For Immediate Release 24 September 2014

Indus Gas Limited
('Indus' or 'the Company')
Preliminary Financial Results

Indus Gas Limited (AIM:INDI.L), an oil and gas exploration and development company with assets in India, is pleased to report its full year results for the 12 months to 31 March 2014

Highlights

Operations:

- Total production increased circa threefold to 8,085 mmscf from 2,444 mmscf in prior year
- Infrastructure build on track to meet 2nd and 3rd phase production over the next two years
- Drilling on track, producing positive results – including testing gas in a new zone - 12 additional wells drilled, bring the total across the block to 51:
  - 9 Appraisal wells
  - 3 Production wells
- Additional seismic data acquired - giving more clarity on the Block potential and providing additional drilling prospects
- Awaiting Declaration of Commerciality – diversifying production and reserves across multiple gas field
- Ongoing work on new Competent Persons Report – expected shortly

Financial:

- Adjusted consolidated revenues increased 120% to US$ 43.43m
- Adjusted consolidated operating profit increased 125% to US$ 36.53
- Adjusted consolidated profit before tax increased 134% to US $ 36.60m
- Funded for next gas sales expansions post closure of new US $ 180m debt facility

Mr Peter Cockburn, Chairman of the Company commented:

“Indus has made tremendous operational progress over the past twelve months. The Company has delivered further significant drilling success and completed a major capital expenditure programme on site in North West India to triple our production capacity.

Since flotation in 2008 the Company’s strategy has focused entirely on the long term maximisation of returns for our shareholders. This has been demonstrated through the rapid accumulation of gas reserves from intensive exploration combined with the forward thinking disbursement of capital expenditure to build the infrastructure required to translate this gas into cash flow.

India’s recent General Election returned a progressive new government and this has prompted a wave of euphoria and optimism across the country. The scarcity of domestically generated energy remains one of India’s largest fiscal challenges and Indus is increasingly well positioned to play a key role in the country’s future energy policy.”

In accordance with AIM rules, Paul Fink, Technical Consultant, a Geophysicist who holds an engineering degree from the Mining University of Leoben, Austria and has 24 years of industry experience is the qualified person that has reviewed the technical information contained in this release.

-ENDS-

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Introduction

Since flotation in June 2008 the Company has executed a clear and consistent strategy with the central objective being to maximise long term shareholder value creation from our licence block in North West India. This strategy has delivered prolific exploration success as evidenced by the rapid growth in our underlying reserves base and the successful execution of the first production phase.

Exploration and appraisal activity has continued at a rapid pace in the last twelve months with nine drilling rigs and over two thousand workers operating on site. This drilling and appraisal programme has delivered both a series of material new gas discoveries and provided further valuable insight into the gas structures present in the western half of our block.

The Company has also continued to invest heavily in the construction and development of our on-site infrastructure. This capital expenditure programme has included the extension of the field's internal pipeline network and a major expansion of the centralised gas gathering facilities. These projects have been successfully completed several months ahead of schedule which is testament to the rigorous front end planning that was conducted at the outset. The infrastructure is now in place to accommodate both the second and third phases of production scheduled to come on stream over the next two years and significantly, also provides some additional capacity from which to negotiate new supply contracts.

Domestic energy security remains one of the key challenges facing the new government. India continues to be a major net importer of energy. . This energy deficit can only be addressed through major investment programmes in long term infrastructure build and incentivising domestic energy companies to increase exploration and production.

Activity

Indus is pleased to announce the first full year of gas sales based on enhanced gas production capacity of 42 mmscfd (33.5 mmscfd net of CO_2) achieving consolidated adjusted revenues (including take or pay receipts) of US$ 43.43 mm. We have continued to build scale in our production profile and our stated business plan remains on track. We continue to achieve this while maintaining compliance with the terms of our Production Sharing Contract, applicable laws and sound standards of health and safety. We have also continued with our appraisal program and have completed significant drilling and testing, confirming and establishing further gas presence. We are awaiting finalisation of a new reserve report which will provide updated confirmation of our reserves and resources position.

Based on extensive drilling during the ongoing appraisal phase of the Block, the Company has submitted a Declaration of Commerciality (DOC) in November 2013 for a circa 2,000 square kilometre area (Non-SGL Area) consisting of a number of gas discoveries. The DOC is under review with ONGC and other Regulatory Authorities and is likely to be approved during this financial year. DOC approval is a significant step towards establishing the commerciality of reserves and obtaining a long term mining lease for the Non-SGL Area. Once DOC is approved, the Company will submit an integrated Field Development Plan (FDP) to start the development of the Non-SGL Area to diversify the production and reserve base across multiple gas fields in the Block.

The Company has continued drilling a number of appraisal and development wells during the year. A summary of cumulative seismic/drilling as at 31st March 2014 is as follows:

- 1743.71 Square km of 3D seismic data.
- 1037.28 line km of 2D seismic data.
- 51 wells averaging 3563 meters per well.

A summary of activities since April 2013 is provided below:

SGL Field Development

During the year, a total quantity of 8,085 mmscf of gas was produced from the field out of which 6,691 mmscf (net of CO_2) was supplied to GAIL, which is a significant increase over the 2,444 mmscf supplied in the previous financial year. The operations at Rajasthan Rajya Vidyut Utpadan Nigam Limited (RRVUNL), the State Electricity Company in Rajasthan, have improved during the year resulting in increased gas off take in the second half of the year. The operations have now largely stabilized and GAIL expects to reach the gas offtake target as per signed GSPA on a long term basis, without needing to pay “Take or Pay” payments. There were no major breakdowns during the year and GAIL met its obligations under the ‘Take or Pay (ToP)’ agreement. Revenues from gas sales were US$ 27.83 mm, representing more than a threefold jump from the previous year as the power plant progressed towards normalized operations. The contribution under the ToP obligation was for US $ 15.60 mm, an increase over the previous year due to the enhanced installed sales capacity of 33.5 mmscf/d being available for the full financial year.

Activities to support additional sales to GAIL have made good progress. Additional successful production wells have been completed and tied into the gas gathering system. Treatment and processing plants are in place.

Drilling, Seismic, Completion Operations

Operational activities over the last year have largely followed the Group's various objectives:

a. appraisal drilling to support the DOC application and integrated field development plans;
b. drilling and completion of production wells for the SGL Field Development continued as planned to meet contracted and planned gas sale requirements;
c. testing various wells previously drilled, where gas shows were encountered to enable the Group to increase its reserve base; and
d. testing the tight gas recovery potential in addition to conventional gas discovered in the Pariwar formation.

During the year, Indus has been acquiring, in phases, new seismic data giving more clarity on the Block potential and providing additional drilling prospects. The current drilling programme is progressing on schedule and producing positive results. Additional testing has focused primarily on the Pariwar formation and the results support the coverage of both P10 and P20 Pariwar gas production potential across the Block. Recently, the Company has been able to successfully test gas in another zone (P9) within Pariwar formation. The Company is in the process of evaluating P9 and expects a further increase in the gas reserves associated with Pariwar formation particularly in the SGL Field area. Additional testing is part of a programme to enhance production and maximize recovery of gas through good asset management. Activities such as this will increase as we obtain and act on new data and production history.

The details of the wells, which were drilled during the year, are as follows:

Development Wells

Development/production wells drilled during the year included the following:

SSF # 3
This well is drilled inside the SGL field as a development well, up to a depth of 3228m. The objective of this well drilling is to complete in Pariwar formation and produce from P-10 and P-20 zone. Gas shows were encountered in the Pariwar formation, however wireline log in P-10 sand were not encouraging and seems to be water bearing sand. However, using a very advanced penetration method with Coil tubing unit sand jetting, we perforated this well and successfully flowed gas on surface. Later on detailed reservoir testing carried out which revealed production of gas from this well.

SGL # P2
This well is also a part of our development well drilling campaign and drilled successfully upto a depth of 3103m. Good gas shows were present in P-10 sand of Pariwar formation, which flowed gas with water during testing. A detailed reservoir testing carried out after perforation and a gas flowed to surface.

SGL-14
Well SGL-14 was drilled to 3358m in order to fully evaluate the Pariwar P10 and P20 reservoir zones within a discrete fault compartment on the western flank of the SGL Field structure. The well was cased, perforated over the interval 3253-3256m and completed for production from the uppermost P10 reservoir zone. Initial pressure transient and gas deliverability testing of this interval established a gas flow to surface

Appraisal Wells

During the year, the Company has completed the following appraisal wells and has encountered gas shows in the majority of these wells. Most of these wells are in testing stages and are critical in establishing our right to retain the maximum area in the Block in line with the DOC application and establishing additional reserves and resources. Since many of these wells have multi-zone gas shows, the Company is evaluating an optimum strategy for multi-zone testing and completion (having previously gathered favourable data sufficient for the DOC application).

Description of some of the appraisal wells completed in the year is as follows:

INDIAN SHINGLI # 2
This well is drilled approx 4 kms to the south of earlier drilled Indian Shingli well to tap the hydrocarbon from late Jurassic B & B formation. The TD of this well is 4215m covering gross sand thickness of 714m in massive sand body of B & B formation. This well is completed with premium grade casing and is due for hydro fracturing. Huge gas shows encountered during drilling through the B & B and Pariwar formation. Three different zones are perforated in the lower B & B section of this well, which successfully flowed gas on surface. A detailed testing post hydro fracturing is due for this well.

BRENT # 2
This well is drilled in the North East part of RJ-ON/06 Block, up to a depth of 3291m penetrating Pariwar and B & B Formation. Multiple gas shows were encountered and this well has not been perforated and due for detailed testing.

A-11-7
The A-11-7 Well was drilled on a prominent structural closure situated within the western part of Block RJ-ON/6, 2.7 km to the southwest of the SGL Field Development area. Key gas shows were encountered in the Pariwar P10 and P20 target zones. During open hole testing gas flowed to surface from the P20 reservoir zone, which was still building throughout the flow period to the end of the open hole test. The well was subsequently cased and production testing was carried out on a 3 metre perforation interval from the P20 reservoir zone target sands (3193-3196m). This zone tested gas at a reservoir pressure of 4568 psi with a wellhead absolute open hole flow potential of 4.806 mmscf/d recorded. The well is currently suspended as a future producer.

SX # 4
This well is located in the south-western part of the RJ-ON/6 block 24km to the south of the SGL field development area. The well terminated in the basal parts of the B & B formation. During drilling, good shows were encountered in the Pariwar and B & B formation target zones. An open-hole DST in the Pariwar formation has flowed gas to surface with a recorded FTHP of 100 psi through a 1/4" choke. Given the tight nature of the formation (particularly the B & B target zones) this well is also being completed with very high grade special thread casing to enable hydro fracturing stimulation work to fully assess the gas flow potential from key target zones. During drilling, core samples from gas bearing target sands of the upper B & B formation have been recovered from this well to allow further analysis in order to establish the properties of the B & B reservoir rock. A core study is being carried out at the Weatherford laboratory in Houston with the aim of developing and improving hydro fracturing techniques to assist with exploiting the potentially large gas resources from the tight B & B formation target sands in this area.

EPN-1
Well EPN-1 was drilled to 3332m within the Pariwar P10 Reservoir Zone and is situated in a down-dip location on the lowermost parts of the southern flank of the same structural closure target as A-11-7. The well was cased and completed for production from a 4 metre perforation

zone (3282.13-3286.13m) within the uppermost parts of the Pariwar P10 Reservoir Zone. During production testing good gas shows was recorded. The well is currently suspended as a future producer.

SX # 6
This well has been drilled to 4,487m penetrating the entire Pariwar formation and all key target zones down to the lowermost sands of the B & B formation. The well is located in the south-western part of the RJ-ON/6 block around 18 km to the south of the SGL Field development area. During drilling good gas shows and drill breaks were observed in the upper and lowermost sand of the B & B formation. This well is being completed using very high grade special thread casing as it will be further assessed and targeted for hydro fracturing stimulation to fully appraise the flow potential of gas from the B & B formation reservoir zones.

SX # 5
This well is located in the south western part of RJ-ON/06 Block, drilled to a depth of 4378m, penetrating through Pariwar, B & B and Jaisalmer formations. During drilling good shows were encountered in this well in B & B Formation. Considering the tight nature of B & B sands this well is completed with very high grade special thread casing to enable hydro fracturing stimulation work to successfully flow gas from this well.

TIRATH # 2
Tirath-2 is located 14 km to the northwest of the SGL development area in the extreme northern part of the RJ-ON/6 block area. The well was drilled to 3474m covering the entire target interval of the B & B formation. Strong gas shows were encountered during drilling in B & B reservoir sands. The well has been completed and is due for perforation and further testing work. Based on wireline log and gas data multiple intervals have been identified as potential zones for gas flow in the target B & B sands in this well.

SX # 2A
This well is drilled in the western part of RJ-ON/06 Block, to tap the gas potential in Pariwar and B & B Formation. Covering a depth of 4688m, this well is completed with premium grade smaller ID casing with surface completion rated upto 15,000 psi. Multiple gas shows were observed in the Pariwar as well as in the B & B Formation. A detailed testing after hydro fracturing in this well is due.

Seismic

We have 3D seismic coverage of 1,743.7 square km area as of 31 March 2014. We have further acquired 40 Square km of high density Seismic data in SGL field area. We have 89% of 3D Seismic coverage of the 2,000 Square km DOC area and currently work is ongoing to complete the seismic data set to cover the entire 2000 km2 DOC area.

Competent Person's Report
The latest Competent Person's Report on the Company's reserves position will be released shortly. The Company has once again engaged Senergy to produce this report.

Financials

During the financial year, the Company supplied 6,691 mmscf of gas and invoiced revenues of US$ 27.83 mm (2012/13 US$ 8.06 mm), resulting in reported operating profit of US$ 20.93 mm (2012-13 US$ 4.54 mm). The reported profit after tax was US$ 11.77 mm (2012/13 US$ 1.39 mm) after considering foreign exchange gains of US$ 0.08 mm. Indus additionally received take or pay payment of US$ 15.60 mm for the period, which is considered as deferred revenues and shown as liabilities since these receipts can potentially be set off against future

gas supplies to GAIL, provided such supplies are over and above 90% of the contracted quantities, subject to certain restrictions as to the period in which such set off can be made. An amount of US$ 5.08 mm is shown as current liabilities and the remaining US$ 24.62 mm is shown as non-current liabilities. Current liabilities include the maximum amount for which the Company is obliged to supply gas against the ToP amount received, in the next twelve months. Further the Company is not obliged to supply the gas over and above 100% of the contracted quantities in any given period. In the event, the set-off terms are not complied with, the Company has no further obligation to return back ToP amounts. Since the amount of "ToP" invoiced is non-refundable, the management considers this amount as a revenue and profit adjustment and accordingly adjusted consolidated revenues, operating profit and profit before tax for the year were respectively US$ 43.43 mm, US$ 36.53 mm and US$ 36.60 mm after including "ToP" amount of US$ 15.60 mm.

While, the Company is not expected to pay any significant taxes on its income for many years in view of the 100% deduction allowed under Indian income tax act on the capital expenses in the Block, the Company has accrued notional non-cash deferred tax liability of US$ 9.23 mm as per IFRS requirements.

Post this deferred tax liability provision, the net profit for the year was US$ 11.77 mm.

The expenditure on exploration and evaluation assets during the year was US$ 56.57 mm. Also during the year subsequent to discovery of gas reported to regulatory authorities, an amount of US$ 75 mm has been transferred from exploration and appraisal assets to development assets. The value of development assets and other tangible plant and machinery has increased to US$ 408.58 mm. The development assets amortised on the gas produced during the year was US$ 4.77 mm.

The current assets (excluding cash) as of 31 March 2014 stood at US$ 18.31 mm, which includes US$ 9.33 mm of inventory and US$ 7.85 mm of trade receivables. The trade receivables are mainly on account of receivables of the 'Annual ToP' amount of US$ 4.82 mm billed on the last day of the year. The current liabilities of the Company, excluding the related party liability of US$ 96.85 mm and current portion of long term debt of US$ 17.30 mm, stood at US$ 5.27 mm. This comprised mainly of deferred revenue of US$ 5.08 mm and other liabilities of US$ 0.12 mm.

As of 31 March, the outstanding term loan of the Company was US$ 102.57 mm, out of which US$ 17.30 mm was categorised as repayable within a year and the remaining US$ 85.27 mm has been categorised as long term liability. During the year, the Company has repaid an amount of US$ 17.32 mm of the outstanding term loan facilities, as per the scheduled repayment plan.

The short term payable to Focus Energy Ltd ("Focus"), a related party, has increased to US$ 96.85 mm as Company's share of capital expenditure in the Block remains unpaid. Focus is the Operator of the Block and Indus is obliged to bear its proportion of the cost and expenses borne by Focus in respect of the Block. The Company is in final stages of documentation for a new US$ 180 mm term loan facility from a consortium of banks which will address funding needs in the near term and pay amounts due to Focus.

Outlook

During the next twelve months, we expect a further step change in the growth of the Company. Following DOC approval we shall look to develop the significant potential of the Block beyond our existing SGL Development Area. Strong progress has been made on the preparation of additional gas gathering and processing facilities. A cumulative gas processing capacity of 130 mmscf/d is being planned to be available by 2015 to provide a strong platform

from which to negotiate further new gas supply contracts. We look forward to continued drilling success in both Pariwar and B&B.

Consolidated Financial Statements and Independent Auditors' Report

Indus Gas Limited and its subsidiaries

31 March 2014

Contents

Independent Auditor’s Report to the Members of Indus Gas Limited	3-4
Consolidated Statement of Financial Position	5
Consolidated Statement of Comprehensive Income	6
Consolidated Statement of Changes in Equity	7
Consolidated Statement of Cash Flow	8
Notes to Consolidated Financial Statements	9-34

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 2014 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 10 the company's directors are responsible for the preparation of the consolidated financial statements which give a true and fair view.

Our responsibility is to audit and express an opinion on the consolidated financial statements in accordance with applicable Law 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- comply 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:

- proper accounting records have not been kept by the Group; or
- the consolidated financial statements are not in agreement with the accounting records; or
- we have not obtained 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

23 September 2014

Consolidated Statement of Financial Position

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

	Note	31 March 2014	31 March 2013
ASSETS			
Non-current assets			
Intangible assets: exploration and evaluation assets	**6**	-	18,427,390
Property, plant and equipment	**7**	408,582,251	317,593,083
Other assets		885	885
Total non-current assets		**408,583,136**	**336,021,358**
Current assets			
Inventories	**10**	9,326,267	5,974,616
Trade receivables		7,847,404	9,926,029
Current tax assets		726,511	230,856
Other current assets	**11**	408,645	43,125
Cash and cash equivalents	**12**	977,028	7,546,024
Total current assets		**19,285,855**	**23,720,650**
Total assets		**427,868,991**	**359,742,008**
LIABILITIES AND EQUITY			
Shareholders' equity			
Share capital	**13**	3,619,443	3,619,443
Additional paid-in capital	**13**	46,733,689	46,733,689
Currency translation reserve		(9,313,781)	(9,313,781)
Merger reserve		19,570,288	19,570,288
Share option reserve	**21**	324,865	324,865
Retained earnings/accumulated losses		10,981,346	(790,587)
Total shareholders' equity		**71,915,850**	**60,143,917**
Liabilities			
Non-current liabilities			
Long term debt from banks, excluding current portion	**14**	85,266,117	102,213,678
Provision for decommissioning	**15**	1,079,946	909,515
Deferred tax liabilities (net)	**8**	12,687,726	3,454,482
Payable to related parties, excluding current portion	**17**	112,947,262	106,053,767
Deferred revenue		24,618,832	9,018,610
Total non-current liabilities		**236,599,883**	**221,650,052**
Current liabilities			
Current portion of long term debt from banks	**14**	17,301,889	16,962,446
Current portion of finance lease obligations	**16**	-	2,692
Current portion payable to related parties	**17**	96,847,805	55,845,886
Accrued expenses and other liabilities		126,478	59,929
Deferred revenue		5,077,086	5,077,086
Total current liabilities		**119,353,258**	**77,948,039**
Total liabilities		**355,953,141**	**299,598,091**

	Note	31 March 2014	31 March 2013
Total equity and liabilities		**427,868,991**	**359,742,008**

(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 23 September 2014 and was signed on its behalf by:

Peter Cockburn
Director

Consolidated Statement of Comprehensive Income

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

	Note	Year ended 31 March 2014	Year ended 31 March 2013
Revenues		27,834,635	8,063,811
Cost of sales		(5,454,884)	(2,234,451)
Gross profit		**22,379,751**	**5,829,360**
Cost and expenses			
Administrative expenses		(1,453,590)	(1,293,823)
Operating profit		**20,926,161**	**4,535,537**
Foreign currency exchange gain	**19**	78,889	30,895
Interest expense		-	(1,493,675)
Interest income		127	35
Profit before tax		**21,005,177**	**3,072,792**
Income taxes	**9**		
- Deferred tax charge		(9,233,244)	(1,678,625)
Profit for the year (attributable to the shareholders of the group)		**11,771,933**	**1,394,167**
Total comprehensive income for the year (attributable to the shareholders of the group)		**11,771,933**	**1,394,167**
Earnings per share			
Basic	**22**	*0.06*	*0.01*
Diluted		*0.06*	*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	Retained earnings/ (accumulated losses)	Total shareholders' equity
	No. of shares	Amount						
Balance as at 1 April 2012	**182,913,924**	**3,618,472**	**46,501,666**	**(9,313,781)**	**19,570,288**	**398,569**	**(2,184,754)**	**58,590,460**
Share based payment transactions	60,000	971	232,023	-	-	(73,704)	-	**159,290**
Transactions with owners	60,000	971	232,023	-	-	(73,704)	-	**159,290**
Comprehensive income for the year	-	-	-	-	-	-	1,394,167	1,394,167
Balance as at 31 March 2013	**182,973,924**	**3,619,443**	**46,733,689**	**(9,313,781)**	**19,570,288**	**324,865**	**(790,587)**	**60,143,917**
Comprehensive income for the year							11,771,933	11,771,933
Balance as at 31 March 2014	**182,973,924**	**3,619,443**	**46,733,689**	**(9,313,781)**	**19,570,288**	**324,865**	**10,981,346**	**71,915,850**

(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)

	Note	Year ended 31 March 2014	Year ended 31 March 2013
Cash flow from operating activities			
Profit before tax		21,005,177	3,072,792
Adjustments			
Unrealised exchange (gain)/loss	19	(1,423)	85,555
Interest income		(127)	(35)
Interest expense		-	1,493,675
Depreciation	7	4,773,127	1,509,277
Changes in operating assets and liabilities			
Inventories		(3,351,651)	1,974,968
Payable to related party- operating activities		5,684,190	2,543,964
Trade receivables		2,078,625	(9,129,982)
Deferred revenue		15,600,222	11,666,651
Other current and non-current assets		(365,518)	83,421
Accrued expenses and other liabilities		127,609	(197,443)
Cash generated from operations		45,550,231	13,102,843
Income taxes paid		(495,655)	(116,534)
Net cash generated from operating activities		**45,054,576**	**12,986,309**
Cash flow from investing activities			
Investment in exploration and evaluation assets [A]		(28,820,986)	(48,182,247)
Purchase of property, plant and equipment [A]		-	(31,983,111)
Interest received		127	35
Net cash used in investing activities		**(28,820,859)**	**(80,165,323)**
Cash flow from financing activities			
Repayment of long term debt from banks		(17,320,000)	(17,320,000)
Proceeds from issue of share capital		-	159,290
Proceeds from loans by related parties		-	59,086,130
Proceeds from long term debt from banks		-	39,295,868
Payment of interest		(5,486,986)	(6,658,711)
Net cash (used)/generated from financing activities		**(22,806,986)**	**74,562,577**
Net (decrease)/increase in cash and cash equivalents		**(6,573,269)**	**7,383,563**
Cash and cash equivalents at the beginning of the year		7,546,024	248,246
Effects of exchange differences on cash and cash equivalents		4,273	(85,785)
Cash and cash equivalents at the end of the year		**977,028**	**7,546,024**

[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.

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

Notes to Consolidated Financial Statements

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

1. INTRODUCTION

Indus Gas Limited ("Indus Gas" or "the Company") was incorporated in the Island of Guernsey on 4 March 2008 pursuant to an Act of the Royal Court of the Island of Guernsey. The Company was set up to act as the holding company of iServices Investments 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 (refer note 27), 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 participates in a unincorporated joint venture with Focus which involve the joint control of assets used in the Group's oil and gas exploration and development. 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 had exercised the option to acquire a 30 per cent participating interest in the discovered fields on 6 June 2008.

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 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. For recovery of past contract cost, production from the field is first allocated towards exploration and evaluation cost and thereafter towards development cost.

On the basis of above, gas production for the year ended 31 March 2014 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 2014	**31 March 2013**
Non-current assets	408,582,251	336,020,473
Current assets	9,326,267	5,974,614
Non-current liabilities	1,079,946	909,515
Current liabilities	96,847,805	55,848,578
Expenses (net of finance income)	5,684,190	2,543,964
Commitments	NIL	NIL

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 prior to the date of approval of these consolidated financial statements and endorsed by EU 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. Information on the new standards, interpretations and amendments that are expected to be relevant to the Group's consolidated financial statements is provided below.

- **IFRS 10 *Consolidated Financial Statements*** *(Effective from 1 January 2014)*

In May 2011, the IASB issued IFRS 10 “Consolidated Financial Statements” (“IFRS 10”) which replaces consolidation requirements in IAS 27 “Consolidated and Separate Financial Statements” and SIC-12 “Consolidation — Special Purpose Entities” and builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. This pronouncement is effective for the annual period beginning on or after 1 January 2014 with earlier application permitted so long as this standard is applied together with other four standards as mentioned below:

IFRS 11 **“**Joint Arrangements**”**

IFRS 12 **“**Disclosure of Interest in Other Entities**”**

IAS 27 (Revised) **“**Separate Financial Statements**”**

IAS 28 (Revised) **“**Investments in Associates and Joint Ventures**”**

The remainder of IAS 27, “Separate Financial Statements”, now contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates only when an entity prepares separate financial statements and is therefore not applicable in the Group’s consolidated financial statements.

- **IFRS 11 *Joint Arrangements (Effective date 1 January, 2014)***

"Joint Arrangements" ("IFRS 11"), which replaces IAS 31, "Interests in Joint Ventures" and SIC-13, "Jointly Controlled Entities — Non-monetary Contributions by Ventures", requires a single method, known as the equity method, to account for interests in joint ventures. The proportionate consolidation method to account for joint ventures is no longer permitted to be used. IAS 28, "Investments in Associates and Joint Ventures", was amended as a consequence of the issuance of IFRS 11. In addition to prescribing the accounting for investments in associates, it now sets out the requirements for the application of the equity method when accounting for joint ventures. The application of the equity method has not changed as a result of this amendment.

- **IFRS 12 *Disclosure of interest in other entities (Effective date 1 January 2014)***

"Disclosure of Interest in Other Entities" is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The standard includes disclosure requirements for entities covered under IFRS 10 and IFRS 11.

Further, in June 2012, IASB published 'Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance' as amendments to IFRS 10, IFRS 11 and IFRS 12. These amendments are intended to provide additional transition relief by limiting the requirement to provide adjusted comparative information to only the preceding comparative period.

The Group will be adopting IFRS 10, IFRS 11 and IFRS 12 effective for periods beginning on or after 1 January 2014. The Group is currently evaluating the impact of the above pronouncements on the Group's consolidated financial statements.

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 2014. 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.

Intra-group balances and transactions, and any unrealised gains and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. 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 date of control of acquisition, or up to the effective date of disposal, as applicable.

5.2. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In preparing consolidated financial statements, the 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 for 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.

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.

5.4. REVENUE RECOGNITION

Revenue from the 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 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. Deferred revenue represents amounts received/due from GAIL for which gas is yet to be delivered.

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 5.6. As consistent with the full cost method, all exploration and evaluation expenditure incurred up to 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.

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 asset and tested for impairment on the date of reclassification. Impairment loss, if any, is 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 a transaction value that 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 an 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 decommissioningis 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.

5.18. ADOPTION OF NEW STANDARDS BECOMING APPLICABLE DURING THE YEAR

The Group has adopted the following new standards and amendment to standards, including any consequential amendment to other standards, with a date of initial application from 1 April 2013.

-- IFRS 13 Fair Value Measurement

The adoption of above new standards does not have any significant impact on the consolidated financial statements.

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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 below:

	Intangible assets: exploration and evaluation assets
Balance as at 1 April 2012	**40,997,873**
Additions	53,569,365
Transfer to development assets [A]	(76,139,848)
Balance as at 31 March 2013	**18,427,390**
Additions	59,380,804
Transfer to development assets [B]	(77,808,194)
Balance as at 31 March 2014	**-**

The above includes borrowing costs capitalised of US$ 2,810,610 (previous year: US$ 3,769,364) during the year. The weighted average capitalisation rate on funds borrowed generally is 6.02 per cent per annum (previous year 5.8 per cent).

[A] Based on a study conducted by an independent expert and their report of 03 December 2012, the Group had assessed gas reserves discovered in the SSF field in the Block as technically feasible and commercially viable. Accordingly, the balance of exploration and evaluation costs as at 19 November 2012 was reclassified into development assets.

[B] Expenditure incurred subsequent to 19 November 2012 has been transferred to development assets on submission of an integrated declaration of commerciality report by Focus Energy Limited to the Directorate General of Hydrocarbons, ONGC, the Government of India and the Ministry of Petroleum and Natural Gas.

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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 2012	**36,437**	**2,951,796**	**203,083,017**	**4,252,696**	**3,694,409**	**1,300,409**	**2,137,451**	**217,456,215**
Additions/transfers	-	625,721	105,992,814	981,106	1,086,084	123,491	1,022,958	109,832,174
Disposals/transfers	-	-		-	-	-	(1,156,137)	(1,156,137)
Balance as at 31 March 2013	**36,437**	**3,577,517**	**309,075,831**	**5,233,802**	**4,780,493**	**1,423,900**	**2,004,272**	**326,132,252**
Additions/transfers 130,811		153,920	98,306,895	150,729	24,009	54,668	426,576	99,247,608
Disposals/transfers	-	-	(317,476)	-	-	-	(1,024,519)	(1,341,995)
Balance as at 167,248 March 2014		**3,731,437**	**407,065,250**	**5,384,531**	**4,804,502**	**1,478,568**	**1,406,329**	**424,037,865**
Accumulated Depreciation								
Balance as at 1 April 2012	**-**	**460,382**	**640,223**	**2,188,364**	**1,030,020**	**730,063**	**-**	**5,049,052**
Depreciation for the year	-	249,274	1,509,277	755,316	748,148	228,102	-	3,490,117
Balance as at 31 March 2013	**-**	**709,656**	**2,149,500**	**2,943,680**	**1,778,168**	**958,165**	**-**	**8,539,169**
Depreciation for the year	-	334,288	4,773,127	831,921	741,570	235,539	-	6,916,445
Balance as at 31 March 2014 -		**1,043,944**	**6,922,627**	**3,775,601**	**2,519,738**	**1,193,704**	**-**	**15,455,614**
Carrying values								
At 31 March 2013	36,437	2,867,861	306,926,331	2,290,122	3,002,325	465,735	2,004,272	**317,593,083**
At 31 March 2014	167,248	2,687,493	400,142,623	1,608,930	2,284,764	284,864	1,406,329	**408,582,251**

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

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 the 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 the drilling of further wells in the SGL field to enhance the production activity. Also included under development and production assets are completed additional production facilities (gas gathering station - 2) in respect of the SGL field. The Group commenced the production facility from October 2012, and accordingly such production assets have been depreciated since this date.

As mentioned in note 6, during the year ended 31 March 2014, development assets also include a transfer from exploration and evaluation assets, in respect of the SSF and SSG field, consequent to the commercial viability and technical feasibility of the reserves in the field, based on integrated declaration of commerciality report submitted by Focus Energy Limited to the Directorate General of Hydrocarbons, ONGC, the Government of India and the Ministry of Petroleum and Natural Gas and the evaluation made by the Group's management in respect of these reserves. Pending the assessment of these reserves by the above mentioned authorities 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$ 10,281,753 (previous year: US$ 8,699,988). The weighted average capitalisation rate on funds borrowed generally is 6.02 per cent per annum (previous year 5.80 per cent).

[D] These vehicles have been secured against the finance leases as disclosed in Note 16 until the obligation exists. As of March 31 2014, there are no outstanding lease obligations.

The depreciation has been included in the following headings-

	31 March 2014	31 March 2013
Depreciation included in exploration and evaluation assets	1,602,375	1,509,214
Depreciation included in development assets	540,943	471,626
Depreciation included in statement of comprehensive income under the head cost of sales	4,773,127	1,509,277
Total	**6,916,445**	**3,490,117**

8. DEFERRED TAX ASSETS/ LIABILITIES (NET)

Deferred taxes arising from temporary differences are summarized as follows:

	31 March 2014	31 March 2013
Deferred tax assets		
Unabsorbed losses/credits	142,330,042	124,118,984
Total	**142,330,042**	**124,118,984**
Deferred tax liability		
Exploration and evaluation assets	120,924,768	96,725,907
Development assets/ property, plant and equipment	34,093,000	30,847,559
Total	**155,017,768**	**127,573,466**
Net deferred tax liabilities	**(12,687,726)**	**(3,454,482)**

a) The Group has created deferred tax assets on all of its unused tax losses/unabsorbed depreciation considering there is convincing evidence of availability of sufficient taxable profit in the Group in the future as summarized in note 9.
b) The deferred tax movements during the current year have been recognised in the Consolidated Statement of Comprehensive income

9. INCOME TAXES

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 2014	31 March 2013
Current tax	-	-
Deferred tax charge	(9,233,244)	(1,678,625)
Total	**(9,233,244)**	**(1,678,625)**

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 2014	31 March 2013
Accounting profit for the year before tax	21,005,178	3,072,792
Non-taxable loss	(859,004)	(902,166)
Taxable income	21,864,182	3,974,958
Effective tax at the domestic rates applicable to profits in the country concerned	(9,233,244)	(1,678,625)
Tax expense	**(9,233,244)**	**(1,678,625)**

Indus Gas profits are taxable as per the tax laws applicable in Guernsey where a zero percent 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 gas block incurred until 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 has opted to claim the expenditure in the first year of commercial production. The Group commenced commercial production during the year ended 31 March 2011 and has been generating profits in Newbury and iServices since then. The unutilized expenditure can be carried forward indefinitely under Indian Income tax Act. Based on the present estimation of quantity of reserve established, the management believes there is reasonable certainty of utilization of remaining unutilized expenditure in the future years. Therefore, deferred tax asset has been created on the unutilized balance of these expenditure. Applicable income tax rate in India on income arising on such operations is 42.23%.

10. INVENTORIES

Inventories comprise of the following:

	31 March 2014	31 March 2013
Drilling and production stores and spares	8,455,623	5,814,038
Fuel	49,294	79,888
Goods in transit	821,350	80,690
Total	**9,326,267**	**5,974,616**

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 5.10.

Inventories of US$ 224,491 (previous year: US$ 319,667) were recorded as an expense under the heading 'cost of sales' in the consolidated statement of comprehensive income during the year ended 31 March 2014.

11. OTHER CURRENT ASSETS

	31 March 2014	31 March 2013
Prepayments for		
- procurement of debt	363,762	-
- others	44,883	43,125
Total	**408,645**	**43,125**

12. CASH AND CASH EQUIVALENTS

	31 March 2014	31 March 2013
Cash at banks in current accounts	977,028	7,546,024
Total	**977,028**	**7,546,024**

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 2014 is 182,973,924 (previous year: 182,973,924).

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 translation of entities financial statements into US$ until 30 November 2010 when its functional currency was assessed as GBP. Subsequent to 1 December 2010, the functional currency of Indus Gas was reassessed as 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 of subsidiaries from other entities under common control.

14. LONG TERM DEBT FROM BANKS

	Maturity	31 March 2014	31 March 2013
Non-current portion of long term debt	2018/2021	85,266,117	102,213,678
Current portion of long term debt from banks		17,301,889	16,962,446
Total		**102,568,006**	**119,176,124**

The Group obtained two term loan facilities from a consortium of banks amounting to US$110,000,000 and US$40,000,000. Against the loan of US$110,000,000, Indus Gas has drawn US$ 109,904,073 (previous year US$ 109,904,073) and the balance has lapsed and cannot be utilised. The other loan facility of US$ 40,000,000 has been fully utilised.

The term loan of US$110,000,000, with an outstanding balance of US$ 66,416,294 repayable through quarterly instalments of US$3,939,000 with the last instalment falling due in May 2018. This loan bears interest of LIBOR plus 500 basis points payable along with each quarterly instalment.

The term loan of US$40,000,000, with an outstanding balance of US$ 36,151,712 is repayable through quarterly instalments of US$ 400,000 till March 2019 and US$ 3,600,000 with last instalment falling due in May 2021. This loan bears interest of LIBOR plus 400 basis points payable along with each quarterly instalment.

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

The term loans are 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 the SGL field and all future receivables from gas sales.

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

15. PROVISION FOR DECOMMISSIONING

	Provision for decommissioning
Balance at 1 April 2012	**745,651**
Additions	163,864
Balance as at 31 March 2013	**909,515**
Additions	170,431
Balance as at 31 March 2014	**1,079,946**

As per the PSC, the Group is required to carry out certain decommissioning activities on gas wells. The 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 2014	31 March 2013
Finance lease	-	2,692
Less: current portion	-	(2,692)
Non-current portion	**-**	**-**

Balance outstanding as on 31 March 2013 was entirely payable within one year along with interest of US$ 156.

17. PAYABLE TO RELATED PARTIES

Related parties payable comprise of the following:

	Maturity	31 March 2014	31 March 2013
Current			
Liability payable to Focus	On demand	96,783,891	55,845,886
Payable to directors	On demand	63,914	-
		96,847,805	**55,845,886**
Other than current			
Borrowings from Gynia Holdings Ltd.*		112,947,262	106,053,767
		112,947,262	**106,053,767**
Total		**209,795,067**	**161,899,653**

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").

On 31 March 2013 through an amendment to the Assignment agreement between the Group and Focus, the entire outstanding balance of Focus is converted into a short-term liability payable on demand.

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.

* Borrowings from Gynia Holdings Ltd. carries interest rate of 6.5 per cent per annum compounded annually. Out of this loan from Gynia Holdings Ltd., US$ 52.6 million is subordinated to loans taken from the banks (detailed in note 14) and therefore, is repayable along with related interest subsequent to repayment of bank loans in March 2021. The balance of US$ 52 million is repayable along with related interest in the year ending 31 March 2019. The balance appearing in above table is inclusive of interest payable till reporting date.

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

18. EMPLOYEE COST

Cost pertaining to the employees of Focus have been included in the cost of sales and administrative expenses in the consolidated statement of comprehensive income amounting to US$ 286,366 (previous year US$ 262,325) and US$ 444,466 (previous year US$ 380,253) respectively. Cost pertaining to the employees of the Group has been included under administrative expense is US$ 315,914 (previous year US$ 447,344).

19. FOREIGN CURRENCY EXCHANGE GAIN, NET

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

	31 March 2014	31 March 2013
Gain/(loss) on restatement of foreign currency monetary receivables and payables	1,423	(85,555)
Gain arising on settlement of foreign currency transactions and restatement of foreign currency balances arising out of Oil block operations	77,466	116,450
Total	**78,889**	**30,895**

20. OPERATING LEASES

Lease payments capitalised under exploration and evaluation assets and development/ production assets during the year ended 31 March 2014 amount to US$ 40,284,032 (previous year US$ 45,260,114). 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 can be cancelled 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 Company 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 Company 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 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. Vesting of these options have completed in earlier years and there is no expense in respect of these options during the year ended 31 March 2014 and 2013.

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 Directors and Advisors

All the options granted to the Directors and Advisors are fully vested in earlier years. During the year ended 31 March 2013, one of the directors had exercised his right of share option for 60,000 Shares. The outstanding balance and exercisable share options as on 31 March 2014 and 31 March 2013 were 180,000 shares having a weighted average price of US$ 1.64 per option. These options are due to expire in June 2015.

Share options granted to Arden Partners

There was no movement in the outstanding options under this category during the year ended 31 March 2014 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 on 31 March 2014 and 31 March 2013 were 76,220 having a weighted average price of US$ 1.64 per option. These options are due to expire in June 2015.

22. EARNINGS PER SHARE

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

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Calculation of basic and diluted earnings per share is as follows:

	31 March 2014	31 March 2013
Profits attributable to shareholders of Indus Gas Limited, for basic and dilutive	11,771,933	1,394,167

Weighted average number of shares (used for basic earning per share)	182,973,924	182,931,020
No of equivalent shares in respect of outstanding options	55,454	43,097
Diluted weighted average number of shares (used for Diluted earnings per share)	183,029,378	182,974,117
Basic earnings per share	**0.06**	**0.01**
Dilutive earnings per share	**0.06**	**0.01**

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 at 31 March 2014 and 31 March 2013 is as under:

Transactions with parent company

Particulars	31 March 2014	31 March 2013
Transactions during the year with the holding company		
Loan taken	-	59,086,130
Interest	6,893,495	4,427,101
Balances at the end of the year		
Total payables*	**112,947,262**	**106,053,767**

**including interest*

Transactions with KMP and entity over which KMP exercise control

Particulars	31 March 2014	31 March 2013
Transactions during the year		
Remuneration to KMP		
• Short term employee benefits	315,914	447,344
• Share based payments	-	-
Total	**315,914**	**447,344**

Particulars	31 March 2014	31 March 2013
<u>Entity over which KMP exercise control</u>		
Share of cost incurred by Focus in respect of the Block	68,524,909	70,466,095
Remittances	26,774,123	76,525,210
Expenses reimbursed	812,786	71,310
		2,5
Interest payable	-	49,593
Balances at the end of the year		
Total payables*	**96,783,891**	**55,845,886**

**including interest*

Directors' remuneration

Directors' remuneration is included under administrative expenses, evaluation and exploration assets or development assets in the consolidated financial statements allocated on a systematic and rational manner.

Remuneration by director is also separately disclosed in the directors' report on page 9.

24. SEGMENT REPORTING

The Chief Operating Decision Maker, Chief Executive Officer of the Group, reviews the business as one operating segment being the extraction and production of 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$ 408,583,136 (previous year: US$ 336,021,358).

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 2014 (previous year Nil).

The group has no commitments as at 31 March 2014 (previous year Nil).

26. ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing consolidated financial statements, the 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.

<u>**Significant judgments applied in the preparation of the consolidated financial statements are as under:**</u>

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 judgment to evaluate indicators triggeringimpairment. 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 2014 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.

Impairment testing

As explained above, the management carried out impairment testing of property, plant and equipment and intangible assets of the Block on 19 November 2013 on submission of integrated declaration of commerciality report by Focus Energy Limited to the Directorate General of Hydrocarbons, ONGC, the Government of India and the Ministry of Petroleum and Natural Gas. An impairment loss is recognized for the amount by which the asset's or cash generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from the Block and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future gross profits. These assumptions relate to future events and circumstances. In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

The recoverable amount was determined based on value-in-use calculations, basis gas reserves confirmed by an independent competent person. Selling price of the gas is based on existing selling price to GAIL which is fixed upto 31 March 2015 and thereafter is based on the currently prevailing market prices. The discount rate calculation is based on the Company's weighted average cost of capital adjusted to reflect pre-tax discount rate and amounts to 10% p.a. Management believes that no reasonably possible changes in the assumptions may lead to impairment of property, plants and equipment and intangible assets of the Block.

Deferred tax assets

The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the management assessment, which is adjusted for specific limits to the use of any unused tax loss or credit. The tax rules in the jurisdictions in which the Group operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, then deferred tax asset is usually recognized in full.

27. BASIS OF GOING CONCERN ASSUMPTION

The Group has current liabilities amounting to US$ 119,353,258 the majority of which is towards current portion of borrowings from banks and related parties, primarily to Focus. As at 31 March 2014, the amounts due for repayment within the next 12 months to banks are US$ 17,301,889 which the Group expects to meet from its internal generation of cash from operations. Further, the Group has obtained sanction of additional debt of US$ 180 million subsequent to the year end. Part of this debt is to be used for repayment of payable towards Focus and balance will be utilised towards further development expenditure on Block. 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 total debt.

	31 March 2014	31 March 2013
Net debt	355,953,141	299,598,091
Total equity	71,915,850	60,143,917
Total capital employed	427,868,991	359,742,008
Gearing ratio	83 per cent	83 per cent

The gearing ratio has increased since the previous year due to increase in the draw-drown of loans from banks and related party 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 2014	31 March 2013
Non-current assets		
Loans and receivables		
- Security deposits	885	885
Current assets		
Loans and receivables		
- Trade receivables	7,847,404	9,926,029
- Cash and cash equivalents	977,028	7,546,024
Total financial assets under loans and receivables	**8,825,317**	**17,472,938**

Non-current liabilities		
Financial liabilities measured at amortised cost:		
- Long term debt from banks	85,266,117	102,213,678
- Payable to related parties	112,947,262	106,053,767
Current liabilities		
Financial liabilities measured at amortised cost:		
- Current portion of long term debt from banks	17,301,889	16,962,446
- Current portion of payable to related parties	96,783,891	55,845,886
- Accrued expenses and other liabilities	126,478	59,929
Total financial liabilities measured	**312,425,637**	**281,135,706**

	31 March 2014	31 March 2013
at amortised cost		

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.

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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 2014 and 31 March 2013 is as follows:

	Functional currency	Foreign currency	31 March 2014	31 March 2013
Total exposure			**89,424**	**7,128,289**
Short term exposure	US$	Indian rupee	-	2,692
Short term exposure	US$	Great Britain pound	89,424	7,125,597
Long term exposure	US$	Indian rupee	-	-

The Group's currency exposure risk towards Indian Rupee and GBP is insignificant and accordingly the movement in foreign currency will not have a material impact on the consolidated financial statements.

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 table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments for the liquidity analysis

	On demand	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
31 March 2014						
Non-interest bearing	-	126,478	-	-	-	126,478
Variable interest rate liabilities	96,783,891	4,801,120	14,107,001	57,888,626	25,771,258	199,351,896
Fixed interest rate liabilities	-	-	-	-	112,947,262	112,947,262
	96,783,891	**4,927,598**	**14,107,001**	**57,888,626**	**138,718,520**	**312,425,636**

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	On demand	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
31 March 2013						
Non-interest bearing	1,160,725	59,929	-	-	-	1,220,654
Variable interest rate liabilities	54,685,161	4,395,631	12,926,412	76,958,289	24,895,792	173,861,285
Fixed interest rate liabilities	-	-	-	-	106,053,767	106,053,767
	55,845,886	**4,455,560**	**12,926,412**	**76,958,289**	**130,949,559**	**281,135,706**

Interest rate risk

The Group's policy is to minimise interest rate risk exposures on the borrowing from the banks and sum payable to Focus Energy Limited. Interest rate on sum payable to Focus Energy Limited is linked to actual interest incurred by Focus capped between 6.5 percent and 10 percent on the chargeable sum (as defined under amendment in agreement for assignment of participating interest). Borrowing from the Gynia Holdings Ltd. is at fixed interest rate and therefore, doesn't expose the Group to risk from changes in interest rate. The Group is exposed to changes in

market interest rates through bank borrowings at variable interest rates. Interest rate on 110 million bank borrowing is 5 percent plus LIBOR and on 40 million bank borrowing is 4 percent plus LIBOR (detailed in note 14).

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 2014	996,759	(996,759)
31 March 2013	875,110	(875,110)

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.