution from ONGC would be payable to Focus from the date of commencement of commercial production.

The aggregate amounts relating to jointly controlled assets, liabilities, expenses and commitments related thereto that have been included in the Consolidated Financial Statements are as follows:

	31 March 2010	31 March 2009
Non current assets	125,720,640	81,407,131
Current assets	5,337,532	3,090,900
Non current liabilities	43,069,098	429,956
Current liabilities	24,375,352	46,432,610
Expenses (net of finance income)	442,965	155,897
Commitments	377,778	145,442

The GOI, through ONGC, has option to acquire similar participating interest in any future successful discovery of oil or gas reserves in the Block.

4 CHANGES IN ACCOUNTING POLICIES

The Group has adopted the following new interpretations, revisions and amendments to IFRS issued by the International Accounting Standards Board, which are relevant to and effective for the Group's financial statements for the annual period beginning 1 April 2009 :-

Presentation of financial statements

In September 2007, the IASB issued amendments to IAS 1 (Presentation of Financial Statements). These include proposals for renaming certain sections of the financial statements, the requirement to publish an opening Statement of Financial Position for the previous financial year in certain circumstances, separate presentation of changes in equity arising from transactions with owners and with non-owners, separate disclosure by component of amounts removed from stockholders' equity and recognised in income, and disclosure of the related income tax effect by component in the statement of recognised income and expense. Accordingly the Group has applied this standard for annual periods beginning on or after 1 April 2009 and has also provided comparative information of previous period. The adoption of the standard does not affect the financial position but gives rise to additional disclosures. The Group has elected to present 'Statement of Comprehensive Income' in single statement: the 'Statement of Comprehensive Income'. The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged.

There have been no restatements and/ or reclass made to the statement of financial position at 31 March 2009.

Segment reporting

IFRS 8 becomes applicable to the Group during the year and accordingly has been adopted for the preparation of these consolidated financial statements. The standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. IFRS 8 does not have material impact on consolidated financial statements.

5 STANDARDS AND INTERPRETATIONS ISSUED BY IASB BUT NOT YET APPLIED BY THE GROUP

Summarised in the paragraphs below are standards, interpretations or amendments that have been issued till the date of approval of these consolidated financial statements and will be applicable for transactions in the Group but are not yet effective. These have not been adopted early by the Group and accordingly have not been considered in the preparation of the consolidated financial statements of the Group.

Management anticipates that all of these pronouncements will be adopted by the Group in the first accounting period beginning after the effective date of each of the pronouncements. Based on the Group's current business model and accounting policies, management does not expect material changes to the recognition and measurement principles on the Group's consolidated financial statements when these Standards/Interpretations become effective. Information on the new standards, amendments and interpretations that are expected to be relevant to the Group's consolidated financial statements is provided below.

IFRS 3 Business Combinations (Revised 2008) (effective from 1 July 2009)

The standard is applicable for business combinations occurring in reporting periods beginning on or after 1 July 2009 and will be applied prospectively. The new standard introduces changes which affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period in which an acquisition occurs and future reported results. The accounting requirements for business combinations, using the acquisition method will have a significant effect on business combinations occurring in future reporting periods.

IAS 27 Consolidated and Separate Financial Statements

The revised standard, effective for annual periods beginning on or after 1 July 2009, introduces changes to the accounting requirements for the loss of control of a subsidiary and for changes in the Group's interest in subsidiaries. These changes will be applied prospectively in accordance with the transitional provisions and so do not have an immediate effect on the Group's financial statements.

IFRS 9 Financial Instruments

The IASB aims to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety by the end of 2010, with the replacement standard to be effective for annual periods beginning 1 January 2013. IFRS 9 is the first part of Phase 1 of this project.

The main phases are:

- Phase 1: Classification and Measurement
- Phase 2: Impairment methodology
- Phase 3: Hedge accounting

In addition, a separate project is dealing with de-recognition. Management has yet to assess the impact that this amendment is likely to have on the financial statements of the Group. However, they do not expect to implement the amendments until all chapters of the IAS 39 replacement have been published and they can comprehensively assess the impact of all changes.

6 SUMMARY OF ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying Consolidated Financial Statements are as follows:

6.1 OVERALL CONSIDERATIONS

The Consolidated Financial Statements have been prepared on the historical cost basis.

6.2 BASIS OF CONSOLIDATION

The Group financial statements consolidate those of the parent company and all of its subsidiary undertakings drawn up to 31 March 2010. Subsidiaries are all entities over which the Group has the power to control the financial and operating policies. Indus Gas obtains and exercises control through more than half of the voting rights. All subsidiaries have a reporting date of 31 March.

Unrealised gains and losses on transactions between Group companies are eliminated. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

6.3 SIGNIFICANT ACCOUNTING ESTIMATES

In preparing Consolidated Financial Statements, Group's management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. The management's estimates for the useful life and residual value of tangible assets, impairment of tangible and intangible assets, fair value of share based payments and recognition of restoration cost represent certain particularly sensitive estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

6.4 FOREIGN CURRENCIES

The Consolidated Financial Statements have been presented in US$.

Foreign currency transactions are translated into the functional currency of the respective Group entities, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year-end exchange rates are recognised as profit or loss of the year.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated).

As explained above, the Group has used a presentation currency other than the functional currency of the Company and accordingly relevant assets and liabilities have been translated into US$ using the closing rate at the reporting date. Income and expenses have been translated into US$ at the average rate over the reporting period. Exchange differences are charged/ credited to the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognised in equity are reclassified to profit or loss and recognised as part of the gain or loss on disposal.

Exchange differences are recognised in profit or loss in the period in which they arise except for :-

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

6.5 REVENUE RECOGNITION

The Group's share in revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenues can be reliably measured. Currently, the Group is in a pre-revenue generating phase.

Interest income is recognised as interest accrues (using effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the asset.)

6.6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprises of Development assets and other properties, plant and equipments used in the oil and gas fields and for administrative purposes. These assets are stated at cost less accumulated depreciation and any accumulated impairment losses.

Development assets are accumulated on a field by field basis and comprise of costs of developing the commercially feasible reserve, expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and other costs of bringing such reserves into production. It also includes the Exploration and Evaluation costs incurred in discovering the commercially feasible reserve, which have been transferred from the Exploration and Evaluation assets as per the policy mentioned in note 6.7 below. As consistent with the full cost method, all Exploration and Evaluation expenditure incurred till the date of the first commercial discovery have been classified under development assets of that field.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss of the year in which the asset is derecognised. However, where the asset is being consumed in developing Exploration and Evaluation intangible assets, such gain or loss is recognised as part of the cost of the intangible asset.

The asset's residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each period end. No depreciation is charged on development assets until production commences.

Depreciation on property, plant and equipment is provided at rates estimated by the management. Depreciation is computed using the straight line method of depreciation, whereby each asset is written down to its estimated residual value evenly over its expected useful life. The useful lives estimated by the management are as follows:

Extended well test equipment	20 years
Bunk houses	5 years
Vehicles	5 years
Other assets	
Furniture and fixture	5 years
Buildings	10 years
Computer equipment	3 years
Other equipment	5 years

Land acquired is recognised at cost and no depreciation is charged as it has an unlimited useful life. Development assets will be depreciated, from the date of commencement of production, on a field by field basis with reference to the unit of production method for the commercially probable and proven reserves in the particular field and also taking into account the future development costs to be incurred on these respectively for the probable and proven reserves, (taken at the current price). Changes in the prices and quantities are applied prospectively to future periods.

Advances paid for the acquisition/ construction of property, plant and equipment which are outstanding at the Statement of Financial Position date and the cost of property, plant and equipment under construction before such date are disclosed as 'Capital work-in-progress'.

6.7 EXPLORATION AND EVALUATION ASSETS

The Group adopts the full cost method of accounting for its oil and gas interests, having regard to the requirements of IFRS 6: Exploration for and Evaluation of Mineral Resources. Under the full cost method of accounting, all costs of exploring for and evaluating oil and gas properties, whether productive or not are accumulated and capitalised by reference to appropriate cost pools. Such cost pools are based on geographic areas and are not larger than a segment. The Group currently has one cost pool being an area of land located in Rajasthan, India.

Exploration and Evaluation costs may include costs of licence acquisition, directly attributable exploration costs such as technical services and studies, seismic data acquisition and processing, exploration drilling and testing, technical feasibility, commercial viability costs, finance costs to the extent they are directly attributable to financing these activities and an allocation of administrative and salary costs as determined by management. All costs incurred prior to the award of an exploration licence are written off as loss of the year as incurred.

Exploration and Evaluation costs are classified as tangible or intangible according to the nature of the assets acquired and the classification is applied consistently. Tangible Exploration and Evaluation assets are recognised and measured in accordance with the accounting policy on property, plant and equipment. To the extent that such a tangible asset is consumed in developing an intangible Exploration and Evaluation asset, the amount reflecting that consumption is recorded as part of the cost of the intangible asset.

Exploration and Evaluation assets are not amortised prior to the conclusion of appraisal activities. At completion of appraisal activities, if technical feasibility is demonstrated and commercial reserves are discovered, then, following development sanction, the carrying value of the relevant Exploration and Evaluation asset is reclassified as a development and production asset.

6.8 IMPAIRMENT TESTING FOR EXPLORATION AND EVALUATION ASSETS AND PROPERTY, PLANT AND EQUIPMENT

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation.

Where there are indicators that an exploration asset may be impaired, the exploration and evaluation assets are grouped with all development/producing assets belonging to the same geographic segment to form the Cash Generating Unit (CGU) for impairment testing. Where there are indicators that a property, plant and equipment asset is impaired, assets are grouped at the lowest levels for which there are separately identifiable cash flows to form the CGU. The combined cost of the CGU is compared against the CGU's net present value and any resulting impairment loss is written off in profit or loss of the year. No impairment has been recognised during the year.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

6.9 FINANCIAL ASSETS

Financial assets and financial liabilities are recognised on the Group's Statement of Financial Position when the Group has become a party to the contractual provisions of the related instruments.

Financial assets of the Group, under the scope of IAS 39 'Financial Instruments: Recognition and Measurement' fall into the category of loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs. The Group determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method, less provision for impairment. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the have been affected.

De-recognition of loans and receivables occurs when the rights to receive cash flows from the instrument expires or are transferred and substantially all of the risks and rewards of ownership have been transferred.

6.10 FINANCIAL LIABILITIES

The Group's financial liabilities include debts, bank overdrafts, trade and other payables and loans from related parties.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the related instrument.

Financial liabilities are recognised at their fair value plus transaction costs and subsequently measured at amortised cost less settlement payments. Amortised cost is computed using the effective interest method.

Trade and other payables and loans from related parties are interest free financial liabilities with maturity period of less than twelve months and are carried at transaction value which is not materially different from their fair value.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

6.11 INVENTORIES

Inventories are measured at the lower of cost and net realisable value. Inventories of drilling stores and spares are accounted at cost including taxes, duties and freight. The cost of all inventories other than drilling bits is computed on the basis of first in first out method. The cost for drilling bits is computed based on specific identification method.

6.12 SHARE BASED PAYMENTS

The Group operates equity-settled share-based plans for its employees, directors, consultants and advisors. Where persons are rewarded using share-based payments, the fair values of services rendered by employees and others are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised using the Black Scholes model at the respective measurement date. In the case of employees and others providing services, the fair value is measured at the grant date. The fair value excludes the impact of non-market vesting conditions. All share-based remuneration is recognised as an expense in profit or loss with a corresponding credit to 'Share Option Reserve'.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates and any impact of the change is recorded in the year in which change occurs.

Upon exercise of share options, the proceeds received up to the nominal value of the shares issued are allocated to share capital with any excess being recorded as additional paid-in capital.

6.13 ACCOUNTING FOR INCOME TAXES

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period that are unpaid / un-recovered at the date of the Statement of Financial Position. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss of the year.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the financial statement with the tax base. Deferred tax is, however, neither provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are always provided for in full. Deferred tax assets are recognised to the extent that it is probable that they will be offset against future taxable income. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted at the date of the Statement of Financial Position.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the profit or loss of the year, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

6.14 BORROWING COSTS

Any interest payable on funds borrowed for the purpose of obtaining qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, is capitalised as a cost of that asset until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Any associated interest charge from funds borrowed principally to address a short term cash flow shortfall during the suspension of development activities is expensed in the period.

Transaction costs incurred towards un-utilised debt facility is treated as prepayments to be adjusted against the carrying value of debt as and when drawn.

6.15 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand and at bank in demand and other short-term deposits, which are readily convertible to known amounts of cash. These assets are subject to an insignificant risk of changes in value. Cash and cash equivalents are classified as loans and receivables under the financial instruments category.

6.16 LEASING ACTIVITIES

Finance leases which transfer substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease, at the fair value of the leased property or the present value of the minimum lease payments, whichever is lower. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly in the profit or loss of the year.

All leases other than finance leases are treated as operating leases. Operating lease payments are recognised in profit or loss on the straight line basis over the lease term.

6.17 OTHER PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision net of any reimbursement is recognised in the profit or loss of the year. To the extent such expense is incurred for construction or development of any asset, it is included in the cost of that asset. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as other finance expenses.

Provisions include decommissioning provision representing management's best estimate of the Group's liability for restoring the sites of drilled wells to their original status.

Commitments and contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognised in the Statement of Financial Position and no disclosure is made.

6.18 OPERATING EXPENSES

Operating expenses are recognised in the profit or loss upon utilisation of the service or at the date of their origin.

6.19 SEGMENT REPORTING

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. The Company considers that it operates in a single operating segment being the production and sale of gas.

7 INTANGIBLE ASSETS : EXPLORATION AND EVALUATION ASSETS

Intangible assets comprise of Exploration and Evaluation assets. Movement in Intangible assets was as under:

	Intangible assets - Exploration and Evaluation assets
Balance as at 1 April 2008	3,926,210
Additions	28,538,578
Balance as at 31 March 2009	32,464,788
Additions	36,069,241
Balance as at 31 March 2010	68,534,029

In accordance with the Group's accounting policy, no amortisation has been charged on the Exploration and Evaluation assets as the exploration, evaluation and appraisal activities have not concluded in the Block during the reported period.

As further elaborated in Note 8 below, subsequent to commercial discovery of gas in well SGL #1 and SGL #2 on 21 January 2008, amounts accumulated in Exploration and Evaluation assets up to such date have been transferred to development assets, in consistency with the full cost accounting method that the Group follows for such assets. Cost incurred on exploration and evaluation activities subsequent to 21 January 2008 are classified under Exploration and Evaluation assets.

The above also includes borrowing costs capitalised of US$ 2,533,141 (Previous year: US$ 2,592,682) during the year. The weighted average capitalisation rate on funds borrowed generally is 8.61% per annum.

Indus has been successful in proving prospectivity of the Block by declaring SGL # 1 and SGL # 2 as commercial discoveries and SSF as the other discovery in the Block and entire 4026 sq km area has been declared as a discovery area. ONGC in its capacity as the licensee of the Block is obliged to pay the license fees in respect of the Block. Under the PSC, a period of 2.5 years is allowed to appraise the discoveries already made prior to the expiry of the exploration period and a 5 year period is allowed to declare discovery as commercial. Accordingly, the PSC permits evaluation/ appraisal of the discoveries per the extension period above and till 2013 to declare such discoveries as commercial.

8 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprise of the following:

Cost	Land	well test equipment	Development Assets -Oil and Gas	Bunk Houses	Vehicles*	Other assets	Capital work-in-progress	Total
Balance as at 1 April 2008	34,204	255,675	46,221,326	955,842	295,028	364,824	55,188	48,182,087
Additions	-	117,569	-	326,495	239,432	97,166	1,167,232	1,947,894
Balance as at 31 March 2009	**34,204**	**373,244**	**46,221,326**	**1,282,337**	**534,460**	**461,990**	**1,222,420**	**50,129,981**
Additions	-	1,053,544	5,104,759	1,793,024	526,041	338,574	3,268,625	12,084,567
Disposals/ transfers	-	-	-	1,325	-	-	3,158,591	3,159,916
Balance as at 31 March 2010	**34,204**	**1,426,788**	**51,326,085**	**3,074,036**	**1,060,501**	**800,564**	**1,332,454**	**59,054,632**
Accumulated Depreciation Balance at 1 April 2008	-	38,962	-	480,722	87,664	212,684	-	820,032
Depreciation for the year	-	24,832	-	209,304	54,140	79,330	-	367,606
Balance as at 31 March 2009	**-**	**63,794**	**-**	**690,026**	**141,804**	**292,014**	**-**	**1,187,638**
Depreciation for the year	-	67,229	-	291,558	198,778	107,409	-	664,974
Balance as at 31 March 2010	**-**	**131,023**	**-**	**981,584**	**340,582**	**399,423**	**-**	**1,852,612**
Carrying values								
At 31 March 2009	34,204	309,450	46,221,326	592,311	392,656	169,976	1,222,420	48,942,343
At 31 March 2010	34,204	1,295,765	51,326,085	2,092,452	719,919	401,141	1,332,454	57,202,020

*These vehicles have been secured against the finance leases as disclosed on the Statement of Financial Position.

The balances above represent the Group's share in property, plant and equipment as per Note 3.

The depreciation in all reported years has been included in the cost of Intangible assets – Exploration and Evaluation assets.

As mentioned in Note 7 above, tangible assets comprising of Development Assets - Oil and Gas represent the amount of Exploration and Evaluation expenditure incurred and accumulated up to the date of the first commercial discovery declared by the Group on 21 January 2008 respect of well SGL # 1 and SGL # 2. Since ONGC, has exercised the option to acquire a 30 per cent participating interest in the discovered field, accordingly the additions to development assets represents 63 per cent of the total cost incurred by the participating parties.

The above also includes borrowing costs capitalised of US$ 2,387,717 (Previous year: US$ Nil). The weighted average capitalisation rate on funds borrowed generally is 8.61% per annum.

No depreciation has been charged on the development assets in accordance with the Group's accounting policy as production is yet to commence on the field.

9 INVENTORIES

Inventories comprise of the following:

	31 March 2010	31 March 2009
Drilling and production stores and spares	4,336,264	3,029,606
Fuel	32,539	22,673
Goods in transit	968,729	38,621
Total	**5,337,532**	**3,090,900**

As all of the above inventories are held for use in the exploration activities, these are valued at cost determined based on policy explained in paragraph 6.11.

10 OTHER CURRENT ASSETS

	31 March 2010	31 March 2009
Prepayments for		
- procurement of debt	1,168,407	
- others	47,600	22,836
Total	**1,216,007**	**22,836**

Prepayments for procurement of debts represent the proportionate fee paid for the un-utilised facility.

11 SHORT TERM INVESTMENTS

Short term investments constitute various investments in bank deposits, which have a maturity of more than three months and less than twelve months from the date of deposit, considered to be held till the date of their maturity.

	31 March 2010	31 March 2009
Short term investments in bank deposits	8,538,802	—
Total	**8,538,802**	**—**

Fair value of the deposits closely approximates their carrying value on the balance sheet date. The Group recorded an income of US$ 381,476 (Previous year: US$ 863,958) in the profit or loss on the total short term investments made into bank deposits in the year.

12 CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, cash and cash equivalents include cash at banks and on hand and short-term deposits, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the Statement of Financial Position as follows:

	31 March 2010	31 March 2009
Cash at banks and on hand	220,724	19,308,267
Short-term deposits	—	1,000,316
Total	**220,724**	**20,308,583**

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates. Fair values of the short deposits closely approximate their carrying value on respective balance sheet dates.

The Group only deposits cash surpluses with major banks of high quality credit standing.

13 EQUITY

Authorised share capital

The total authorised share capital of the Company is GBP 5,000,000 divided into 500,000,000 shares of GBP 0.01 each. The total number of shares issued by the Company as at 31 March 2010 is 182,913,924 (Previous year: 182,913,924).

For all matters submitted to vote in the shareholders meeting of each Company, every holder of ordinary shares, as reflected in the records of each of the Companies on the date of the shareholders' meeting has one vote in respect of each share held.

All shareholders are equally eligible to receive dividends and the repayment of capital in the event of liquidation of the individual entities of the Group.

Additional paid in capital

Additional paid in capital (APIC) represents excess over the par value of share capital paid in by shareholders in return for the shares issued to them, recorded net of expenses incurred on issue of shares.

Currency translation reserve

The exchange difference arising on translation of foreign operations is being debited or credited to currency translation reserve.

Merger reserve

The balance on the merger reserve represents the fair value of the consideration given in excess of the nominal value of the ordinary shares issued in an acquisition made by the issue of shares.

Cost of new shares issued

Incremental direct costs incurred in relation to issue of shares classified as equity, such as underwriting, accounting and legal fees, printing costs, and taxes, are treated as a reduction of the proceeds. Costs associated with listing of the Company's shares are expensed off as Listing Expenses. Common cost relating to issue of new equity and listing of Company's shares are allocated on rational basis.

14 LONG TERM DEBT FROM BANKS

	Maturity	31 March 2010	31 March 2009
Non-current			
US$ 15,000,000 bank loan, secured	2018	14,815,524	—
Total		**14,815,524**	**—**

In March 2010, Indus signed an agreement with a consortium of banks for a term loan of US$ 110,000,000 repayable in quarterly instalments commencing on 31 August 2011. It bears interest of LIBOR plus 500 basis points. Indus has drawn US$ 15,000,000 against this loan during the current financial year.

The bank loan is secured over all the assets of subsidiaries of Indus i.e. iServices and Newbury in addition to the Group's participating interest in the Block RJ-ON/6 to the extent of SGL Field and certain future receivables from gas sales.

Interest capitalised on this loan under Exploration and Evaluation assets and developments asset is US$ 15,409 (Previous year: Nil)

15 PROVISION FOR DECOMMISSIONING

	Amount
Balance at 1 April 2008	222,109
Additions	97,648
Effect of foreign currency exchange differences	(46,493)
Balance at 1 April 2009	273,264
Additions	65,181
Effect of foreign currency exchange differences	31,364
Balance at 1 April 2010	369,809

As per the PSC, the Group is required to carry out certain decommissioning activities on oil wells. Provision for decommissioning relates to the estimation of future disbursements related to the abandonment and decommissioning of oil wells. The provision has been estimated by the Company's engineers, based on individual well filling and coverage. This provision will be utilised when the related wells are fully depleted.

16 FINANCE LEASE OBLIGATIONS

Finance lease obligations represent leases entered into for vehicles which are used and operated by the Group for the exploration and evaluation activities.

The table below summarises the total liability (short term and long term) on account of these finance lease payments:

	31 March 2010	31 March 2009
Secured		
Finance lease	174,559	247,096
Less: current portion	75,270	90,404
Non current portion	99,289	156,692

The management considers the fair value of these leases to be not materially different from their carrying amounts recognised in the Statement of Financial Position as the interest rates have not significantly changed during the reported period.

The finance lease obligations that are payable within the next 5 years from each reported period are as follows:

Amount due as at 31 March 2010	Minimum lease payments	Interest	Principal
Within 1 year	97,450	22,180	75,270
1- 5 years	111,968	12,679	99,289
5 years or thereafter	-	-	-
Total	**209,418**	**34,859**	**174,559**

Amount due as at 31 March 2009	Minimum lease payments	Interest	Principal
Within 1 year	121,040	30,636	90,404
1- 5 years	187,961	31,269	156,692
5 years or thereafter	-	-	-
Total	**309,001**	**61,905**	**247,096**

17 PAYABLE TO RELATED PARTIES

Related parties payable comprise of the following:

	Maturity	31 March 2010	31 March 2009
Current			
Liability payable to Focus	On demand	24,326,767	46,342,206
Short term borrowings from iEnergiser Holding Limited	On demand	-	170,000
Other payables	On demand	426,899	197,018
		24,753,666	**46,709,224**
Other than current			
Liability payable to Focus	After payment of bank loan per Note 14	42,600,000	-
		42,600,000	-
Total		**67,353,666**	**46,709,224**

Liability payable to Focus

Liability payable to Focus represents unpaid amount of the cost share of the Group in respect of its participating interest in Block RJ-ON/6 pursuant to the terms of Agreement for Assignment dated 13 January 2006 and its subsequent amendments from time to time (hereinafter referred to as "Assignment Agreement").

The Group had earlier provided a guarantee of Indian Rupee 820 million (equivalent to US$ 16,162,413) to the bankers of Focus in respect of the above liability and created a charge on certain of its future receivables in favour of Punjab National Bank. During the financial year ending 31 March 2010, the Group repaid US$ 15 million directly to the banker of Focus, thus releasing the Group from the above guarantee obligations and the consequently the charge on its future receivables in favour of Punjab National Bank was also released.

As per the Amendment to Agreement for assignment of participating interest agreement signed with Focus on 26 March 2010, effective 1 April 2009, (hereinafter referred to as the Amendment No. 4), Focus has agreed to convert US$40 million being part of the outstanding balance due as subordinated unsecured long term loan repayable along with interest calculated at 6.5% per annum after payment and full settlement of US$110 million loan taken from a consortium of banks as described in note 14 above, i.e. after August 2018. The Group agreed to pay the entire outstanding balance to Focus, as reduced by US$ 40 million, not later than 31 March 2011 on demand by Focus and accordingly classified as short term borrowings. The Group has agreed to reimburse interest cost incurred by Focus on loans taken from third parties to finance the short term borrowing subject to a minimum interest rate of 6.5% per annum and maximum interest rate of 10% per annum. The weighted average interest rate for the entire balance is 8.61% for the current year.

Short term borrowings from iEnergiser Holding Limited were interest free and repayable on demand. Other payables to related parties comprise of outstanding balances to associate entities and directors, all the amounts are short term. The carrying value of the short term borrowings and other payables are considered to be a reasonable approximation of fair value.

18 FOREIGN CURRENCY EXCHANGE (LOSS)/ GAIN, NET

The Group has recognised the following in the profit or loss on account of foreign currency fluctuations:

	31 March 2010	31 March 2009
(Loss)/ Gain on restatement of foreign currency receivables in Indus Gas	(2,184,783)	2,450,620
Gain on restatement of foreign currency payables in Indus Gas	1,996,001	-
(Loss)/ Gain arising on settlement of foreign currency transactions and restatement of foreign currency balances arising out of Oil Block operations	(164,642)	(25,915)
	(353,424)	**2,424,705**

19 OPERATING LEASES

Lease payments capitalised under exploration and evaluation asset during the year ended 31 March 2010 amount to US$ 21,434,436 (Previous year: US$ 16,275,456). No sublease payments or contingent rent payments were made or received. No sublease income is expected as all assets held under lease agreements are used exclusively by the Group. All the operating leases of the Group are cancellable at a short notice of not more than 90 days and there are no future minimum payments for the existing operating leases.

The terms and conditions of these operating leases do not impose any significant financial restrictions on the Group. Most of the leases allow for renewals at the Group's option. These operating lease agreements do not contain any contingent rent clauses.

20 TAXATION

Indus Gas profits are taxable as per the tax laws applicable in Guernsey where nil percent tax rate has been prescribed for corporate assesses. Accordingly, there is no tax liability for the Group in Guernsey. Newbury and iServices being participants in the PSC are covered under the Indian Income tax laws as well as tax laws for their respective countries. However, considering the existence of double tax avoidance arrangement between Cyprus and India and Mauritius and India, profits in Newbury and iServices are not likely to attract any additional tax in their local jurisdiction. Under Indian tax laws, Newbury and iServices are allowed to claim the entire expenditure in respect of the Oil Block incurred till the start of commercial production (whether included in the Exploration and Evaluation assets or expensed in their respective financial statements) as deductible expense in the first year of commercial production. This expense to the extent not adjusted in the profit of the year of commercial production is allowed to be carried forward and adjusted against the profits of subsequent 8 years. Considering the uncertainties involved around ultimate utilisation of losses in Newbury and iServices, the management does not currently consider their utilisation probable and therefore has decided not to create any deferred tax assets.

21 SHARE BASED PAYMENT

The Group maintains an equity settled share-based payment scheme adopted and approved by the directors on 29 May 2008. Presently, the Company has approved three schemes for the Directors, Consultant and Advisor known as the "Directors' option agreements", "Advisers Option agreement" and "Arden option deed" respectively. The Group has no legal or constructive obligation to repurchase or settle the options. In accordance with the Plan, upon vesting, the stock options will be settled by issuance of new shares on payment of exercise price.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. The total expense recognised in profit or loss of the year ended 31 March 2010 is US$ 341,303 (Previous year: Nil).The forfeiture rate for the year has been considered as Nil (Previous year: Nil).

The fair values of options granted were determined using Black Scholes option pricing model that takes into account factors specific to the share incentive plans along with other external inputs.

The following principal assumptions were used in the valuation: Expected volatility was determined by comparison with implied volatility of traded options. Dividend yield is taken as nil as the Group has not paid any dividend. The risk-free rate is the rate associated with a risk-free security with the same maturity as the option. At each reporting date, the Group reviews its estimates of the number of options that are expected to vest. The Group recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to 'retained earnings' in equity.

The inputs to the Black Scholes model for options that have been granted during the reporting periods are summarised as follows:

	Employees & Others	**Advisor**
Grant date	**29 May 2008**	**29 May 2008**
Fair value of option using the Black Scholes model at grant date (GBP)	0.84	0.62
Exercise price (GBP)	1.64	1.64
Expected volatility	35%	35%
Option life (in years)	5	3
Dividend yield	-	-
Risk-free interest rate	4.99%	5.06%

The total outstanding and exercisable share options and weighted average exercise prices for the various categories of option holders during the reporting periods are as follows:

Share options granted to Employees and others providing similar services

	31 March 2010		**31 March 2009**	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
		GBP		GBP
Balance at beginning of year	240,000	1.64	-	-
Granted during the year	-	-	240,000	1.64
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Balance at end of year	**240,000**	**1.64**	**240,000**	**1.64**
Exercisable at year end	**80,000**		**80,000**	

The share options outstanding at the end of the year had an exercise price of GBP 1.64 (Previous year: GBP 1.64), and a weighted average remaining contractual life of 3.16 years (Previous year: 4.16 years).

Share options granted to Advisors

	31 March 2010		31 March 2009	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		GBP		GBP
Balance at beginning of year	76,220	1.64	-	-
Granted during the year	-	-	76,220	1.64
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Balance at end of year	**76,220**	**1.64**	**76,220**	**1.64**
Exercisable at year end	**76,220**		**76,220**	

The share options outstanding at the end of the year had an exercise price of GBP 1.64 (Previous year: GBP 1.64), and a weighted average remaining contractual life of 1.16 years (Previous year: 2.16 years).

The value of the share options granted to the advisor has been measured as and when services are received from them. As the management believes that the fair value of the services received from the advisor cannot be ascertained reliably, the value of the services received from the advisor has been determined indirectly with reference to the fair value of the options granted to them.

Share options granted to Directors and Consultants

Share options were granted to the Directors and Consultants on the date of admission to the AIM) of the London Stock Exchange on 29 May 2008 and the first part (one third of the stock options i.e. 80,000 shares) have been vested on the first anniversary of the admission to AIM and approved by the directors on 21 September 2009 which are yet to be exercised by the parties for the year ended 31 March 2010. The outstanding balance and exercisable share options granted to the Directors and Consultants for the year ended 31 March 2010 were 80,000 having a weighted average price of GBP 1.64 per option. The total expense recognised in profit or loss, under 'administrative expenses', for the year ended 31 March 2010 is US$ 265,997 (Previous year: Nil).

Share Options granted to an Advisor

Share options were granted to the Advisor on the date of admission to the AIM of the London Stock Exchange on 29 May 2008 and were vested on the same day itself (being significant services being provided). The total shares vested are 76,220 which are yet to be exercised by the Advisor for the year ended 31 March 2010. The outstanding balance and exercisable share options granted to the Advisor for the year ended 31 March 2010 were 76,220 having a weighted average price of GBP 1.64 per option. The total expense recognised in profit or loss, under 'administrative expenses', for the year ended 31 March 2010 is US$ 75,306 (Previous year: Nil).

22 EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profits attributable to ordinary shareholders divided by the weighted average number of shares in issue during the period.

Calculation of basic and diluted earnings/ (loss) per share for period ending 31 March 2010 and 31 March 2009 are as follows:

	31 March 2010	31 March 2009
(Loss)/ profit attributable to shareholders of Indus Gas Limited, for basic and dilutive	(1,726,528)	1,170,285
Weighted average number of shares (used for basic (loss)/earnings per share)	182,913,924	180,157,489
Diluted weighted average number of shares (used for diluted (loss)/ earnings per share)	182,913,924	180,157,489
Basic (loss)/ earnings per share	*(0.01)*	*0.01*
Dilutive (loss)/ earnings per share	*(0.01)*	*0.01*

The Group has outstanding share options, however, those are considered anti-dilutive as the Group has incurred loss during the year.

23 RELATED PARTY TRANSACTIONS

The related parties for each of the entities in the Group have been summarised in the table below:

Nature of the relationship	Related Party's Name
I. Holding Company	Gynia Holdings Ltd.
II. Ultimate Holding Company	Multi Asset Holdings Ltd. (Holding Company of Gynia Holdings Ltd.)
III. Key management personnel ("KMP"):	Ajay Kalsi
	John Scott

Disclosure of transactions between the Group and related parties and the outstanding balances as on 31 March 2010 and 31 March 2009 is as under:

Transactions with parent and subsidiary companies

Particulars	31 March 2010	31 March 2009
Transactions during the year with the holding company		
Loan given	56,543	2,544
Shares issued	-	3,320,856
Balances at the end of the year		
Total receivables	**56,543**	**2,544**

Transactions with KMP and entities over which KMP exercise control

Particulars	31 March 2010	31 March 2009
Transactions during the year		
Remuneration to KMP		
• Short term employee benefits	376,676	380,093
• Share based payments	104,809	-
Entities over which KMP exercise control		
Remittances	26,421,188	25,538,385
Net assets transferred during the year	46,979,096	30,940,035
Loans given	-	170,000
Expenses to be reimbursed	26,685	5,130
Balances at the end of the year		
Total receivables	-	-
Total payables	67,353,666	46,893,644

Directors' remuneration

Directors' remuneration, by director, is separately disclosed in the directors' report on page 10.

24 SEGMENT REPORTING

The Chief Operating Decision Maker reviews the business as one operating segment being the extraction and production of oil and gas. Hence, no separate segment information has been furnished herewith.

The Group has not started commercial production of gas till the year ended 31 March 2010 and accordingly, the disclosure requirement on revenues from external customers in not applicable.

All of the non–current assets other than financial instruments (there are no employment benefit assets, deferred tax assets and rights arising under insurance contracts) are located in India and amounted US$ 125,736,049 (Previous year: US$ 81,407,131).

25 COMMITMENTS AND CONTINGENCIES

A summary of the contingencies and commitments existing as at 31 March 2010 and 31 March 2009 are as follows:

Nature of the contingency/ commitments	31 March 2010	31 March 2009
Group's share in the commitment for Engineering Studies and Design for surface facility, pipeline and Control System including utilities and purchase of equipment	377,778	145,442
Guarantee provided by iServices and Newbury in respect of the loans taken by Focus. In case the Group is made to pay this amount due to default by Focus, the Group will have a right to either recover this money from Focus or adjust the same against amount it owes to Focus (Indian Rupees 820 million)	-	16,162,413
	377,778	**16,307,855**

The Group has not accrued a provision for the above mentioned contingencies.

26 ACCOUNTING OF ESTIMATES AND JUDGEMENTS

In preparing Consolidated Financial Statements, Group's management is required to make judgments and estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. The judgments and estimates are based on management's best knowledge of current events and actions and actual results from those estimates may ultimately differ.

Significant judgments applied in the preparation of the Consolidated Financial Statements are as under:

Determination of functional currency of individual entities

Following the guidance under IAS 21 "The effects of changes in foreign exchange rates" the functional currency of each individual entity is determined to be the currency of the primary economic environment in which the entity operates. The management reckons that the each individual entity's functional currency reflects the transactions, events and conditions under which the entity conducts its business.

Full cost accounting for Exploration and Evaluation expenditure

The Group has followed 'full cost' approach for accounting Exploration and Evaluation expenditure against the 'successful efforts' method. As further explained in Note 6.7 and 7 above, Exploration and evaluation assets recorded using 'full cost' approach is tested for impairment prior to reclassification into Development assets on successful discovery of gas reserves.

Impairment of tangible and intangible assets

The group follows the guidance of IAS 39 and IFRS 6 to determine when a tangible or an intangible asset is impaired. This determination requires significant judgement to evaluate indicators triggering an impairment. The Group monitors internal and external indicators of impairment relating to its tangible and intangible assets. The management has assessed that no such indicators have occurred or exists as at 31 March 2010 to require impairment testing of property, plant and equipments and intangible assets.

Estimates used in the preparation of the Consolidated Financial Statements

Useful life and residual value of tangible assets

The Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. During the financial year, the directors determined that no change to the useful lives of any of the property, plant and equipment items is required.

Fair value for share-based payments

The Group measures the cost of equity-settled transactions with employees, advisors and others by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 21.

Recognition of restoration cost

As per the PSC, the Group is required to carry out certain decommissioning activities on oil wells. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing and amount of expenditure can also change, for example, in response to changes in reserves or changes in laws and regulations or their interpretation. As a result, there could be adjustments to the provisions established which would affect future financial results.

27 CAPITAL MANAGEMENT POLICIES

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital.

Net debt is calculated as total borrowings (including 'current and non current borrowings' as shown in the consolidated Statement of Financial Position). Total capital is calculated as 'equity' as shown in the consolidated Statement of Financial Position plus net debt.

Particulars	31 March 2010	31 March 2009
Net debt	82,763,268	47,275,194
Total equity	58,352,032	57,565,892
Total capital employed	141,115,300	104,841,086
Gearing ratio	59%	45%

The Group is not subject to any externally imposed capital requirements. There were no changes in the Group's approach to capital management during the year.

28 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

A summary of the Group's financial assets and liabilities by category are mentioned in the table below:

The carrying amounts of the Group's financial assets and liabilities as recognised at the date of the Statement of Financial Position of the reporting periods under review may also be categorised as follows:

Particulars	31 March 2010	31 March 2009
Non-current assets		
Loans and receivables		
- Security deposits	9,643	9,092
Current assets		
Loans and receivables		
- Related party receivables	56,543	2,544
- Cash and cash equivalents	220,724	20,308,583
- Short term investments	8,538,802	-
Non current liabilities		
Financial liabilities measured at amortised cost:		
- Provisions for decommissioning	369,809	273,264
- Finance lease obligations- non current	99,289	156,692
- Long term debt	14,815,524	-
- Payable to related parties – non current	42,600,000	-
Current liabilities		
Financial liabilities measured at amortised cost:		
- Payable to related parties	24,753,666	46,709,224
- Finance lease obligations (current portion)	75,270	90,404
- Accrued expenses and other liability	49,710	45,610

Risk management objectives and policies

The Group finances its operations through a mixture of retained earnings, loans from banks and related parties and equity. Finance requirements such as equity, debt and project finance are reviewed by the board when funds are required for acquisition, exploration and development of projects.

The Group treasury functions are responsible for managing fund requirements and investments which includes banking and cash flow management. Interest and foreign exchange exposure are key functions of treasury management to ensure adequate liquidity at all times to meet cash requirements.

The Group's principal financial instruments are cash held with banks and financial liabilities to banks and related parties and these instruments are for the purpose of meeting its requirements for operations. The Group's main risks arising from financial instruments are foreign currency risk, liquidity risk, commodity price risk and credit risks. Set out below are policies that are used to manage such risks:

Foreign currency risk

The group reports in US$ and the majority of its business is conducted in US$. All revenues from oil sales is intended to be received in US$ and substantial costs are incurred in US$. No forward exchange contracts were entered into during the year.

Currency exposures

Entities within the Group conducts majority of their transactions in their functional currency. Other than a US$ 15,000,000 loan taken by Indus Gas and finance lease obligation balance which is maintained in Indian Rupees all other monetary assets and liabilities are denominated in functional currencies of the respective entities. The currency exposure on account of liability which are denominated in a currency other than the functional currency of the entities of the Group as at 31 March 2010 and 31 March 2009 is as follows:

Functional currency	Foreign currency	31 March 2010	31 March 2009
GBP	US$	14,815,524	-
US$	Indian rupee	174,559	247,096

The Group's sensitivity to a 2.5% increase and decrease in the US$ against GBP is a respective decrease and increase in profit and loss by US$ 396,552. However there would no impact on equity balance. 2.5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The Group's currency exposure risk towards Indian Rupee is negligible due to the insignificant currency balance exposed to such risk.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Since majority of the payables of the Group are to parties under common control or on which significant influence can be exercised, the liquidity risk on these outstanding balances is negligible. Further table of 'Financing Facilities' below sets out details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

31 March 2010	On demand	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
Non - interest bearing	59,102	14,439	414,344	-	-	487,885
Finance lease liability	-	26,229	71,221	111,968	-	209,418
Variable interest rate instruments	24,300,082	-	-	11,237,579	7,573,896	43,111,557
Fixed interest rate instruments	-	-	-	-	70,502,816	70,502,816
	24,359,184	**40,668**	**485,565**	**11,349,547**	**78,076,712**	**114,311,676**

31 March 2009	On demand	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
Non - interest bearing	195,785	32,167	7,068	177,607	-	412,627
Finance lease liability	-	40,258	80,782	187,961	-	309,001
Variable interest rate instruments	-	-	-	46,709,224	-	46,709,224
	195,785	**72,425**	**87,850**	**47,074,792**	-	**47,430,852**

Financing facilities

Particulars	31 March 2010	31 March 2009
Bank loan facilities with various maturity dates through to 2018		
- amount used	15,000,000	—
- amount unused	95,000,000	—
	110,000,000	—

Interest rate risk

The Group's policy is to minimise interest rate risk exposures on long-term financing. Longer-term borrowings are therefore usually at fixed rates. Borrowing from Focus is divided between short term and long term. While long term is fixed at 6.5 percent, the interest rate on short term portion is linked to actual interest incurred by Focus capped between 6.5 percent and 10 percent. Therefore, borrowing from Focus doesn't expose the Group to any significant risk from changes in interest rate. Short term investments of the Group are also at fixed interest rate and therefore, don't expose the Group to risk from changes in interest rate. At 31 March 2010, the Group is exposed to changes in market interest rates through bank borrowings at variable interest rates. Interest rate on bank borrowing is 5 percent plus LIBOR.

The Group's interest rate exposures are concentrated in US$.

The analysis below illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates. The analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. All other variables are held constant.

	Interest rate	
	+ 0.50%	- 0.50%
31 March 2010	80,800	(80,800)
31 March 2009	-	-

Since the loans are taken specifically for the purpose of exploration and evaluation activities and according to the Group's policy is capitalised to the cost of the asset and hence doesn't have any immediate adverse impact on profit or loss.

Commodity price risks

The Group's share of production of crude oil from the Block is intended to be sold to GAIL India Limited. The price has been agreed for the current agreement and the same would be reviewed periodically and reassessed mutually by the parties. No commodity price hedging contracts have been entered into.

Credit risk

Currently the Group is in the pre-revenue generative stage and hence is not exposed to any risk on account of credit sales. The Group has made short term deposits of surplus funds available with banks and financial institutions of good credit repute and therefore, doesn't consider the credit risk to be significant. Other receivables on account security deposits and balance placed as advance with related parties, the cumulative balance of which is trivial and does not expose the Group to a significant credit risk.

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Executive Director, CEO

John Scott
Executive Director, CFO

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