Regulatory Story

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Company	Indus Gas Limited
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Indus Gas Limited
20 September 2012

20th September 2012

Indus Gas Limited
("Indus" or "the Company")

Preliminary Results

Indus Gas Limited (AIM:INDI.L), an oil & gas exploration, development and production company with assets in India, is

pleased to report its full year results for the 12 months to 31 March 2012.

Highlights

SGL Field Development

- Consistent gas production during the year with production from the Block totalling 2,223 mmscf during the year.
- Successful drilling of new development wells with good gas shows. Sufficient number of development wells has been drilled & completed to meet gas supply requirement of 33.5 mmcf/d (net of Co^2) under Phase II of the sale agreement signed with GAIL.
- Successful completion of the new 'Gas Gathering Station (GGS)' with CO^2 removal facility with daily production capacity of approximately 65 mmcf/d gas.
- GAIL has been notified of its "take or pay" obligation in respect of Phase II gas supplies under the GSPA. With the commencement of this Phase II, the price of the gas also will increase from US$ 4.11 per mmbtu to US$ 5 per mmbtu.

On-going negotiation for supply of additional 28 mmscfd (net of CO^2) to state owned power company (RRVUNL) through GAIL in advanced stages. RRVUNL has already ordered the turbine for additional 160 MW capacity following requisite approvals for this expansion.

Operational (Cumulative as on 31st March 2012)

- Acquired, processed and interpreted 1,371 km^2 of 3D seismic data as on 31 March 2012, with additional 174 km^2 of 3D seismic data acquired between April-July 2012.
- Acquired, processed and interpreted 1,037 line km of 2D seismic data.
- Drilled a total of 29 wells totalling 100,020 meters.

Financial

- Consolidated revenues, operating profits & profit before tax of respectively US$6.76m, US$3.98m and US$3.13m for the year. Provision of notional deferred tax liability of US$1.78m as per IFRS requirements. Given the Company's carried forward capital depreciation allowances management believe this is not likely to be payable for many years if at

all.

- Total net cash investment of US$68.83m during the year in respect of appraisal and development of the Block. Partly financed from drawdowns of US$52.39m from US$110m debt facility and renewed existing related party loan of US$25.27m during the year.

- Repayment of term loan facility commenced in respect of US$110m debt facility sanctioned earlier - total repayment of US$11.79m of principle and payment of interest of US$4.77m during the year.

- Sanction of a new debt facility of US$40m by existing lenders. The facility has been fully utilized post year ending 31 March 2012.

Commenting, Marc Holtzman, Chairman of Indus, said:

"The Company has experienced significant success over the last year, with good production and successful drilling of production and appraisal wells. As on date the Company has also installed the enhanced production facilities and is now looking forward for the next phase of production. This places Indus in a solid position to increase revenues and move further to exploit the Block's resources. We will continue to focus on growing production and revenues, while also exploring the additional potential of the Block in order to retain as much area as possible as the appraisal period draws to a close. The Company will also be looking to further monetisation of its gas assets."

In accordance with AIM Guidelines, Paul Fink, Technical Consultant, a Geophysicist who holds an engineering degree from the Mining University of Leoben, Austria and has 20 years of industry experience is the qualified person that has reviewed the technical information contained in this press release.

For further information please contact:

Indus Gas Limited

John Scott	CFO	+44 (0)20 7877 0022

Arden Partners plc

Richard Day +44 (0)20 7614 5917

Adrian Trimmings

Pelham PR

Philip Dennis +44 (0)20 7861 3919

Elena Dobson +44 (0) 20 7861 3147

Background Information

Indus Gas Limited ("Indus") is focused exclusively on oil and gas exploration and development in Rajasthan, India in Block RJ-ON/6. Indus owns 90% participating interest in the Block (excluding SGL gas field, in respect of which its participating interest has been 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 currently measures an area of 4,026 km² and lies onshore in the highly prospective mid Indus Basin. The first discovery in the block was made in 2006 and the first commercial production commenced in 2010. As per the reserve estimation report by Senergy Plc, a UK based reserves engineer, in November 2010, the 2P recoverable reserves, 2C contingent & best estimate prospective resources in the block are in excess of 4 tcf of gas.

RESULTS STATEMENT

Introduction

During the year 2011-12, the main focus of the company has been to complete the SGL Field Development. The Company has substantially completed the SGL Field Development, including installation of the required gas production facilities and drilling of a large number of production wells to deliver contracted quantities of gas. This will expand the revenues of the Company in a significant manner and will provide financing for further appraisal investments. It will also meet repayment obligations under the contracted debt facilities.

Further, in view of requirement to complete the appraisal activities under the PSC in a timely manner, the Company has focused on drilling appraisal wells to maximize the potential development area to be retained out of the current 4,026 km^2 discovery area. The Company has drilled several new wells and tested previously drilled wells in addition to drilling new prospects to meet this requirement.

The gas market scenario in India is undergoing a significant change. Due to supply shortages from the largest producing field in the KG basin, India had to import a large quantity of gas on prices much higher than domestic prices. The domestic gas producers are increasingly looking for price parity with imported gas. Looking into the energy scarcity in the country and huge amount of locked investment in gas based industries like power; the price of domestic gas is expected to increase sharply over the medium to long term. In the short term also, some correction in the average gas prices realized by the Company may be possible.

A summary of the Company's activities since April 2011 is outlined below:

SGL Field Development

During the year, a total quantity of 2,223 mmscf of gas was produced from the field and supplied to GAIL. There were no major breakdowns, and all parties met their respective obligations under the 'Take or Pay' agreement with respect to Phase I of contracted gas supply of approximately 7 mmcf/d. This gas has been supplied without CO^2 removal and GAIL pays a price of US$ 4.11 per mmbtu for the Phase I gas supplies.
As per the gas sale contract signed with GAIL, the daily gas supply quantities were to be enhanced to around 33.5 mmcf, for which the Company needed to install a large gas gathering station and processing plant consisting of CO^2 removal facilities. As per the agreement, the price of gas is to be revised to US$ 5 per mmbtu once this second phase (Phase II) commences.

While this Phase II gas production was originally scheduled to commence from April 2011, this was delayed due to certain technical issues in plant design, fabrication and delays on the part of one of the key suppliers of gas processing plant. The Company has utilized this period to increase the capacity of the gas processing plant so that similar delays are not experienced in future. Now the Company has completed the Phase II production facilities and is fully geared up to expand the sales gas quantity from 7 mmcf/d (without CO^2 removal) to 33.5 mmscf/d (net of CO^2).

For implementation of this Phase II, the required "Gas Gathering Station" (GGS), including the gas processing plant, the CO^2 removal plant and other equipment has been successfully installed. Sufficient number of production wells have been drilled and completed and are now ready for production to meet the contracted requirements of Phase II. We understand that the final gas consumer, RRVUNL is in the final stages of implementation of its power plant expansion, and the enhanced gas supply is expected to start from Q4' 2012. GAIL has been notified of its contracted "take or pay" obligation, agreed in the gas sales agreement, and we believe that GAIL will commence "take or pay" payment shortly upon successful testing of Phase II facilities. GAIL/RRUVNL has already inspected the new facilities and the respective parties are making arrangement to commission and test Phase II at the earliest.

As part of future gas development, the Company has also made further advances in the negotiations with GAIL/RRVUNL for supply of an additional 28 mmscfd gas for a new 160 MW power plant proposed to be set up in Ramgarh, alongside the existing power generation capacity of 270 MW. The ultimate gas buyer, RRVUNL has already placed order for the power plant in anticipation of signing a gas sales contract with the Company.

Drilling, Seismic and Completion Operations

Operational activities over the last year have largely followed Company's multiple objectives, in the following order of priority:

a) drilling and completion of production wells for SGL Field Development as planned to meet gas sale contractual requirements;

b) appraisal drilling covering as large an area as possible to be able to retain the maximum potential area as development area upon completion of appraisal phase in early 2013 under the Production Sharing Contract;

c) testing various wells previously drilled, where gas shows were encountered to enable the company to increase its reserve base; and

d) test tight gas recovery potential in addition to conventional gas discovered in the Pariwar and B&B formation.

During the year, the Company has been acquiring, in phases, significant amounts of new seismic data, giving more clarity on the Block potential and providing it with additional drilling prospects. Some of these new prospects have been drilled/under

drilling and a few more are proposed to be drilled. Some of the existing zones, which had earlier shown encouraging results, have been further drilled and tested. A good number of gas shows have been encountered during the year.

As the Company has materially expanded its operation, the company has installed a central camp & warehousing facility in the Block, and all its logistics are now channelized through this base camp. This has resulted in increased operational efficiencies, lesser wastage and enhanced control on both the utilisation as well as availability of critical resources. The time for drilling a well has now reduced significantly. This has also brought in efficiency in terms of manpower cost, energy costs and to some extent on the overheads. With the reduced time required for drilling achieved through efficient rig utilisation, the Company is well positioned to drill extensively in the next year and appraise the maximum area in the block.

The details of the wells, which were either drilled or on which additional activities include the following:

SGL-P1 (3,505m) Gas Producer (Pariwar)

Production well - SGL-P1 (formerly called SGL-P3) was drilled in an optimal position on the crest of the SGL field structure and was the first location selected for ongoing development of the SGL Field. The well was terminated in the Pariwar Formation at 3,505 meters, cased, completed & tested and is ready to produce gas from the main 'P10' reservoir zone.

SGL-D2 (3,211m) Gas Producer (Pariwar)

Production well - SGL-D2 has been drilled on the western flank of the SGL field area, potentially within a separate fault-compartment to the other SGL wells. The well was terminated in the Pariwar Formation at 3,211 meters, cased, completed & tested and is ready to produce gas from the main 'P10' reservoir zone.

SGL-5 (3,340m) Gas Producer (Pariwar)

Production well - SGL-5 has been drilled in the northern-most part of the SGL field area. The well was terminated in the Pariwar Formation at 3,340 meters, cased, completed & tested and is ready to produce gas from the main 'P10' reservoir zone.

SGL-6 (3,325m) Gas shows (Pariwar)

Production well SGL-6 encountered good gas shows within the target Pariwar reservoir zone. The well was terminated at 3,325 meters, cased and perforated for production from the Key 'P10' reservoir zone with a 3 metre perforation interval (3,139-3,142m). In spite of good drilling and wireline log gas shows, as seen in other nearby wells on the SGL Field that flows successfully, this well has not flowed in line with other production wells drilled so far. This appears to indicate a mechanical/completion failure and further testing and assessment is ongoing currently.

SGL-7 (3,230m) Gas Producer (Pariwar)

Production well SGL-7 encountered a pronounced clean sand interval within the main target zone of the Pariwar Formation with strong

drilling and wire line log gas shows. The well was terminated at 3,230 meters, cased, completed & tested and is ready to produce gas from the main 'P10' reservoir zone.

SGL-8 (3,215m) Gas Producer (Pariwar)

Production well SGL-8 encountered gas shows within the target Pariwar reservoir zones. The well was terminated at 3,215 meter, cased, completed & tested and is ready to produce gas from the main 'P10' reservoir zone.

Southern Comfort-1 (4,478m) Gas Shows (Pariwar / B&B)

Appraisal well - Southern Comfort-1 located in the extreme south area of RJ-ON/6 Block was drilled to 4,478 meters and cased/completed. The well successfully recovered gas to surface during open-hole testing of the Pariwar formation, but testing complications arising due to sand production meant that this zone could not be fully evaluated. B&B formation with good gas shows is awaiting further testing and evaluation in this well. The Company also plans to drill another well nearby to re-evaluate Pariwar formation potential.

SX-2 (3,390m) Gas Shows (Pariwar)

Appraisal well SX-2 is located in the extreme south-western area of RJ-ON/6 Block and was drilled with the initial primary objective of testing the extent of over pressured gas within B&B Formation reservoir target zones. During drilling, the well encountered significant gas shows in the Pariwar Formation (secondary) reservoir target zone which successfully flowed gas to surface during DST. Accordingly, drilling was terminated at 3,390 meters to Pariwar Formation and the well was cased for further assessment. However, subsequent tests were inconclusive, probably as a result of mechanical/completion issues. The well is currently undergoing further assessment.

SU-1 (3,885m) Gas Shows (Pariwar / B&B)

The primary aim of appraisal well SU-1 was to assess the presence of over-pressured gas within the lower B&B Formation in the extreme Southern parts of Block RJ-ON/6 which were encountered in nearby wells INDIAN SHINGLI-1 and SOUTHERN COMFORT-1. The well is currently drilling into the B&B Formation at the time of writing with gas shows in the Lower B&B and within the Pariwar 'P10' reservoir zone highlighted for further assessment in due course.

The results of both appraisal as well as production drilling have been extremely encouraging, particularly at Pariwar formation across the entire South Western area of the RJ-ON/6 Block. Partly due to this success and partly due to requirement of drilling large number of production wells to meet contractual requirements of gas sales, the Company has not been able to focus much on the B&B formation or tight gas potential. With the appraisal period coming to end in early 2013, the company will have to further delay drilling targeted at B&B formation and tight gas to late 2013 and beyond, as the immediate focus will continue to be on drilling as many appraisal wells, covering as large an area as possible, so that the company can retain the maximum potential area as a development area. Upon conclusion of the appraisal period in 2013, the Company will submit an integrated development plan based on accumulated reserves from various wells/fields.

Based on the operational activities till date, the Company has initiated a new reserve report to establish additional reserves/resources. The reserve report is expected to be published later in the year.

Financials

During the financial year, the Company has sold 2,223 mmscf of gas (without CO2 removal) and invoiced revenues of US$6.76m, resulting in an operating profit of US$3.98m. The profit before tax was US$3.13m after considering foreign exchange gain of US$0.10m and interest cost of US$0.95m.

While, the Company is not expected to pay any significant taxes on its income for many years in view of 100% depreciation allowed under Indian income tax act on the capital expenses in the Block, the Company has accrued a notional non-cash deferred tax liability of US$1.78m as per IFRS requirements.

Post this deferred tax liability provision, the net profit for the year was US$1.36m.

The exploration and evaluation assets have increased by US$26.89m to US$41m. The development assets and other tangible plant and machinery have increased by US$39.05m after considering an amortisation of US$1.91m for the year.

The current assets (excluding cash) as on 31 March 2012 stood at US$8.99m, which includes US$7.9m of inventory and US$0.80m of trade receivables. The current liabilities of the Company, excluding the related party liability of US$49.40m and current portion of long term debt of US$15.42m, stood at US$2.71m. This comprised mainly of deferred revenue of US$2.43m and accrued expenses and liabilities of US$0.26m.
As on 31 March, the outstanding term loan of the Company was US$96.87m, out of which US$15.42 was categorised as short term (repayable within a year) and the remaining US$81.46m has been categorised as long term liability. This liability is part of a US$110m term loan facility, against which, the company utilized US$52.41m during the year availing almost the entire sanctioned amount of US$110m. As per agreed terms, the repayment of the facility also commenced from August 2011 and company repaid an amount of US$11.79m as per the scheduled repayment plan.

In view of delay in implementation of phase II, the repayment obligation was met primarily through continued financial support from a related company (which has a majority shareholding in the Company). Accordingly, the amount payable to related parties have increased by US$20.77m from US$81.17m in F.Y 2010-2011 to US$101.94m in F.Y 2012. As on 31 March 2012, the current portion of related party payable is US$49.40m whereas the non-current portion is US$52.54m. The non-current portion accrues an interest @6.5% per annum, is subordinated to the bank term loan and is repayable (both interest and principle) only after the entire term loan availed from the bank lenders have been paid off.

In addition to initial US$110m term debt facility, the Company received sanction for an additional term debt facility of US$40m from the existing lenders to enable the company to repay part of the short term loan to the related party and meet additional capital investment requirements during FY 2012-13. The facility carries interest rate of 3 month LIBOR + 4.25% till six months from confirmation of achievement of Phase II production of 33.5 mmcf/d and 3 month LIBOR + 4.00% thereafter. The loan is to be repaid in 28 quarterly instalment of US$0.40m each commencing from June 2012 and 8 quarterly instalments of US$3.60m each commencing from June 2019, with entire facility scheduled to be repaid by March 2021. The documentation of this facility was signed on 1st March 2012 and the facility was completely drawn before June 2012.

The Company expects to meet its capital investment requirements during FY 2012-13, primarily from loans and revenues from gas sales. The Company also expects to be able to contract additional debt financing from banks/institutions after establishment of additional reserves, contracting additional gas supplies and commencement of Phase II production to meet long term capital requirements beyond 2012-13.

Outlook

During the next twelve months, we look forward to continued extensive appraisal drilling and testing campaign to be able to establish maximum potential development area and additional reserves. This will be critical from the perspective of retaining as much prospective area of the Block as possible after the appraisal period end in early 2013. It is intended that the Company will receive a new reserve report by end of 2012.

Based on the outcome of the new reserve report and further appraisal drilling, we will consider various development options to be able to exploit gas resources in an integrated manner with an eye to maximize gas sales revenues considering Indian gas market dynamics, which are changing rapidly and hopefully in the direction of better market prices.

Independent Auditor's Report to the Members of Indus Gas Limited

We have audited the consolidated financial statements of Indus Gas Limited (the 'Company') for the year ended 31 March 2012 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 adopted by the European Union (EU).

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 members 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 members 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 and express an opinion on 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; 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

19 September 2012

Consolidated Statement of Financial Position

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

		31 March 2012	31 March 2011
ASSETS			
Non-current assets			
Intangible assets: exploration and evaluation assets	**6**	40,997,873	14,110,885
Property, plant and equipment	**7**	212,407,163	173,356,791
Deferred tax assets (net)	**8**	-	618
Other assets		885	11,149
Total non-current assets		**253,405,921**	**187,479,443**
Current assets			
Inventories	**10**	7,949,584	6,439,619
Trade receivables		796,047	1,172,052
Current tax assets		114,322	35,639
Other current assets	**11**	126,546	746,501
Cash and cash equivalents	**12**	248,246	2,252,815
Total current assets		**9,234,745**	**10,646,626**
Total assets		**262,640,666**	**198,126,069**
LIABILITIES AND EQUITY			
Shareholders' equity			
Share capital	**13**	3,618,472	3,618,472
Additional paid-in capital	**13**	46,501,666	46,501,666
Currency translation reserve		(9,313,781)	(9,313,781)
Merger reserve		19,570,288	19,570,288
Share option reserve	**21**	398,569	386,381
Accumulated losses		(2,184,754)	(3,541,234)
Total shareholders' equity		**58,590,460**	**57,221,792**
Liabilities			

		31 March 2012	31 March 2011
Non-current liabilities			
Long term debt from banks, excluding current portion	**14**	81,457,230	45,089,825
Provision for decommissioning	**15**	745,651	501,392
Finance lease obligations, excluding current portion	**16**	3,100	31,222
Deferred tax liabilities (net)	**8**	1,775,857	-
Payable to related parties, excluding current portion	**17**	52,540,536	45,369,000
Total non-current liabilities		**136,522,374**	**90,991,439**
Current liabilities			
Current portion of long term debt from banks	**14**	15,415,367	11,835,959
Current portion of finance lease obligations	**16**	23,014	68,126
Current portion payable to related parties	**17**	49,402,804	35,801,031
Accrued expenses and other liabilities		257,602	93,050
Deferred revenue		2,429,045	2,114,672
Total current liabilities		**67,527,832**	**49,912,838**
Total liabilities		**204,050,206**	**140,904,277**
Total equity and liabilities		**262,640,666**	**198,126,069**

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

These consolidated financial statements were approved and authorised for issue by the board on 19th September 2012 and was signed on its behalf by:

John Scott
Director

Consolidated Statement of Comprehensive Income

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

	Note	Year ended 31 March 2012	Year ended 31 March 2011
Revenues		6,762,763	2,187,649
Cost of sales		(1,052,416)	(518,515)
Gross profit		**5,710,347**	**1,669,134**
Cost and expenses			
Administrative expenses		(1,732,573)	(1,578,364)
Income from operations		**3,977,775**	**90,770**
Foreign currency exchange gain/(loss)	**19**	101,414	(1,346,582)
Interest expense		(946,284)	(1,183,161)
Interest income		50	21,846
Profit/(loss) before tax		**3,132,954**	**(2,417,127)**
Income taxes	**9**		
- Deferred tax (expense)/credit		(1,776,474)	618
Profit/(loss) for the year (attributable to the shareholders of the company)		**1,356,480**	**(2,416,509)**
Other comprehensive income			
Currency translation adjustment		-	1,241,191
Total comprehensive income/(loss) for the year (attributable to the shareholders of the company)		**1,356,480**	**(1,175,318)**

Earnings/(loss) per share

Basic	**22**	*0.01*	*(0.01)*
Diluted		*0.01*	*(0.01)*
Par value of each share in 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 losses	Total shareholders' equity
	No. of shares	**Amount**						
Balance as at 1 April 2010	**182,913,924**	**3,618,472**	**46,501,666**	**(10,554,972)**	**19,570,288**	**341,303**	**(1,124,725)**	**58,352,032**
Share based payment transactions	-	-	-	-	-	45,078	-	**45,078**
Transactions with owners	-	-	-	-	-	*45,078*	-	***45,078***
Loss for the year	-	-	-	-	-	-	(2,416,509)	**(2,416,509)**
Other comprehensive income:								
Currency translation adjustment	-	-	-	1,241,191	-	-	-	**1,241,191**
Total comprehensive income/ (loss) for the year	-	-	-	*1,241,191*	-	-	*(2,416,509)*	***(1,175,318)***
Balance as at 31 March 2011	**182,913,924**	**3,618,472**	**46,501,666**	**(9,313,781)**	**19,570,288**	**386,381**	**(3,541,234)**	**57,221,792**
Share based payment transactions	-	-	-	-	-	12,188	-	12,188
Transaction with owners	-	-	-	-	-	*12,188*	**-**	*12,188*
Profit for the year	-	-	-	-	-	-	1,356,480	1,356,480
Total comprehensive income for the year	-	-	-	-	-	-	*1,356,480*	**-**
Balance as at 31 March 2012	**182,913,924**	**3,618,472**	**46,501,666**	**(9,313,781)**	**19,570,288**	**398,569**	**(2,184,754)**	**58,590,460**

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

Consolidated Statement of Cash Flow

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

	Year ended 31 March 2012	**Year ended 31 March 2011**
Cash flow from operating activities		
Profit/(loss) before tax	3,132,954	(2,417,127)
Adjustments		
Unrealised exchange loss	3,268	1,283,713
Interest income	(50)	(21,846)
Interest expense	946,284	1,183,161
Share based payment	12,188	45,078
Depreciation	484,055	156,168
Changes in operating assets and liabilities		
Inventories	(1,509,965)	(1,102,087)
Payable to related party- operating activities	1,892,333	1,735,628
Trade receivables	376,005	(1,172,052)
Deferred revenue	314,372	2,114,672
Other current and non-current assets	(8,260)	516,663

Accrued expenses and other liabilities	158,506	41,898
Cash generated from operations	5,801,690	2,363,869
Income taxes paid	(78,680)	-
Net cash generated from operating activities	**5,723,010**	**2,363,869**
Cash flow from investing activities		
Investment in exploration and evaluation assets **A**	(24,100,129)	51,423,352
Purchase of property, plant and equipment **A**	(44,727,688)	(116,386,152)
Maturity of short term investments	-	8,831,712
Interest received	50	21,846
Net cash used in investing activities	**(68,827,750)**	**(56,109,242)**
Cash flow from financing activities		
Repayment of long term debt from banks	(11,790,000)	-
Proceeds from loans by related parties	25,269,213	15,196,962
Proceeds from long term debt from banks	52,385,604	42,823,156
Payment of interest	(4,767,424)	(1,183,161)
Net cash generated from financing activities	**61,097,393**	**56,836,957**
Net (decrease)/increase in cash and cash equivalents	**(2,007,347)**	**3,091,584**

Cash and cash equivalents at the beginning of the year	2,252,815	220,724
Effects of exchange differences on cash and cash equivalents	2,778	(1,059,493)
Cash and cash equivalents at the end of the year	**248,246**	**2,252,815**

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

A The movement of property, plant and equipment above, excludes the non cash transfer from exploration and evaluation assets during the year, as explained in Note 6.

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 Ltd. ("iServices") and Newbury Oil Co. 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.

Focus Energy Limited ("Focus"), an entity incorporated in India, 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 for petroleum exploration and development concession in India known as RJ-ON/06 ("the Block"). Focus is the Operator of the Block. On 13 January 2006, iServices and Newbury entered into an interest sharing agreement with Focus and obtained a 65 per cent and 25 per cent share respectively in the Block. Consequent to this, the Group acquired an aggregate of 90 per cent participating interest in the Block and the balance 10 per cent of participating interest is owned by Focus. 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 endorsed by the European Union ('EU'). The consolidated financial statements have been prepared on a going concern basis, and are presented in United States Dollar (US$). The functional currency of the Company as well as its subsidiaries is US$.

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, the GOI, through ONGC has an option to acquire a 30 per cent participating interest in any discovered field, upon such successful discovery of oil or gas reserves, which has been declared as commercially feasible to develop.

Subsequent to the declaration of commercial discovery in SGL field on 21 January 2008, ONGC on 6 June 2008 had exercised the option to acquire a 30 per cent participating interest in the discovered fields.

On exercise of this option, ONGC is liable to pay its share of 30 per cent of the SGL field development costs and production costs incurred after 21 January 2008 and are entitled to a 30 per cent share in the production of gas subject to recovery of Contract costs as explained below.

The allocation of the production from the field to each participant in any year is determined on the basis of the respective proportion of each such participant's

cumulative unrecovered Contract Costs as at the end of the previous year or where there are no unrecovered contract cost at the end of previous year on the basis of participating interest of each such participant in the field.

On the basis of above, gas production of the year ended 31 March 2012 is shared between Focus, iServices and Newbury in the ratio of 10 percent, 65 percent and 25 percent, respectively.

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 2012	**31 March 2011**
Non-current assets	253,405,037	187,467,676
Current assets	7,949,854	6,439,619
Non-current liabilities	10,745,651	45,901,614
Current liabilities	49,425,818	19,998,780
Expenses (net of finance income)	1,537,740	429,383
Commitments	15,660,379	20,923,564

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. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT EFFECTIVE AND YET TO BE APPLIED BY THE GROUP

Summarised in the paragraphs below are standards, interpretations or amendments that have been issued until 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.

(I) Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements and which have not been endorsed by the European Union is provided below:

IFRS 9 Financial Instruments *(Issued November 2009) (Effective from 1 January 2015 (but under exposure draft)*

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 2015. 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.

Amendment *(issued 28 October 2010) (Effective from 1 January 2015 (but under exposure draft))*
In October 2010, the IASB amended IFRS 9 to incorporate requirements for classifying and measuring financial liabilities and derecognising financial assets and financial liabilities. Most of IAS 39's requirements have been carried forward unchanged to IFRS 9. Changes have however been made to address issues related to own credit risk where an entity takes the option to measure financial liabilities at fair value.

IFRS 10 Consolidated financial statements *(Issued May 2011) (Effective from 1 January 2013)*
IFRS 10 introduces a revised definition of control together with accompanying guidance on how to apply it. In contrast to IAS 27 and SIC-12, which resulted in different criteria for determining control being applied to special purpose vehicles, IFRS 10's requirements will apply to all types of potential subsidiaries.
Though the standard is applicable to the Group the changes in the new standard from the last version are not likely to have an effect on the Group.

IFRS 11 Joint Agreements *(Issued May 2011) (Effective from 1 January 2013)*
IFRS 11 supersedes IAS 31 *Interests in Joint Ventures*. It replaces IAS 31's three categories of 'jointly controlled entities', 'jointly controlled operations' and 'jointly controlled assets' with two new categories - 'joint operations' and 'joint ventures'. The option of using proportionate consolidation for jointly controlled entities that was previously included in IAS 31 has been eliminated (equity accounting is now required for all joint ventures). Though the standard is applicable to the Group the changes in the new standard from the last version are not likely to have an effect on the Group.

IFRS 12 Disclosure of Interests in Other Entities *(Issued May 2011) (Effective from 1 January 2013)*
The new standard integrates and makes consistent the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. The new standard is intended to provide transparency about the risks to which a reporting entity is exposed from its involvement with structured entities. The Group will be required to make additional disclosures as suggested by this new standard.

IFRS 13 Fair Value Measurement *(Issued May 2011) (Effective from 1 January 2013)*
The new IFRS does not affect which items are required to be 'fair-valued', but specifies how an entity should measure fair value and disclose fair value information. IFRS 13 has been developed to remedy this problem, by establishing a single source of guidance for all fair value measurements, clarifying the definition of fair value and related guidance and enhancing disclosures about fair value measurements (new disclosures increase transparency about fair value measurements, including the valuation techniques and inputs used to measure fair value).
The guidance in the standard would impact how the Group would fair value its financial instruments and give disclosures that are required by this standard, however considering the transactions in the Group, this standard is not likely to have an impact on the Group.

Consequential amendments to IAS 27 Consolidated and Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures *(Issued May 2011) (Effective from 1 January 2013)*
IAS 27 now only deals with separate financial statements. IAS 28 brings investments in joint ventures into its scope. However, IAS 28's equity accounting methodology remains unchanged.
The Group's management has yet to assess the impact of these new and revised standards on the Group's consolidated financial statements, however these are not likely to have an impact on the consolidated financial statements of the Group.

5. SUMMARY OF ACCOUNTING POLICIES

The consolidated financial statements have been prepared on a historical basis, except where specified below. A summary of the significant accounting policies applied in the preparation of the accompanying consolidated financial statements are detailed below:

5.1. BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the parent company and all of its subsidiary undertakings drawn up to 31 March 2012. 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 losses 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.

5.2. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In preparing consolidated financial statements, Group's management is required to make judgements, 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 and recognition of provision of decommissioning represent certain particularly sensitive estimates. The estimates and underlying assumptions are reviewed on an on-going 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. Information about significant judgements, estimates and assumptions that

have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided in note 26 below.

5.3. 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). Functional currency is the currency of the primary economic environment in which the entity operates. 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 in the profit or loss for the year.

Non-monetary items measured at historical cost are recorded in the functional currency of the entity using the exchange rates at the date of the transaction.

The Company has changed its functional currency from GBP to US$ during the previous year. This change was accounted for prospectively, accordingly relevant assets and liabilities in the Company have been translated into US$, which is also the Group's presentation currency at the date of change in the functional currency. Income and expenses have been translated into US$ at the average rate over the related period. Exchange differences on this change are charged/ credited to the currency translation reserve in equity.

5.4. REVENUE RECOGNITION

Revenue from sale of natural gas and condensate production (a by- product) is recognised when the significant risks and rewards of ownership have been transferred, which is when title passes to the customer. This generally occurs when product is physically transferred into a vessel, pipe or other delivery mechanism.

Revenue is stated after deducting sales taxes, excise duties and similar levies.

Per the 'Take-or-Pay' agreement, GAIL (India) Limited ('GAIL' or the 'customer') is committed towards taking a certain minimum quantity of gas and paying for any related shortfall. The Group's entitlement to receive revenue for any shortfall is recorded as trade receivables with a corresponding credit to deferred revenue. Until the expiry of the contracted period, the Group continues to have an obligation to deliver the deficit to GAIL. Revenue for the deficit quantity would be recognised at the earlier of delivery of physical quantity towards the deficit to GAIL or at the expiry of the contract period.

5.5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprises of Development assets and other properties, plant and equipment used in the gas fields and for administrative purposes. These assets are stated at cost plus decommissioning 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 5.6below. As consistent with the full cost method, all exploration and evaluation expenditure incurred till the date of the 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 the 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.

Production 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 consolidated 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'.

5.6. 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. Where technical feasibility and commercial viability is demonstrated, the carrying value of the relevant exploration and evaluation asset is reclassified as a development and production assets and any impairment loss recognised.

5.7. IMPAIRMENT TESTING FOR EXPLORATION AND EVALUATION ASSETS AND PROPERTY, PLANT AND EQUIPMENT

An impairment loss is recognised for the amount by which an 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 an item of 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 recoverable amount 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 re-valued amount, in which case the reversal is treated as a revaluation increase.

5.8. 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 subsequently carried at amortised cost using the effective interest method, less provision for impairment. Gains and losses are recognised in profit or loss 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 have been affected.

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

5.9. 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 less 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.

5.10. 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 the first in first out method. The cost for drilling bits is computed based on specific identification method.

5.11. 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 that change occurs.

In addition where the effect of a modification leads to an increase in the fair value of the options granted, such increase will be accounted for as an expense immediately or over the period of the respective grant.

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.

5.12. 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.

Deferred income taxes are calculated using the balance sheet method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the financial statement with their 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 profit or loss of the year, except where they relate to items that are charged or credited directly to other comprehensive income or equity in which case the related deferred tax is also charged or credited directly to other comprehensive income or equity.

5.13. 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.

5.14. CASH AND CASH EQUIVALENTS

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

5.15. 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 profit or loss of the year.

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

Where the lease payments in respect of operating leases are made for exploration and evaluation activities or development and production activities, these are capitalized as part of the cost of these assets.

5.16. 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 recognized in 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 provisions representing management's best estimate of the Group's liability for restoring the sites of drilled wells to their original status. Provision for decommissioning is recognised when the Group has an obligation and a reliable estimate can be made. The amount recognised is the present value of the estimated future expenditure. A corresponding item of property, plant and equipment of an amount equivalent to the provision is also recognised and is subsequently depreciated as part of the asset. The unwinding discount is recognised as a finance cost.

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.

5.17. 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.

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6. INTANGIBLE ASSETS : EXPLORATION AND EVALUATION ASSETS

Intangible assets comprise of exploration and evaluation assets. Movement in intangible assets is as under:

	Intangible assets: exploration and evaluation assets
Balance as at 1 April 2010	**68,534,029**
Additions	39,770,041
Transfer to development assets [B]	(94,193,185)
Balance as at 31 March 2011	**14,110,885**
Additions	26,886,988
Transfer to development assets	-
Balance as at 31 March 2012	**40,997,873**

The above includes borrowing costs capitalised of US$ 1,584,671 (previous year: US$ 1,474,526) during the year. The weighted average capitalisation rate on funds borrowed generally is 5.9 per cent per annum (previous year 4.4 per cent).

The Group has a valid appraisal license till January 2013 and accordingly it is continuing to carry on exploration, evaluation and appraisal activities along with the development and production activities on the commercially viable reserves within the same Block.

B Based on a study conducted by an independent expert and their report of 26 November 2010, the Group believes that gas reserves discovered in the Eastern Promise field in the Block are technically feasible and commercially viable. Accordingly, the Group has reclassified the balance of exploration and evaluation costs as at 30 November 2010 into development assets. The aforementioned discovery shall be assessed for technical feasibility and commercial viability by the Management Committee (comprising of representatives of, inter alia, Newbury, iServices, Focus, ONGC and DGH) as required by the Production Sharing Contract.

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7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprise of the following:

Cost	Land	Extended well test equipment	Development / Production assets	Bunk Houses	Vehicles[D]	Other assets	Capital work-in-progress	Total
Balance as at 1 April 2010	**34,204**	**1,426,788**	**51,326,085**	**3,074,036**	**1,060,501**	**800,564**	**1,332,454**	**59,054,632**
Additions/transfers	2,233	493,550	114,746,292[C]	1,023,520	801,707	287,227	2,241,540	119,596,069
Disposals/transfers	-	-	-	237,173	-	25,998	1,900,988	2,164,159
Balance as at 31 March 2011	**36,437**	**1,920,338**	**166,072,377**	**3,860,383**	**1,862,208**	**1,061,793**	**1,673,006**	**176,486,542**
Additions/transfers	-	1,031,458	37,010,640	392,313	1,832,201	238,616	1,708,555	42,200,200
Disposals/transfers	-	-	-	-	-	-	1,244,110	1,244,110
Balance as at March 2012	**36,437**	**2,951,796**	**203,083,017**	**4,252,696**	**3,694,409**	**1,300,409**	**3,381,561**	**217,456,215**
Accumulated Depreciation								
Balance as at 1 April 2010	**-**	**131,023**	**-**	**981,584**	**340,582**	**399,423**	**-**	**1,852,612**
Depreciation for the year	-	131,419	156,168	546,771	270,300	179,857	-	1,284,515
Disposals/ transfers	-	-	-	6,163	-	1,213	-	7,376
Balance as at 31 March 2011	**-**	**262,442**	**156,168**	**1,522,192**	**610,882**	**578,067**	**-**	**3,129,751**
Depreciation for the year	-	197,940	484,055	666,172	419,138	151,996		1,905,852
Disposals/ transfers	-	-	-	-	-	-	-	-
Balance as at 31 March 2012	**-**	**460,382**	**640,223**	**2,188,364**	**1,030,020**	**730,063**		**5,049,052**
Carrying values								
At 31 March 2011	36,437	1,657,896	165,916,209	2,338,191	1,251,326	483,726	1,673,006	**173,356,791**
At 31 March 2012	36,437	2,491,414	202,442,794	2,064,332	2,664,389	570,346	2,137,451	**212,407,163**

Cost	Land	Extended well test equipment	Development / Production assets	Bunk Houses	Vehicles[D]	Other assets	Capital work-in-progress	Total

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

[C] Tangible assets comprising of development/ production assets 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 in respect of SGL field. Since ONGC has exercised the option to acquire a 30 per cent participating interest in the discovered field, accordingly the additions to development and production assets represents 63 per cent of the total cost incurred by the participating parties. Further, the additions during the year include the expenditure incurred for drilling of further wells in the SGL field to enhance the production activity. Also included under development and production assets are completed production facilities (gas gathering station) in respect of the SGL field. The Group commenced production facility from July 2010, and accordingly such production assets have been depreciated since this date.

As mentioned in note 6, during the year ended 31 March 2011, development assets also include a transfer from exploration and evaluation assets, in respect of the Eastern Promise field, consequent to the commercial viability and technical feasibility of the reserves in the field, basis a report by an independent expert and the evaluation made by Group's management in respect of these reserves. Pending the assessment of these reserves by the Management Committee and completion of development for production activities, no depreciation has been charged on the same.

Development/Production assets also include borrowing costs capitalised of US$ 7,416,354 (previous year: US$ 3,635,743). The weighted average capitalisation rate on funds borrowed generally is 5.9 per cent per annum (previous year 4.4 per cent).

[D] These vehicles have been secured against the finance leases as disclosed in Note 16.

The depreciation has been included in the following headings-

	31 March 2012	31 March 2011
Depreciation included in exploration and evaluation assets	1,205,795	1,014,845
Depreciation included in development assets	199,569	106,125
Depreciation included in statement of comprehensive income under the head cost of sales	484,055	156,168
Total	**1,889,419**	**1,227,138**

8. DEFERRED TAX ASSETS/ LIABILITIES (NET)

Deferred taxes arising from temporary differences are summarized as follows:

	31 March 2012	31 March 2011
Deferred tax assets		

	31 March 2012	31 March 2011
Brought forward losses *(Refer note 9 below)*	92,437,437	7,481,719
Other tax credits	-	1,820
Total	**92,437,437**	**7,483,539**
Deferred tax liabilities		
Depreciation of development/production assets	17,538,163	6,848,022
Amortization of exploration and evaluation assets	75,805,470	595,903
Depreciation of property, plant and equipment	869,660	38,996
Total	**94,213,294**	**7,482,921**
Net deferred tax (liabilities)/assets	**(1,775,857)**	**618**

9. INCOME TAX CREDIT

Income tax is based on tax rate applicable on profit or loss in various jurisdictions in which the Group operates. The effective tax at the domestic rates applicable to profits in the country concerned as shown in the reconciliation below have been computed by multiplying the accounting profit by the effective tax rate in each jurisdiction in which the Group operates. The individual entity amounts have then been aggregated for the consolidated financial statements. The effective tax rate applied in each individual entity has not been disclosed in the tax reconciliation below as the amounts aggregated for individual Group entities would not be a meaningful number.

Income tax credit is arising on account of the following:

	31 March 2012	31 March 2011
Current tax	-	-
Deferred tax (expense)/credit	(1,776,474)	618
Total	**(1,776,474)**	**618**

The relationship between the expected tax expense based on the domestic tax rates for each of the legal entities within the Group and the reported tax expense in profit or loss is reconciled as follows:

	31 March 2012	31 March 2011
Accounting profit/(loss) for the year before tax	3,132,954	(2,417,127)
Non-taxable loss	(1,073,693)	(2,419,973)
Taxable income	4,206,647	2,847

	31 March 2012	31 March 2011
Effective tax at the domestic rates applicable to profits in the country concerned	(1,776,474)	(1,202)
Other tax credits	-	1,820
Tax credit	**(1,776,474)**	**618**

Indus Gas profits are taxable as per the tax laws applicable in Guernsey where zero per cent tax rate has been prescribed for corporates. Accordingly, there is no tax liability for the Group in Guernsey. iServices and Newbury 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 development assets) as deductible expense in the first year of commercial production or over a period of 10 years. The Company have opted to claim the expenditure in the first year of commercial production. During the year ended 31 March 2011, as the Group has commenced commercial production and has generated profits in Newbury and iServices, the management believes there is reasonable certainty of utilisation of such losses in the future years and thus a deferred tax asset has been created in respect of these.

10. INVENTORIES

Inventories comprise of the following:

	31 March 2012	31 March 2011
Drilling and production stores and spares	7,868,454	6,348,371
Fuel	43,955	79,076
Goods in transit	37,175	12,172
Total	**7,949,584**	**6,439,619**

The above inventories are held for use in the exploration, development and production activities, these are valued at cost determined based on policy explained in paragraph 5.9.

Inventories of US$ 1,052,416(previous year: US$ 122,634-----------------------) were recorded as an expense under the heading 'cost of sales' in the consolidated statement of comprehensive income during the year ended 31 March 2012.

11. OTHER CURRENT ASSETS

	31 March 2012	31 March 2011
Prepayments for		
- procurement of debt	17,894	656,373
- others	108,652	90,128
Total	**126,546**	**746,501**

Prepayments for procurement of debts represent the proportionate fee paid for the un-utilised facility (refer Note 14).

12. CASH AND CASH EQUIVALENTS

	31 March 2012	31 March 2011
Cash at banks in current accounts	248,246	2,252,815
Total	**248,246**	**2,252,815**

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 2012 is 182,913,924 (previous year: 182,913,924).

--For all matters submitted to vote in the shareholders meeting of the Company, every holder of ordinary shares, as reflected in the records of the Company 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 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
Currency translation reserve represents the balance of on translation of entities financial statements into US$, where the functional currency is different than US $.

Share option reserve
The amount of share option reserve represents the accumulated expense recognized by the company in its profit & loss on account of share based options given by the Company.

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.

14. LONG TERM DEBT FROM BANKS

	Maturity	31 March 2012	31 March 2011

Non-current portion of long term debt	2018	81,457,230	45,089,825
Current portion of long term debt from banks		15,415,367	11,835,959
Total		**96,872,597**	**56,925,784**

In March 2010, Indus Gas 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. The loan bears interest of LIBOR plus 500 basis points. Indus Gas has drawn US$ 109,904,073 (previous year US$ 57,490,173) against this loan during the current financial year.

Interest capitalised on loans above have been disclosed in note 6 and 7.

The term loan is secured by 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 all future receivables from gas sales.

In addition to above loan, in March 2012, Indus Gas signed an agreement with a consortium of banks for a term loan of US$ 40,000,000 repayable in quarterly instalments commencing on 30 June 2012. The loan bears interest of LIBOR plus margin which will be aminimum of 400 basis point. Indus Gas has not drawn any balance on this loan as at 31 March 2012.

The fair value of the above variable rate borrowings are considered to approximate their carrying amounts.

Financing facilities

	31 March 2012	**31 March 2011**
Bank loan facilities with various maturity dates through to 2018		
- amount used	109,904,073	57,490,173
- amount unused	95,927	52,509,827
	110,000,000	**110,000,000**

	31 March 2012	**31 March 2011**
Bank loan facilities with various maturity dates through to 2021		
- amount used	-	-
- amount unused	40,000,000	-
	40,000,000	

15. PROVISION FOR DECOMMISSIONING

	Provision for decommissioning
Balance at 1 April 2010	**369,809**
Additions	131,583
Balance as at 31 March 2011	**501,392**

	Provision for decommissioning
Additions	244,259
Balance as at 31 March 2012	**745,651**

As per the PSC, the Group is required to carry out certain decommissioning activities on gas wells. Provision for decommissioning relates to the estimation of future disbursements related to the abandonment and decommissioning of gas wells. The provision has been estimated by the Group'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 on account of these finance lease payments:

	31 March 2012	31 March 2011
Finance lease	26,114	99,348
Less: current portion	23,014	68,126
Non-current portion	**3,100**	**31,222**

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 2012	Minimum lease payments	Interest	Principal
Within 1 year	25,079	2,065	23,014
1- 5 years	3,284	184	3,100
Total	**28,363**	**2,249**	**26,114**

Amount due as at 31 March 2011	Minimum lease payments	Interest	Principal
Within 1 year	78,918	10,792	68,126

1- 5 years	36,254	5,032	31,222
Total	**115,172**	**15,824**	**99,348**

17. PAYABLE TO RELATED PARTIES

Related parties payable comprise of the following:

	Maturity	31 March 2012	31 March 2011
Current			
Liability payable to Focus	On demand	49,389,473	19,930,655
Borrowings from Gynia Holdings Ltd.	On demand	-	15,085,376
Payable to directors		13,331	785,000
		49,402,804	**35,801,031**
Other than current			
Borrowings from Gynia Holdings	After payment of bank loan per Note 14	42,540,536	-
Liability payable to Focus	After payment of bank loan per Note 14	10,000,000	45,369,000
		52,540,536	**45,369,000**
Total		**101,723,590**	**81,170,031**

Liability payable to Focus

Liability payable to Focus represents amounts due to them in respect of the Group's share of contract costs, for 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").

As per the Amendment to Assignment 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 (along with interest thereon) being part of the outstanding balance due as subordinated unsecured long term loan repayable along with interest calculated at 6.5 per cent 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 May 2018.

On 31 March 2012, in a further amendment to the agreement the Group and Focus, the Group decided to convert the entire outstanding balance of Focus, as reduced by US$ 10 million (along with interest thereon), on demand and accordingly classified these amounts as current liabilities. The shortfall to the subordinated loan for the purposes of debts obtained from banks, as earlier met by the borrowings from Focus would now be met through subordination on the borrowings of Gynia Holdings Ltd. 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 cent per annum and maximum interest rate of 10 per cent per annum. The actualised interest rate for the entire balance is 6.5 per cent for the current year (previous year 6.5 per cent).

Borrowings from Gynia Holdings Ltd. carried interest rate of 6.5 per cent per annum compounded annually and were repayable on demand as at 31 March 2011. As

per the amendment in the agreement mentioned above, on 31 March 2012, Gynia Holdings Ltd. has agreed to convert US$ 42.54 million (i.e. including interest thereon) being part of the outstanding balance due as subordinated unsecured long term loan repayable along with interest calculated at 6.5 per cent per annum after payment and full settlement of US$110 million loan and additional undrawn loan of US$ 40 million which has been taken from a consortium of banks described in note 14 above, i.e. after May 2018 and after March 2021 respectively. These amounts were earlier subordinated by loan repayable to Focus for a similar amount.

The management estimates the current borrowings to be repaid on demand within twelve months from the statement of financial position date and these have been classified as current borrowings.

Interest capitalised on loans above have been disclosed in note 6 and 7.

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 borrowings and other payables are considered to be a reasonable approximation of fair value.

18. EMPLOYEE COST

The Group does not have employees. However, cost pertaining to the employees of Focus have been included in the cost of sales in the consolidated statement of comprehensive income amounting to US$ 242,652(previous year US$ 229,150).

19. 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 2012	**31 March 2011**
Loss on restatement of foreign currency monetary receivables and payables	(3,268)	(2,520,139)
Gain on restatement of foreign currency borrowings	-	1,227,204
Loss arising on settlement of foreign currency transactions and restatement of foreign currency balances arising out of Oil block operations	104,682	(53,647)
Total	**101,414**	**(1,346,582)**

20. OPERATING LEASES

Lease payments capitalised under exploration and evaluation assets and development/ production assets during the year ended 31 March 2012 amount to US$ 35,972,144(previous year: US$ 29,525,204). 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 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.

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 Nominated 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 the issuance of new shares on payment of the 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 the profit or loss under the heading 'administrative expenses' of the year ended 31 March 2012 is US$ 12,188 (previous year: US$ 45,078).The forfeiture rate for the year has been considered as Nil (previous year: Nil).

The stock options 'Advisor Stock Options' granted to Arden Partners on 6 June 2008 vested immediately upon granting and the expiry of the exercise period being 5 June 2011. Any unexercised option was to expire after the end of exercise period. Upon the request of Advisor, the validity of exercise period was extended by two years and now the options will expire on 6 June 2013. Due to change in exercise period, the fair value of the option was re-determined using Black Scholes option pricing model and the difference in the fair value has been recorded as an expense in the books of account of Indus Gas Limited i.e. US$ 6,177.

The fair values of options granted were determined using the 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 Oil and Gas sector stocks and trading volatility of the Company available till the grant date. 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 the profit or loss, with a corresponding adjustment to 'stock option reserve' in equity.

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

Grant date	**Employees and Others** **29 May 2008**	**Advisor** **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 per cent	35 per cent
Option life (in years)	5	3 [A]
Dividend yield	-	-
Risk-free interest rate	4.99 per cent	5.06 per cent

[A] Consequent to a modification made during the current year, the option life for advisors has been changed to 5 years. As the options have fully vested, the charge due to the change in the fair value of the options has been recorded immediately in the profit or loss.

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 (i.e. Directors and Consultants)

There was no movement in the outstanding options under this category during the year ended 31 March 2012 as the Share options granted to directors and consultants on 28 May 2008 are fully vested and consequently there is no accounting implication during the reported period. The outstanding balance and exercisable share options granted to directors and consultants for the year ended 31 March 2012 were 240,000 having a weighted average price of US$ 1.64 per option (previous year: 240,000 with weighted average price of US$ 1.64 per option).

The share options outstanding at the end of the year had a weighted average remaining contractual life of 2.16 years (previous year: 3.16 years).

Share options granted to Advisors

There was no movement in the outstanding options under this category during the year ended 31 March 2012 as the Share options granted to advisors on 28 May 2008 are fully vested and consequently there is no accounting implication during the reported period. The outstanding balance and exercisable share options granted to advisors for the year ended 31 March 2012 were 76,220 having a weighted average price of US$ 1.64 per option (previous year: 76,220 with weighted average price of US$ 1.64 per option).

The share options outstanding at the end of the year had a weighted average remaining contractual life of 1.18 years (previous year: 1.16 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.

22. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/ (loss) per share is based on the earnings/ (losses) attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year.

Calculation of basic and diluted earnings/ (loss) per share for the year ending 31 March 2012 and 31 March 2011 are as follows:

	31 March 2012	**31 March 2011**
Profit/ (Loss) attributable to shareholders of Indus Gas Limited, for basic and dilutive	1,356,480	(2,416,509)
Weighted average number of shares (used for basic loss per share)	182,913,924	182,913,924
Diluted weighted average number of shares (used for diluted loss per share)[C]	182,971,361	182,913,924

Basic loss per share	**0.01**	**(0.01)**
Dilutive loss per share	**0.01**	**(0.01)**

[C] The outstanding share options were considered anti-dilutive for the year ending 31 March 2011 as the Group has incurred loss during that 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. Enterprises over which Key Management Personnel (KMP) exercise control *(with whom there are transactions)*	Focus Energy Limited

Disclosure of transactions between the Group and related parties and the outstanding balances as on 31 March 2012 and 31 March 2011is as under:

Transactions with parent company

Particulars	31 March 2012	31 March 2011
Transactions during the year with the holding company		
Loan taken	26,040,883	15,085,376
Balances at the end of the year		
Total payables	**42,540,536**	**15,085,376**

Transactions with KMP and entities over which KMP exercise control

Particulars	31 March 2012	31 March 2011
Transactions during the year		
Remuneration to KMP		
· *Short term employee benefits*	499,591	393,357
· *Share based payments*	6,010	18,783

Particulars	31 March 2012	31 March 2011
Total	505,601	412,140
Entities over which KMP exercise control		
Remittances	70,434,990	64,463,427
Net assets and costs allocated transferred during the year	59,813,014	62,403,871
Expenses to be reimbursed	1,126,261	90,334
Balances at the end of the year		
Total payables	**59,389,473**	**66,084,655**

Directors' remuneration

Directors' remuneration is included under the head administrative expenses in the consolidated statement of comprehensive income. Remuneration by director, is also separately disclosed in the directors' report on page [ ].

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.

All of the non-current assets other than financial instruments and deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) are located in India and amounted to US$ 253,405,037 (previous year: US$ 187,467,676).

The Group has a single product, i.e. the sale of natural gas, which is supplied to a single customer, GAIL in a single geographical segment, being India.

25. COMMITMENTS AND CONTINGENCIES

The group has no contingencies as at 31 March 2012 (previous year Nil).

A summary of the commitments existing as at 31 March 2012 and 31 March 2011 are as follows:

Nature of the commitments	31 March 2012	31 March 2011
Group's share in commitment for purchase of equipment and storage tanks	15,660,379	20,923,564
Total	**15,660,379**	**20,923,564**

26. ACCOUNTING 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 in 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. In the management's view each of the individual entity's functional currency reflects the transactions, events and conditions under which the entity conducts its business. The management believes that US$ has been taken as the functional currency for each of the entities within the Group US$ is the currency in which each of these entities primarily generate and expend cash and also generate funds for financing activities.

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 5.6 and 6 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 36 and IFRS 6 to determine when a tangible or an intangible asset is impaired. This determination requires significant judgement to evaluate indicators triggering 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 2012 to require impairment testing of property, plant and equipment 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. Specifically, production assets are depreciated on a basis of unit of production (UOP) method which involves significant estimates in respect of the total future production and estimate of reserves. The calculation of UOP rate of depreciation could be impacted to the extent that the actual production in future is different from the forecasted production. During the financial year, the directors determined that no change to the useful lives of any of the property, plant and equipment is required. The carrying amounts of property, plant and equipment have been summarised in note 7.

Recognition of provision for decommissioning cost

As per the PSC, the Group is required to carry out certain decommissioning activities on gas 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. The liabilities estimated in respect of decommissioning provisions have been summarised in note 15.

27. BASIS OF GOING CONCERN ASSUMPTION

The Group has current liabilities amounting to US $ 67,527,832 majority of which is towards current portion of borrowings from banks and related parties, Gynia and Focus. As at 31 March 2012, the amounts due for repayment within the next 12 months to banks are US$ 15,415,367 which the Group expects to meet from its internal generation of cash from operations. Gynia has also assured the Group to provide support any cash requirement to meet its obligations towards banks not met through internal generation of cash. Further, in respect of the amounts due to Gynia and Focus which are repayable on demand, these companies have assured the Group that there loans will not be demanded till such time where internal funds are sufficient to meet such repayments after other obligations to banks are met. Based on this, the consolidated financial statements have been prepared on going concern basis.

28. 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.

Debt is calculated as total liabilities (including 'current and non-current liabilities' 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.

	31 March 2012	31 March 2011
Net debt	204,050,206	140,904,278
Total equity	58,590,459	57,221,792
Total capital employed	262,640,665	198,126,069
Gearing ratio	78 per cent	71 per cent

The gearing ratio has increased since the previous year due to increase in the draw-down of loans from banks to fund additional exploration, evaluation and development activities for the Group

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.

29. 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:

	31 March 2012	31 March 2011
Non-current assets		
Loans and receivables		
- Security deposits	885	11,149
Current assets		
Loans and receivables		
- Trade receivables	796,047	1,172,052
- Cash and cash equivalents	248,246	2,252,815
Total financial assets under loans and receivables	**1,045,178**	**3,436,016**
Non current liabilities		
Financial liabilities measured at amortised cost:		
- Long term debt from banks	81,457,230	45,089,825
- Payable to related parties	52,540,536	45,369,000
Current liabilities		
Financial liabilities measured at amortised cost:		
- Current portion of long term debt from banks	15,415,367	11,835,959
- Current portion of payable to related parties	49,402,804	35,801,031
- Accrued expenses and other liabilities	257,602	93,050
Total financial liabilities measured at amortised cost	**199,073,539**	**138,188,865**

The fair value of the financial assets and liabilities described above closely approximates their carrying value on the statement of financial position date.

Risk management objectives and policies

The Group finances its operations through a mixture of 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 functional currency of each entity within the Group is US$ and the majority of its business is conducted in US$. All revenues from gas sales will be received in US$ and substantial costs are incurred in US$. No forward exchange contracts were entered into during the year.

Entities within the Group conduct the majority of their transactions in their functional currency, other than finance lease obligation balances which are maintained in Indian Rupees and amounts of cash held in GBP. All other monetary assets and liabilities are denominated in functional currencies of the respective entities. The currency exposure on account of liabilities
which are denominated in a currency other than the functional currency of the entities of the Group as at 31 March 2012 and 31 March 2011 is as follows:

	Functional currency	**Foreign currency**	**31 March 2012**	**31 March 2011**
Total exposure			**42,936**	**2,297,020**
Short term exposure	US$	Indian rupee	23,014	68,126
Short term exposure	US$	Great Britain pound	16,822	2,197,672
Long term exposure	US$	Indian rupee	3,100	31,222

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. The Group also has *'Financing Facilities'* as additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk, which have been summarised in note 14. As the due date of the undrawn facilities is not known at the respective reporting dates, these amounts have not been included in the liquidity analysis below.

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

	On demand	**1-3 months**	**3 months to 1 year**	**1-5 years**	**5+ years**	**Total**
31 March 2012						
Non-interest bearing	1,126,261	70,397	187,205	-	-	1,383,863

	On demand	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
Variable interest rate liabilities	49,196,64	5,215,062	12,332,166	90,215,274	3,827,650	163,786,536
Fixed interest rate liabilities	-	-	-	-	52,540,536	52,540,536
	50,322,645	**5,285,459**	**15,519,371**	**90,215,274**	**56,368,186**	**217,710,935**

	On demand	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
31 March 2011						
Non-interest bearing	90,334	93,050	681,308	-	-	878,051
Variable interest rate liabilities	19,930,654	45,959	14,600,034	49,291,254	-	83,867,901
Fixed interest rate liabilities	15,085,376	-	-	-	70,502,816	85,588,192
	35,106,364	**139,009**	**15,281,342**	**49,291,254**	**70,502,816**	**170,334,144**

Interest rate risk

The Group's policy is to minimise interest rate risk exposures on long-term financing. 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. The Group is also 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. Based on volatility in interest rates in the previous 12 months, the management estimates a range of 50 basis points to be approximate basis for the reasonably possible change in interest rates. All other variables are held constant.

	Interest rate	
	+ 0.50 per cent	- 0.50 per cent
31 March 2012	484,904	(484,904)
31 March 2011	167,308	(167,308)

Since the loans are taken specifically for the purpose of exploration and evaluation, development and production activities and according to the Group's policy the borrowing costs are capitalised to the cost of the asset and hence changes in the interest rates do not have any immediate adverse impact on the profit or loss.

Commodity price risks

The Group's share of production of gas from the Block is sold to GAIL. The price has been agreed for the current period and for the next three years and the same would be reviewed periodically and reassessed mutually by the parties. No commodity price hedging contracts have been entered into.

Credit risk

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 such as security deposits and advances with related parties, do not comprise of a significant cumulative balance and thus do not expose the Group to a significant credit risk. The Group has concentration of credit risk as all the Group's trade receivables are held with GAIL, its only customer. However, GAIL has a reputable credit standing and hence the Group does not consider credit risk in respect of these to be significant. None of the financial assets held by the Group are past due.

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