INDUS GAS LIMITED

INDUS GAS

ANNUAL REPORT 2010-11

www.indusgas.com

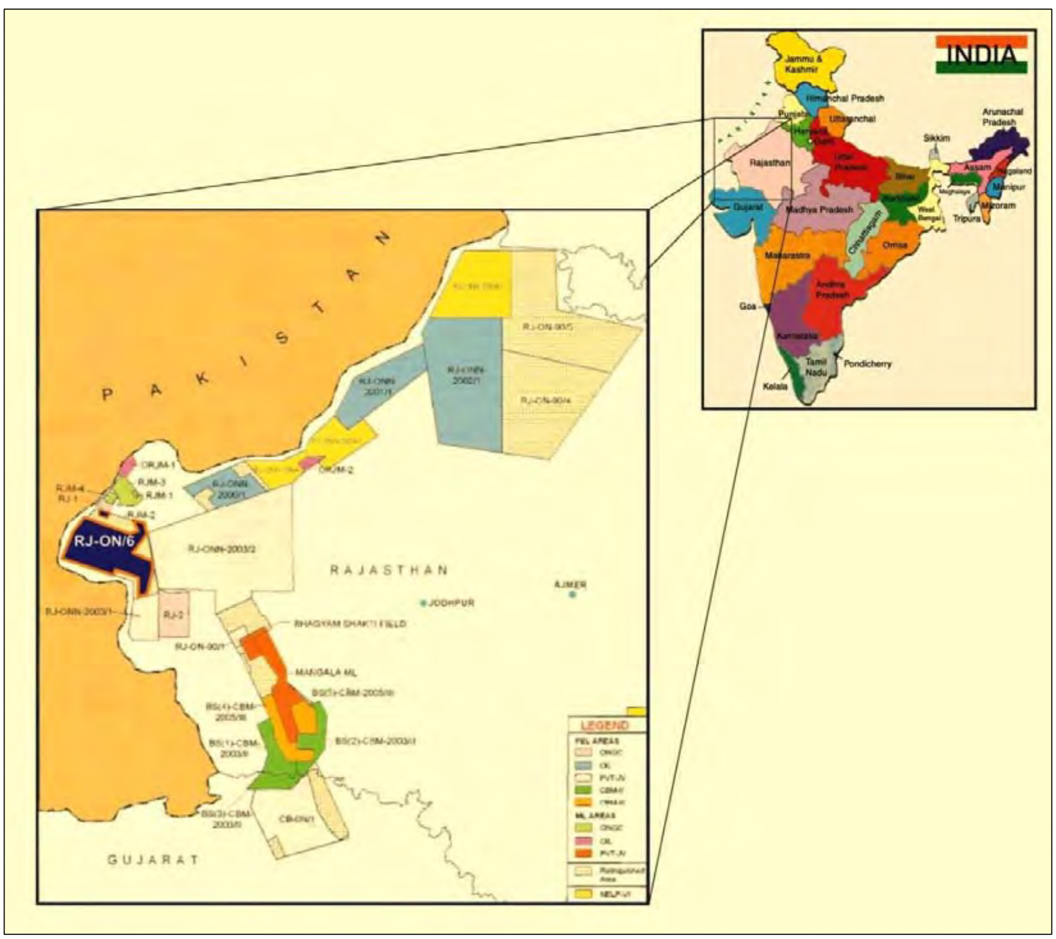
CONTENTS

OVERVIEW

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

The Block measuring 4,026 km^2 lies onshore in the highly prospective mid Indus Basin. Indus has pursued an aggressive exploration, appraisal and development programme and has recently commenced gas production/sales from the discovered SGL gas field.

Indus has acquired an extensive set of 2D and 3D seismic data and so far drilled 26 exploratory/appraisal/production wells in the Block. Over the next three years, Indus plans to test several of the existing wells having gas shows, drill new appraisal wells and pursue exploitation of tight gas through extensive fracturing simulation programme, which if successful, may substantially increase the recognised reserve/resources base of the Company.



HIGHLIGHTS

SGL Field Development;

- Satisfactory gas production, sales and contract performance of Phase I of SGL following commencement of first production of gas from the Block on 9 July 2010.
- Phase II production ramp up estimated to complete by Q1, 2012 after incorporation of required changes in plant sizing and specifications. Likely to coincide with commissioning of existing 110 MW power plant expansion to 270 MW for Rajasthan Rajya Viduit Utpadan Nigam Limited ("RRUVNL"), the State Electricity Company and the end user of the gas from SGL.
- Drilling of additional production wells to deliver required sales gas for Phase II in progress. Majority of key equipment for Phase II being delivered to site.
- Potential for increase of SGL gas sales beyond Phase II as RRUVNL plan to expand 270 MW power plant to 430 MW.

New drilling and testing program continues to confirm additional hydrocarbon potential within the Block;

- Updated CPR by Senergy Group Limited announced by Company in December 2010 – increase in reserves/resources.
- Additional gas potential from new appraisal wells since the last CPR - new extension in the Southwest of the Block with gas shows in Southern Comfort.
- Sourced majority of required equipment for planned hydro-fracturing. Extensive Hydro-fracturing campaign being planned in consultation with technical experts considering results of previous hydro-fracturing tests.
- Extensive well testing programme planned ahead of the next CPR.
- Appraisal period extended to January 2013 by the Management Committee. Will help Company to drill a number of appraisal wells to cover undrilled area of the Block.
- After completion of the Appraisal period in 2013, the Company plans to finalise its integrated gas development plan based on cumulative reserves accrued in the Block.

Adequate funding position ahead of cash flow ramp up

- Sufficient headroom available under the existing debt facility of $110million ($52.51 million undrawn amount available as at 31 March 2011) to complete Phase II of SGL Field Development.
- Continued financing support by Gynia/Focus group to support ongoing appraisal activities
- Discussions underway to increase debt facility amount to enable repayment of part of the financing provided by Gynia/Focus group and provide additional funds for appraisal activities.

Summary of financial performance during Financial Year ending 31 March 2011

- Gas/condensate sales revenues of $2.19 million. Additional invoicing of $2.11 million to GAIL towards its "Take or Pay" commitment under gas sale purchase agreement.
- Operating profits at modest $0.09 million. Net loss of $2.42 million for the year after considering foreign currency loss of $1.35 million and net interest cost of $1.16 million.
- Total investments in exploration, evaluation and development assets of $ 60.32 million during the FY ending 31 March 2011 with total cumulative investment of $180.18 million ($180.03 million net of depreciation) as of 31 March 2011.
- Cash balance of $2.25 million, outstanding bank loans of $57.49 million and payables to related parties of $81.17 million as of 31 March 2011.

CHAIRMAN'S STATEMENT

It is my pleasure to present to Shareholders the Third Annual Report and Consolidated Financial Statements of Indus Gas Limited (the "Company"), covering the financial year from 1 April 2010 to 31 March 2011.

In December 2010, we published our first Competent Persons Report (CPR) since the AIM IPO in 2008 which increased our reserves and resources. The updated CPR demonstrates the considerable activity in the Block since listing in London and how our understanding of the potential within the RJ-ON/6 Block has expanded over this period.

Post the updated CPR announced in December 2010, new successful appraisal wells have been drilled in the Block and these should further add to reserve/resources base. Further, we have been allowed extension of our appraisal activities to January 2013 and we believe that a significant potential exists to grow our reserve/resources base given the extensive appraisal drilling, testing and hydro-fracturing activities planned in near future.

Indus now has a production history of over a year and will soon commission additional SGL production facilities to increase gas sales to around 34 mmscf/d.

Indus operates in a region where there is a huge imbalance and demand supply gap for natural gas. In recent years, many gas based power plants and other industrial/consumer facilities has been commissioned, which are running idle due to non-availability of natural gas and staring at default on their debt. Many of such facilities are not taken up for development or have been shelved mid-way despite achieving financial closure. Availability of additional gas from the Block will help infrastructure needs of India in a noticeable manner.

The gas sales from the Block contracted so far has allowed the Rajasthan Government to reduce its power demand supply deficit in the region and there is a request for additional gas supplies to increase its electricity production capacity beyond 270 MW at its Ramgarh Power Plant. The Company is looking at the possibility of increasing its gas supplies beyond the contracted 34 mmscf/d ahead of a larger integrated gas development to meet this request for additional gas.

As I look forward to the significant milestones we plan to achieve over the next twelve months I must thank all those inside and outside the Company in India and Internationally who have helped us achieve so much this year and am pleased that this co-operation will continue into the future.

MARC HOLTZMAN
Chairman
27 September 2011

CHIEF EXECUTIVE'S REVIEW

INTRODUCTION

I am pleased to report another year of active operations on the Block. We continue to operate in line with our stated business plan while maintaining compliance with terms of Production Sharing Contract, applicable laws and sound standards of health and safety. During the year a number of our institutional shareholders visited the Block for which I am very grateful. These visits have helped these shareholders understand the scale of the acreage and activities within the Block. A summary of the activities in the Block since April 2010 is described below:

PRODUCTION – SGL FIELD

Production from SGL began on 9 July 2010 under Phase 1 of gas sale purchase contract. Having completed over a year of gas sales (including post year end period), we have seen all contract payments from GAIL on a timely basis towards gas delivered as well as quarterly and annual take or pay commitments.

We have produced gas from SGL-1 and SGL-2 wells during the period. Three additional production wells have been spudded since then, which are in various stages of drilling/completion & production testing.

Activities are in their advance stages to increase gas sales to around 34 mmscf/d as part of Phase II, which is expected to commission by Q1, 2012. Phase II production was initially planned to commence from Q2, 2011. However, the experience gained during implementation of phase I and required change in specification, size and source of supply of gas gathering station and CO_2 removal equipment for phase II, to greater than originally planned, has caused some delays in this implementation. Now all the key equipment has been contracted, which is under construction in USA. A significant part of these equipment is en route to India, while remaining equipment will be shipped shortly. Once these equipment are commissioned, we will have gas processing capacity of totaling 80 mmscf/d (15 mmscf/d of Phase I and 65 mmscf/d of Phase II), which will enable us to ramp up production beyond Phase II in a quick manner.

We understand that the Ramgarh power plant is also nearing completion of it's capacity upgrade from 110 MW to 270 MW in order to receive our extra gas sales and commissioning of respective facilities is likely to coincide.

RRVUNL, the State Electricity Company in Rajasthan has approved and committed capital for another 160 MW power plant to further expand the Ramgarh power plant and has requested additional gas supplies for the same. The Company is evaluating the possibility of expanding SGL production as this expansion can be commissioned quickly and bring additional cash flows ahead of a larger integrated gas development that will be finalized sometime in 2013-14 after completion of appraisal activities.

Drilling, Seismic and Completion Operations

We continue to develop the Block in order to achieve the maximum long term hydrocarbon production and within the scope of the Production Sharing Contract (PSC). We aim to retain maximum production acreage as Development Area/Mining Lease after appraisal periods completes. Recently, approval has been granted to extend the appraisal period to January 2013 with a possibility of further extension to November 2013.

Drilling activities since April 2010 has followed multiple objectives being a) the drilling and completion of additional production wells for SGL as planned, b) further appraisal drilling in the Pariwar formation and c) additional clarification of the B&B potential. In order to establish a larger area as development area, the focus has been largely on drilling new wells across the Block at the expense of testing to accommodate rig and other resources availability.

As the understanding of regional gas plays has grown and the Company now has a large inventory of potential testing candidates, the Company will be planning to undertake an extensive testing campaign over next few quarters to enable a meaningful update to the last CPR.

Currently, five drilling rigs are available for the drilling/testing operation in the Block on a dedicated basis. These rigs are expected to allow the Company to undertake testing of existing wells and drilling/testing of a significant numbers of new appraisal wells before appraisal period ends.

Between April 2010 and August 2011, seven new wells were spudded with additional activities on two other wells. This amounted to a total drilling of 31,430m during the period.

Between April 2010 and August 2011, the Group acquired a further 361.26km^2 of 3D seismic with 259km^2 processed and interpreted.

Following is a brief summary of wells, which were either drilled or where additional operations were conducted between April 2010 and August 2011:

Indian Shingli – 1

The Indian Shingli well is located in the south-western part of Block RJ-ON/6 some 26 km to the south-southwest of the currently producing SGL – 1 location. The well was spudded on 10 November 2008 and reached a depth of 5,351m.

The primary aim of the well was to evaluate the distribution of gas within the Lower B&B Formation over pressured tight gas/basin centred gas (BCGA) sands, with a secondary objectives within the conventional sands of the upper B&B and Pariwar Formations. The well successfully encountered significant gas shows at all of the targeted reservoir levels and terminated within the Jaisalmer Limestone section at a depth of 5,351m. The well has been subject to initial fracture injectivity testing in the lowermost parts of the B&B tight gas section which resulted in a successful fracture completion. During testing, combustible gas was recovered to surface from a very tight sandstone section, albeit with low flow rates at this location. Further testing of the B&B tight and conventional targets and key Pariwar conventional reservoir zones is proposed.

Eastern Promise – 1

The Eastern Promise well was located to test a structural closure target in the western part of the RJ-ON/6 Block, approximately 16.5km to the south-southwest of the proven productive SGL field. The well was spudded on the 2 June 2009 and has been drilled to a depth of 4,355m. The primary objective of the well was to assess the potential of the Pariwar Formation. Including the same key reservoir zones as those proven in the SGL Field to the north. The secondary objectives of the well were to target conventional gas bearing sands of the Upper B&B Formation and over pressured tight gas/basin centred gas (BCGA) sands of the Lower B&B Formation. The well successfully flowed 8 mmscf/d of gas from sands in the upper parts of the Pariwar Formation. Significant gas shows were also encountered within the Upper B&B target sands, although these were not tested and lower B&B sands were not reached due to technical difficulties encountered within the B&B section. Based on the initial testing, CPR had assigned 2P reserves of 61 BCF for Eastern Promise area.

Pariwar and B&B Formation zones have been selected for further testing in this well.

Southern Comfort - 1

The Southern Comfort well was drilled in the extreme south-western part of the RJ-ON/6 Block. The well spudded on the 3 July 2010 and has been drilled to 4,478m.

The primary aim of this well was to assess the distribution of the Lower B&B Formation over pressured tight gas/BCGA system in this new part of the Block, which was successfully encountered by the Indian Shingli – 1 well located some 12.5km to the northeast. The secondary objective of the well was to assess the Pariwar and Upper B&B reservoir targets. Significant gas shows were encountered in all Pariwar and B&B Target zones and further testing is planned.

This well was not considered in the CPR evaluation. Updated CPR can potentially assign additional reserves/resources for this well.

SSG - 2

The SSG - 2 well is located 1.7 km to the south-southwest of the SSG – 1 well, which encountered gas within the upper Pariwar reservoir sands but failed to fully penetrate and test the key lower Pariwar reservoir zone due to technical problems. The well was spudded on the 29 July 2010 and has been drilled to 4,710m.

SSG – 2 successfully encountered gas shows within the key Pariwar Formation target zones and within both Upper and Lower B&B Formation Target sand zones. Further assessment and testing of this well is ongoing at this time.

Sandwich – 2

The Sandwich – 2 well was located to the southeast of the SGL field development area with the aim of appraising/delineating the eastern extent of the Lower Cretaceous (Pariwar and B&B Formation) Petroleum Systems. The well was spudded on the 3 February 2011 and has been drilled to 3,965m.

The well was located on structural closure target within a complex highly structured area of the Block. Despite good gas shows in the Pariwar Formation in the nearby Sandwich – 1 well (which unfortunately could not be tested due to sand production problems), only minor shows were encountered at that level in Sandwich – 2. The well drilled into the B&B Formation which contained sands with moderate to good gas shows in its lower parts and terminated within the Jaisalmer limestone. The well is currently suspended pending further assessment.

SGL –P1

The SGL – P1 well (formerly called SGL –P3) was spudded on the 8 November 2010 and drilled in an optimal position on the crest of the SGL field structure and was the first location selected for the ongoing development of the SGL Field. The well has been drilled to 3505 meters and has been completed for production. Deliverability testing has been highly successful with a stable flow rate of 9.22 mmscf/d from a depth of 3,117m – 3,229m within the main Pariwar Formation reservoir sands.

SGL – 3

The SGL – 3 well was spudded on the 20 March 2011 and was located on a structural high to the north of the main SGL Field area with the aim of extending the field area to the north by proving gas within the Pariwar Formation reservoir zones at this location. The well, drilled to 3,236m, encountered gas shows in the main Pariwar reservoir interval but subsequent technical problems have led to suspension prior to further testing being carried out.

SGL – D2

The SGL D2 well was spudded on the 20 April 2011 and is an SGL Field development well drilled on the western flank of the field areas as currently defined, potentially within a separate fault-compartment to the other SGL wells. The Pariwar Formation target sands came in at 3,156m – 3,168m at this location and strong gas shows were encountered. The well has been drilled to 3,211m and is in the final stages of completion and deliverability testing with production due in the near term.

SGL 5

The SGL – 5 well was spudded on the 30 June 2011 and is in the northern most development well currently designated within the main SGL Field area as presently defined. The well, drilled to 3,335m recently reached the main Pariwar target reservoir zone and initial completion works and testing are underway at this time.

Competent Persons Report

In December 2010, we released the highlights of our first Competent Persons Report (CPR) since listing. The CPR has provided independent verification of increases in reserves and resources since the CPR in 2008. The updated CPR has made use of the significant amount of seismic and drilling results completed since then. The CPR was provided by Senergy Group Limited and a copy of the same is available our Registered Office for review.

The Company intends to update CPR sometime in 2012 when sufficient additional seismic, drilling and testing data will be available, for CPR to reach meaningful conclusions.

Financials

During 12 months ended 31 March 2011, total revenues amounted to $2.19 million including revenues from gas sales of $2.05 million and from sale of condensate of $0.14 million. In addition, we invoiced an amount of $2.11million to GAIL towards its “take or pay” commitment under gas sale agreement. This “Take or Pay” commitment allows the Company to invoice GAIL for 90% of the contracted quantity, which has not been delivered for no fault of sellers. Since GAIL has the right to claim delivery of the gas in future, subject to certain restrictions, the amount invoiced is not considered as gas sale revenues and instead the same has been reflected as “Deferred Revenues” in the Consolidated Statement of Financial Position.

The Company achieved a modest operating profit of $0.09 million during the period. Net loss for the year was at $2.42 million considering foreign currency loss of $1.35 million and net interest cost of $1.16 million.

The Company made total capital investments of $60.32 million during the FY ending 31 March 2011 towards exploration, evaluation and development assets. This included an investment of $39.77 million on appraisal activities and $20.56 million on SGL field development. During the year, a sum of $94.19 million was transferred from Intangible Assets – Exploration and Evaluation assets to Development/Production Assets consequent to the commercial viability and technical feasibility of the reserves in respect of the Eastern Promise field.

As at 31 March 2011, total cumulative investment on exploration, evaluation and development assets was $180.18 million, including $14.11 million of Intangible Assets – Exploration and Evaluation assets and $166.07 million of Development/Production Assets. A depreciation of $0.16 million was provided during the year and net exploration, evaluation and development assets as at 31 March 2011 were $180.03 million.

As at 31 March 2011, the Company has invested a sum of $10.43 million ($7.45 million net of depreciation) in other non-current assets including land, equipment, bunk houses, vehicles, capital work in progress etc.

As at 31 March 2011, the Company had current assets of $10.65 million including cash balance of $2.25 million, inventories of $6.44 million and trade receivables of $1.17 million.

To part finance the above capital investment , the Company has drawn a sum of $42.49 million during the year out of its $110 million bank debt facility. As at 31 March 2011, the outstanding balance under the debt facility was $57.49 million and a sum of $52.51 million remains undrawn under the facility.

As detailed last year, as at 31 March 2010, the Company had an outstanding loan of $42.60 million from Focus Energy Ltd., a related party at an interest of 6.5% per annum compounded annually. As at 31 March 2011, the outstanding amount under this loan was $45.37 million after accruing interest of $2.77 million for the year. This loan including accrued interest is subordinated to $110 million bank debt facility and is repayable after the bank debt facility has been repaid in full. Further, as at 31 March 2011, the Company also owe an amount of $19.93 million to Focus Energy Ltd. as short term liability towards unpaid reimbursement of Company's share of exploration, appraisal and development costs. This short term borrowing is repayable on demand and subject to Company reimbursing actual interest cost incurred by Focus on loans taken from third parties subject to a minimum interest rate of 6.5 per cent per annum and maximum interest rate of 10 per cent per annum.

During the year, Gynia Holdings Ltd., a related party, provided a loan of $15 million to part finance capital assets of the Company. This loan is repayable on demand and carries an interest of 6.5% per annum. As at 31 March 2011, the outstanding amount under this loan was $15.09 million after accruing interest of $0.09 million for the year.

The Company has sufficient cash and debt capacity available to fund the closing payments on the SGL expansion. While existing cash flows are sufficient to cover overheads and interest payments under the existing debt facility, appraisal costs and debt repayments are being financed by Gynia/Focus Group. Gynia/Focus Group has committed to continue to provide necessary financial support to the Company to cover the ongoing capital investment. Additionally, the Company is in discussions with existing lenders to expand the existing debt facilities of $110 million up to approximately $160 million.

Outlook

As we conclude our activities for the upgrade in SGL production, we shall switch additional resources to appraisal drilling and testing of existing and new wells in order to gather sufficient data for an updated CPR expected in 2012 and to begin planning for additional monetisation of the gas reserves within the Block. Some of these wells may be taken up for hydro fracturing to increase gas flow rates and also to gain better understanding of B&B reserve potential.

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

AJAY KALSI

Chief Executive Officer

27 September 2011

BOARD & EXECUTIVE MANAGEMENT

MARC HOLTZMAN (51) - CHAIRMAN & NON EXECUTIVE DIRECTOR.

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

AJAY KALSI (50) - CHIEF EXECUTIVE OFFICER.

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

JOHN SCOTT (53) - CHIEF FINANCIAL OFFICER.

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

JOHN BEHAR (41) - NON EXECUTIVE DIRECTOR.

Mr. Behar has over 16 years financial services and investment banking experience, most recently involved in listings on the Luxembourg Stock Exchange for Indian mid-market companies, as well as private equity transactions across a range of countries and deal sizes. He is the founder and MD of Prospect Capital, a London based corporate finance advisory firm, and has also acted as a consultant to ICICI Bank UK, part of the major Indian banking and private equity group. Mr. Behar holds an MBA from Cass Business School.

DIRECTORS' REPORT

The Directors present their report and the financial statements of Indus Gas Limited ("the Company") and its subsidiaries, iServices Investments Ltd. and Newbury Oil Co. Limited (collectively the "Group"), which covers the year from 1 April 2010 to 31 March 2011.

Principal activity and review of the business

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

Results and dividends

The trading results for the year and the Group's financial position at the end of the year are shown in the attached financial statements. The directors have not recommended a dividend for the year (FY 2009-2010: £nil).

Review of business and future developments

A review of the business and likely future developments of the Company are contained in the Chairman's statement on page 3 and CEO's review on page 4.

Directors and Directors' interests

The Directors of the Company during the year are noted on page 10.

Directors Remuneration

The Directors' remuneration for the year ended 31 March 2011 was:

	Remuneration (£)	Remuneration (US$)
Ajay Kalsi	£150,000	$235,999
John Scott	£100,000	$157,357
Marc Holtzman	£40,000	$62,745
John Behar	£25,000	$39,245
Total Director's Remuneration	£315,000	$495,346

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

Directors Share Options

The share options in force at 31 March 2011 and held by current directors are as follows:

	No. of Options Granted	No. of Options Vested	No. of Options remaining to be Vested	Exercise Price
John Scott	100,000	66,666	33,334	164p
Marc Holtzman	60,000	40,000	20,000	164p
John Behar	50,000	33,333	16,667	164p
	210,000	123,333	70,001	

All options have now vested as of the 6 June 2011.

Financial instruments

Details of the use of financial instruments by the Company are contained in note 30 to the attached financial statements.

Related party transactions

Details of significant related party transactions are contained in note 19 and note 25 to the attached financial statements.

Internal control

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

Going concern

After making enquiries, the Directors have a reasonable expectation that the Company will have adequate resources to continue in operational existence for the foreseeable future. This expectation is based on estimates of future potential revenues from the RJ-ON/6 block that the Company will derive from sale of hydrocarbon reserves/resources and availability of adequate debt funding from banks as well as related parties to support capital investment to enable the Company to undertake appraisal and development activities in the Block. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Directors' Responsibilities

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

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

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

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

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

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

To the best of our knowledge and belief:

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

Auditors

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

By order of the Board

JOHN SCOTT
Director
27 September 2011

CORPORATE GOVERNANCE

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

Board of Directors

The Board is responsible for the proper management of the Company. The Board comprises of two Executive Directors, Ajay Kalsi (CEO) & John Scott (CFO) and two Non-Executive Directors, Marc Holtzman (Chairman) and John Behar. The resume of the board members is as outlined on page 10.

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

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

Sub-Committees

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

Audit committee

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

Remuneration committee

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

Nomination committee

The Nomination committee comprises Marc Holtzman as chairman and John Behar. The committee considers the selection and re-appointment of Directors. It identifies and nominates candidates to all board vacancies and regularly reviews the structure, size and composition of the board (including the skills, knowledge and experience) and makes recommendations to the Board with regard to any changes.

Share Dealing

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

The City Code on Takeovers and Mergers

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

Disclosure and Transparency Rules

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

Control by significant shareholder

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the consolidated financial statements of Indus Gas Limited for the year ended 31 March 2011 which comprise the Consolidated Statement of Financial Position, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flow and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as issued by the IASB.

This report is made solely to the company's members, as a body, in accordance with Section 262 of The Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the company's 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 12 the company's directors are responsible for the preparation of the consolidated financial statements and for being satisfied that they give a true and fair view.

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

Scope of the audit of the consolidated financial statements

An audit involves obtaining evidence about the amounts and disclosures in the consolidated financial statements sufficient to give reasonable assurance that the consolidated financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the consolidated financial statements. In addition we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the consolidated financial statements

In our opinion the consolidated financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2011 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as issued by the IASB; and
- have been prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

GRANT THORNTON LIMITED
Chartered Accountants
St Peter Port, Guernsey, Channel Islands
27 September 2011

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

ASSETS	Note	31 March 2011	31 March 2010
Non-Current Assets			
Intangible assets: exploration and evaluation assets	7	14,110,885	68,534,029
Property, plant and equipment	8	173,356,791	57,202,020
Deferred tax assets (net)	9	618	-
Other assets		11,149	9,643
Total non-current assets		**187,479,443**	**125,745,692**
Current assets			
Inventories	11	6,439,619	5,337,532
Recoverable from related party		-	56,543
Trade receivables		1,172,052	-
Current tax assets		35,639	-
Other current assets	12	746,501	1,216,007
Short term investments	13	-	8,538,802
Cash and cash equivalents	14	2,252,815	220,724
Total current assets		**10,646,626**	**15,369,608**
Total assets		**198,126,069**	**141,115,300**
LIABILITIES AND EQUITY			
STOCKHOLDERS' EQUITY			
Share capital	15	3,618,472	3,618,472
Additional paid-in capital	15	46,501,666	46,501,666
Currency translation reserve		(9,313,781)	(10,554,972)
Merger reserve		19,570,288	19,570,288
Share option reserve	23	386,381	341,303
Accumulated losses		(3,541,234)	(1,124,725)
Total stockholders' equity		**57,221,792**	**58,352,032**
LIABILITIES			
Non-Current liabilities			
Long term debt from banks, excluding current portion	16	45,089,825	14,815,524
Provision for decommissioning	17	501,392	369,809
Finance lease obligations, excluding current portion	18	31,222	99,289
Payable to related parties, excluding current portion	19	45,369,000	42,600,000
Total non-current liabilities		**90,991,439**	**57,884,622**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTD.)

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

	Note	31 March 2011	31 March 2010
Current liabilities			
Current portion of long term debt from banks	**16**	11,835,959	-
Current portion of finance lease obligations	**18**	68,126	75,270
Current portion payable to related parties	**19**	35,801,031	24,753,666
Accrued expenses and other liabilities		93,050	49,710
Deferred revenue		2,114,672	-
Total current liabilities		**49,912,838**	**24,878,646**
Total liabilities		**140,904,277**	**82,763,268**
Total equity and liabilities		**198,126,069**	**141,115,300**

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

These Consolidated Financial Statements are being signed as of 27 September 2011, pursuant to resolution approved in the board meeting held on 27 September 2011.

JOHN SCOTT
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	Note	Year ended 31 March 2011	Year ended 31 March 2010
Revenues		2,187,649	-
Cost of sales		(518,515)	-
Gross profit		**1,669,134**	**-**
Cost and expenses			
Administrative expenses		1,578,364	1,754,580
Gain/ (loss) from operations		**90,770**	**(1,754,580)**
Foreign currency exchange loss	**21**	(1,346,582)	(353,424)
Interest expense		(1,183,161)	-
Interest income		21,846	381,476
Loss before tax		**(2,417,127)**	**(1,726,528)**
Income tax credit	**10**	618	-
Loss for the year (attributable to the owners of the parent)		**(2,416,509)**	**(1,726,528)**
Other comprehensive income			
Currency translation adjustment		1,241,191	2,171,365
Total comprehensive (loss)/ income for the year (attributable to the owners of the parent)		**(1,175,318)**	**444,837**
Loss per share			
Basic	**24**	(0.01)	(0.01)
Diluted		(0.01)	(0.01)
Par value of each share	**GBP**	0.01	0.01

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

	Common stock		Additional paid in capital	Currency translation reserve	Merger reserve	Share option reserve	Accumulated earnings/ (losses)	Total stockholders' equity
	No. of shares	Amount						
Balance as at 1 April 2009	**182,913,924**	**3,618,472**	**46,501,666**	**(12,726,337)**	**19,570,288**	**-**	**601,803**	**57,565,892**
Share based payment transactions	-	-	-	-	-	341,303	-	**341,303**
Transactions with owners	-	-	-	-	-	*341,303*	-	***341,303***
Loss for the year	-	-	-	-	-	-	(1,726,528)	**(1,726,528)**
Other comprehensive income:								
Currency translation adjustment	-	-	-	2,171,365	-	-	-	**2,171,365**
Total comprehensive income/ (loss) for the year	-	-	-	*2,171,365*	-	-	*(1,726,528)*	***444,837***
Balance as at 1 April 2010	**182,913,924**	**3,618,472**	**46,501,666**	**(10,554,972)**	**19,570,288**	**341,303**	**(1,124,725)**	**58,352,032**
Share based payment transactions	-	-	-	-	-	45,078	-	**45,078**
Transactions with owners	-	-	-	-	-	*45,078*	-	***45,078***
Loss for the year	-	-	-	-	-	-	(2,416,509)	**(2,416,509)**
Other comprehensive income:								
Currency translation adjustment	-	-	-	1,241,191	-	-	-	**1,241,191**
Total comprehensive income/ (loss) for the year	-	-	-	*1,241,191*	-	-	*(2,416,509)*	***(1,175,318)***
Balance as at 31 March 2011	**182,913,924**	**3,618,472**	**46,501,666**	**(9,313,781)**	**19,570,288**	**386,381**	**(3,541,234)**	**57,221,792**

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

CONSOLIDATED STATEMENT OF CASH FLOW

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

	Year ended 31 March 2011	Year ended 31 March 2010
Cash flow from operating activities		
Loss before tax	(2,417,127)	(1,726,528)
Adjustments		
Unrealised exchange loss/(gain)	1,283,713	(1,996,001)
Interest income	(21,846)	(381,476)
Interest expense	1,183,161	-
Share based payment	45,078	341,303
Depreciation	156,168	-
Changes in operating assets and liabilities		
Inventories	(1,102,087)	(2,246,633)
Payable to related party- Operating activities	1,735,628	2,948,901
Trade receivables	(1,172,052)	-
Deferred revenue	2,114,672	-
Other current and non current assets	516,663	(1,312,674)
Accrued expenses and other liabilities	41,898	1,058
Cash generated from /(used in) operations	2,363,869	(4,372,050)
Income taxes paid	-	-
Net cash used in operating activities	**2,363,869**	**(4,372,050)**
Cash flow from investing activities		
Investment in exploration and evaluation assets *(Refer note A below)*	51,423,352	(18,105,302)
Purchase of property, plant and equipment (Refer note A below)	(116,386,152)	(8,332,214)
Investment in short term investments	-	(8,906,497)
Maturity of short term investments	8,831,712	-
Interest received	21,846	258,445
Net cash used in investing activities	**(56,109,242)**	**(35,085,568)**
Cash flow from financing activities		
Proceeds from loans by related parties	15,196,962	-
Repayment of loans to related parties	-	(170,000)
Proceeds from long term debt from banks	42,823,156	17,662,975
Payment of interest	(1,183,161)	-
Net cash generated from financing activities	**56,836,957**	**17,492,975**
Net increase/ (decrease) in cash and cash equivalents	**3,091,584**	**(21,964,643)**
Cash and cash equivalents at the beginning of the year	220,724	20,308,583
Effects of exchange differences on cash and cash equivalents	(1,059,493)	1,876,784
Cash and cash equivalents at the end of the year	**2,252,815**	**220,724**

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

Note A: The movement of property, plant and equipment above, includes the non cash transfer from exploration and evaluation assets during the year, as explained in Note 7.

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") 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"). The Group acquired an aggregate of 90 per cent participating interest in the Block on 13 January 2006. The balance of 10 per cent 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 issued and developed by the International Accounting Standards Board ('IASB'). The consolidated financial statements have been prepared on a going concern basis, and are presented in United States Dollar (US$). US$ was the Company's functional currency up to its listing on the AIM as well as that of its subsidiaries. Upon listing the functional currency of the Company was re-assessed as Pound Sterling (GBP) and that of its subsidiaries continues to be US$. During the current year, the functional currency of the Company has again been reassessed to be US$.

3. JOINTLY CONTROLLED ASSETS

The Group is jointly engaged in oil and gas exploration, development and production activities along with Focus. This venture is a jointly controlled asset - *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 had an option to acquire a 30 per cent participating interest in any discovered field, upon such successful discovery of oil or gas reserves, which has been declared as commercially feasible to develop.

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

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

The allocation of the production from the field to each participant in any year is determined on the basis of the respective proportion of each such participant's cumulative unrecovered Contract Costs as at the end of the previous year or where there are no unrecovered contract cost at the end of previous year on the basis of participating interest of each such participant in the field.

Basis above, gas production of the year ended 31 March 2011 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 2011	31 March 2010
Non-current assets	185,481,659	125,720,640
Current assets	6,439,619	5,337,532
Non-current liabilities	45,901,614	43,069,098
Current liabilities	19,998,780	24,375,352
Expenses (net of finance income)	429,383	442,965
Commitments	20,923,564	377,778

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 BY IASB BUT NOT YET APPLIED BY THE GROUP

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

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

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

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

The main phases are:

Phase 1: Classification and Measurement

Phase 2: Impairment methodology

Phase 3: Hedge accounting

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

***Amendment (issued 28 October 2010) (Effective from 1 January 2015)** (but under exposure draft)*

In October 2010, the IASB amended IFRS 9 to incorporate requirements for classifying and measuring financial liabilities and derecognising financial assets and financial liabilities. Most of IAS 39's requirements have been carried forward unchanged to IFRS 9. Changes have however been made to address issues related to own credit risk where an entity takes the option to measure financial liabilities at fair value.

IAS 24 Related party disclosure (Issued November 2009) (Effective from 1 January 2011)

The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduced a partial exemption of disclosure requirements for government related entities.

Though the standard is applicable to the Group, the amendments from the previous version would not have any impact on the consolidated financial statements.

IFRS 10 Consolidated financial statements (Issued May 2011) (Effective from 1 January 2013)

IFRS 10 introduces a revised definition of control together with accompanying guidance on how to apply it. In contrast to IAS 27 and SIC-12, which resulted in different criteria for determining control being applied to special purpose vehicles, IFRS 10's requirements will apply to all types of potential subsidiaries.

Though the standard is applicable to the Group the changes in the new standard from the last version are not likely to have an effect on the Group.

IFRS 11 Joint Agreements (Issued May 2011) (Effective from 1 January 2013)

IFRS 11 supersedes IAS 31 Interests in Joint Ventures. It replaces IAS 31's three categories of 'jointly controlled entities', 'jointly controlled operations' and 'jointly controlled assets' with two new categories - 'joint operations' and 'joint ventures'. The option of using proportionate consolidation for jointly controlled entities that was previously included in IAS 31 has been eliminated (equity accounting is now required for all joint ventures).

Though the standard is applicable to the Group the changes in the new standard from the last version are not likely to have an effect on the Group.

IFRS 12 Disclosure of Interests in Other Entities (Issued May 2011) (Effective from 1 January 2013)

The new standard integrates and makes consistent the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. The new standard is intended to provide transparency about the risks to which a reporting entity is exposed from its involvement with structured entities.

The Group will be required to make additional disclosures as suggested by this amended standard.

IFRS 13 Fair Value Measurement (Issued May 2011) (Effective from 1 January 2013)

The new IFRS does not affect which items are required to be 'fair-valued', but specifies how an entity should measure fair value and disclose fair value information. IFRS 13 has been developed to remedy this problem, by establishing a single source of guidance for all fair value measurements, clarifying the definition of fair value and related guidance and enhancing disclosures about fair value measurements (new disclosures increase transparency about fair value measurements, including the valuation techniques and inputs used to measure fair value).

The guidance in the standard would impact how the Group would fair value its financial instruments and give disclosures that are required by this standard, however considering the transactions in the Group, this standard is not likely to have an impact on the Group

5. SUMMARY OF ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying consolidated financial statements are as follows:

5.1. OVERALL CONSIDERATIONS

The consolidated financial statements have been prepared on the historical cost basis.

5.2. 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 2011. Subsidiaries are all entities over which the Group has the power to control the financial and operating policies. Indus Gas obtains and exercises control through more than half of the voting rights. All subsidiaries have a reporting date of 31 March.

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

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

5.3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In preparing consolidated financial statements, Group's management is required to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. The management's estimates for the useful life and residual value of tangible assets, impairment of tangible and intangible assets, fair value of share based payments and recognition of restoration cost represent certain particularly sensitive estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. 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 28 below.

5.4. FOREIGN CURRENCIES

The consolidated financial statements have been presented in US$.

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

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

The Company has changed its functional currency from GBP to US$ during the year. Such change are accounted for prospectively, accordingly relevant assets and liabilities in the Company have been translated into US$, which is also the Group's presentation currency at the date of change in the functional currency. Income and expenses have been translated into US$ at the average rate over the related period. Exchange differences on such change are charged/ credited to the currency translation reserve in equity. Refer note 6 for impact on the change in functional currency.

5.5. REVENUE RECOGNITION

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

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

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

5.6. 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 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 5.7 below. As consistent with the full cost method, all exploration and evaluation expenditure incurred till the date of the commercial discovery have been classified under development assets of that field.

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

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

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

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

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

Land acquired is recognised at cost and no depreciation is charged as it has an unlimited useful life.

Production assets will be depreciated from the date of commencement of production, on a field by field basis with reference to the unit of production method for the commercially probable and proven reserves in the particular field and also taking into account the future development costs to be incurred on these respectively for the probable and proven reserves, (taken at the current price). Changes in the prices and quantities are applied prospectively to future periods.

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

5.7. EXPLORATION AND EVALUATION ASSETS

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

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

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

Exploration and evaluation assets are not amortised prior to the conclusion of appraisal activities. Where technical feasibility and commercial viability is demonstrated, the carrying value of the relevant exploration and evaluation asset is reclassified as a development and production assets and any impairment loss recognised.

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

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

Where there are indicators that an exploration asset may be impaired, the exploration and evaluation assets are grouped with all development/producing assets belonging to the same geographic segment to form the Cash Generating Unit (CGU) for impairment testing. Where there are indicators that 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 revalued amount, in which case the reversal is treated as a revaluation increase.

5.9. FINANCIAL ASSETS

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

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are 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 occurs when the rights to receive cash flows from the instrument expires or are transferred and substantially all of the risks and rewards of ownership have been transferred.

5.10. FINANCIAL LIABILITIES

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

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

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

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

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

5.11. INVENTORIES

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

5.12. SHARE BASED PAYMENTS

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

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

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

5.13. ACCOUNTING FOR INCOME TAXES

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

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 equity in which case the related deferred tax is also charged or credited directly to equity.

5.14. BORROWING COSTS

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

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

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

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

5.15. CASH AND CASH EQUIVALENTS

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

5.16. LEASING ACTIVITIES

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

5.17. OTHER PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision net of any reimbursement is 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

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.

5.18. OPERATING EXPENSES

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

5.19. SEGMENT REPORTING

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

6. CHANGE IN FUNCTIONAL CURRENCY

During the year, the Company has changed its functional currency from Pound Sterling (GBP) to United States Dollar (US$) with effect from 1 December 2010.

Up to year ended 31 March 2010, the management had assessed the functional currency of the Company to be GBP. Based on factors including *inter alia,* incremental drawdown of US$ loans and further US$ loans disbursed to subsidiaries, which have led to a change in significance of the currency in which the underlying transactions entered into by the Company, the management has re-assessed the functional currency of the Company to be US$ with effect from 1 December 2010.

7. INTANGIBLE ASSETS : EXPLORATION AND EVALUATION ASSETS

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

	Intangible assets: exploration and evaluation assets
Balance as at 1 April 2009	**32,464,788**
Additions	36,069,241
Transfer to development assets	-
Balance as at 31 March 2010	**68,534,029**
Additions	39,770,041
Transfer to development assets *(Refer note B on next page)*	(94,193,185)
Balance as at 31 March 2011	**14,110,885**

The above includes borrowing costs capitalised of US$ 1,474,526 (previous year: US$ 2,533,141) during the year. The weighted average capitalisation rate on funds borrowed generally is 4.4 per cent per annum (previous year 8.61 per cent).

Note B:

Based on a study conducted by an independent expert and their report of 26 November 2010, the Group believes that gas reserves discovered in the Eastern Promise field in the Block are technically feasible and commercially viable. Accordingly, the Group has reclassified the balance of exploration and evaluation costs as at 30 November 2010 into development assets. The aforementioned discovery shall be assessed for technical feasibility and commercial viability by the Management Committee (comprising of representatives of, inter alia, Newbury, iServices, Focus, ONGC and DGH) as required the Production Sharing Contract and development shall commence thereafter. In accordance with IFRS 6, prior to such transfer, the exploration and evaluation assets have been tested for impairment and no impairment was noted.

8. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprise of the following

COST	Land	Extended well test equipment	Development /Production assets	Bunk Houses	Vehicles**	Other assets	Capital work-in-progress	Total
Balance as at 1 April 2009	**34,204**	**373,244**	**46,221,326**	**1,282,337**	**534,460**	**461,990**	**1,222,420**	**50,129,981**
Additions/ transfers	-	1,053,544	5,104,759*	1,791,699	526,041	338,574	3,268,625	**12,083,242**
Disposals/ transfers	-	-	-	-	-	-	3,158,591	**3,158,591**
Balance as at 31 March 2010	**34,204**	**1,426,788**	**51,326,085**	**3,074,036**	**1,060,501**	**800,564**	**1,332,454**	**59,054,632**
Additions/transfers	2,233	493,550	114,746,292*	1,023,520	801,707	287,227	2,241,540	**119,596,069**
Disposals/transfers	-	-	-	237,173	-	25,998	1,900,988	**2,164,159**
Balance as at 31 March 2011	**36,437**	**1,920,338**	**166,072,377**	**3,860,383**	**1,862,208**	**1,061,793**	**1,673,006**	**176,486,542**
Accumulated Depreciation								
Balance as at 1 April 2009	**-**	**63,794**	**-**	**690,026**	**141,804**	**292,014**	**-**	**1,187,638**
Depreciation for the year	-	67,229	-	291,558	198,778	107,409	-	**664,974**
Balance as at 31 March 2010	-	**131,023**	-	**981,584**	**340,582**	**399,423**	-	**1,852,612**
Depreciation for the year	-	131,419	156,168	546,771	270,300	179,857	-	**1,284,515**
Disposals/ transfers	-	-	-	6,163	-	1,213	-	**7,376**
Balance as at 31 March 2011	-	**262,442**	**156,168**	**1,522,192**	**610,882**	**578,067**	-	**3,129,751**
Carrying values								
At 31 March 2010	34,204	1,295,765	51,326,085	2,092,452	719,919	401,141	1,332,454	**57,202,020**
At 31 March 2011	36,437	1,657,896	165,916,209	2,338,191	1,251,326	483,726	1,673,006	**173,356,791**

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 SGL field. Since ONGC has exercised the option to acquire a 30 per cent participating interest in the discovered field, accordingly the additions to

development and production assets represents 63 per cent of the total cost incurred by the participating parties. Further, the additions during the year include the expenditure incurred for drilling of further wells in the SGL field to enhance the production activity. Also included under development and production assets are completed production facilities (gas gathering station) in respect of the SGL field. The Group commenced production facility from July 2011, and accordingly such production assets have been depreciated since this date.

As mentioned in note 7, during the year ended 31 March 2011, development assets also include a transfer from exploration and evaluation assets, in respect of the Eastern Promise field, consequent to the commercial viability and technical feasibility of the reserves in the field basis a report by an independent expert and the evaluation made by Group's management in respect of these reserves. Pending the assessment of these reserves by the Management Committee and further development of assets for production, no depreciation has been charged on the same.

Development/Production assets also includes borrowing costs capitalised of US$ 3,635,743 (previous year: US$ 2,387,717). The weighted average capitalisation rate on funds borrowed generally is 4.4 per cent per annum (previous year 8.61 per cent).

**These vehicles have been secured against the finance leases as disclosed in Note 18.

The depreciation amounting to US$ 156,168 charged on the development assets during the year has been included in cost of sales in the consolidated statement of comprehensive income.

9. DEFERRED TAX ASSETS (NET)

Deferred taxes arising from temporary differences are summarized as follows:

	31 March 2011	31 March 2010
Deferred tax assets		
Brought forward losses *(Refer note 10 below)*	7,481,719	-
Other tax credits	1,820	-
Total	**7,483,539**	-
Deferred tax liabilities		
Depreciation of development/production assets	6,848,022	-
Amortization of exploration and evaluation assets	595,903	-
Depreciation of property, plant and equipment	38,996	-
Total	**7,482,921**	-
Net deferred tax asset	**618**	-

10. INCOME TAX CREDIT

Income tax is based on tax rate applicable on profit or loss in various jurisdictions in which the Group operates. The effective tax at the domestic rates applicable to profits in the country concerned as shown in the reconciliation below have been computed by multiplying the accounting profit by the effective tax rate in each jurisdiction in which the Group operates. The individual entity amounts have been then 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 2011	31 March 2010
Current tax	-	-
Deferred tax credit	618	-
Total	**618**	-

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

	31 March 2011	31 March 2010
Accounting loss for the year before tax	(2,417,127)	-
Non taxable loss	(2,419,973)	-
Taxable income	2,847	-
Effective tax at the domestic rates applicable to profits in the country concerned	(1,202)	-
Other tax credits	1,820	-
Tax credit	**618**	-

Indus Gas profits are taxable as per the tax laws applicable in Guernsey where nil 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 Oil Block incurred till the start of commercial production (whether included in the exploration and evaluation assets or development assets) as deductible expense in the first year of commercial production or over a period of 10 years. iServices and Newbury are also in a tax holiday period for a period of 7 years from year of commercial production. This expense to the extent not adjusted in the profit of the year of commercial production within or after the tax holiday period is allowed to be carried forward and adjusted against the profits of subsequent years for an unlimited period as unabsorbed depreciation. During the year ended 31 March 2011, as the Group has commenced commercial production and has generated profits in Newbury and iServices, the management believes there is reasonable certainty of utilisation of such losses in the future years and thus a deferred tax asset has been created in respect of these.

11. INVENTORIES

Inventories comprise of the following:

	31 March 2011	31 March 2010
Drilling and production stores and spares	6,348,371	4,336,264
Fuel	79,076	32,539
Goods in transit	12,172	968,729
Total	**6,439,619**	**5,337,532**

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 5.11.

Inventories of US$ 122,634 (previous year: US$ NIL) were recorded as an expense under the heading 'cost of sales' in the statement of comprehensive income during the year ended 31 March 2011.

12. OTHER CURRENT ASSETS

	31 March 2011	31 March 2010
Prepayments for		
- procurement of debt	656,373	1,168,407
- others	90,128	47,600
Total	**746,501**	**1,216,007**

Prepayments for procurement of debts represent the proportionate fee paid for the un-utilised facility (refer Note 16).

13. SHORT TERM INVESTMENTS

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

	31 March 2011	31 March 2010
Short term investments in bank deposits	-	8,538,802
Total	-	**8,538,802**

Fair value of the deposits closely approximates their carrying value on the statement of financial position date. There are no short term investments outstanding as at 31 March 2011 as all investments have been matured during the year.

14. CASH AND CASH EQUIVALENTS

	31 March 2011	31 March 2010
Cash at banks in current accounts	2,252,815	220,724
Total	**2,252,815**	**220,724**

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

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

15. 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 2011 is 182,913,924 (previous year: 182,913,924).

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

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

Additional paid in capital

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

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.

16. LONG TERM DEBT FROM BANKS

	Maturity	31 March 2011	31 March 2010
US$ 57,490,173 (previous year US$ 15,000,000) bank loan, secured			
Non current portion of long term debt	2018	45,089,825	14,815,524
Current portion of long term debt from banks		11,835,959	-
Total		**56,925,784**	**14,815,524**

In March 2010, Indus Gas signed an agreement with a consortium of banks for a term loan of US$ 110,000,000 repayable in quarterly instalments commencing on 31 August 2011. The loan bears interest of LIBOR plus 500 basis points. Indus Gas has drawn US$ 57,490,173 (previous year US$ 15,000,000) against this loan during the current financial year.

Interest capitalised on loans above have been disclosed in note 7 and 8.

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

Financing Facilities

	31 March 2011	31 March 2010
Bank loan facilities with various maturity dates through to 2018		
- amount used	57,490,173	15,000,000
- amount unused	52,509,827	95,000,000
	110,000,000	**110,000,000**

17. PROVISION FOR DECOMMISSIONING

	Amount
Balance at 1 April 2009	273,264
Additions	96,545
Balance as at 31 March 2010	**369,809**
Additions	131,583
Balance as at 31 March 2011	**501,392**

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

18. 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 2011	31 March 2010
Secured		
Finance lease	99,348	174,559
Less: current portion	68,126	75,270
Non-current portion	**31,222**	**99,289**

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

Amount due as at 31 March 2011	Minimum lease payments	Interest	Principal
Within 1 year	78,918	10,792	68,126
1- 5 years	36,254	5,032	31,222
Total	**115,172**	**15,824**	**99,348**

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

19. PAYABLE TO RELATED PARTIES

Related parties payable comprise of the following:

	Maturity	31 March 2011	31 March 2010
Current			
Liability payable to Focus	On demand	19,930,655	24,326,766
Borrowings from Gynia Holdings Ltd.	On demand	15,085,376	-
Payable to directors		785,000	426,900
		35,801,031	**24,753,666**
Other than current			
Liability payable to Focus	After payment of bank loan per Note 16	45,369,000	42,600,000
		45,369,000	**42,600,000**
Total		**81,170,031**	**67,353,666**

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").

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

As per the Amendment to Assignment Agreement signed with Focus on 26 March 2010, effective 1 April 2009, (hereinafter referred to as the Amendment No. 4), Focus has agreed to convert US$40 million (along with interest thereon) being part of the outstanding balance due as subordinated unsecured long term loan repayable along with interest calculated at 6.5 per cent per annum after payment and full settlement of US$110 million loan taken from a consortium of banks as described in note 16 above, i.e. after August 2018. The Group agreed to pay the entire outstanding balance to Focus, as reduced by US$ 40 million (along with interest thereon), not later than 31 March 2012 on demand by Focus and accordingly classified as short term borrowings. The Group has agreed to reimburse interest cost incurred by Focus on loans taken from third parties to finance the short term borrowing subject to a minimum interest rate of 6.5 per cent per annum and maximum interest rate of 10 per cent per annum. The actualised interest rate for the entire balance is 6.5 per cent for the current year (previous year 8.61 per cent).

Borrowings from Gynia Holding Ltd. carried interest rate of 6.5 per cent per annum compounded annually and repayable on demand. The management estimates these to be repaid within twelve months from the statement of financial position date and these have been classified as current borrowings.

Interest capitalised on loans above have been disclosed in note 7 and 8.

Other payables to related parties comprise of outstanding balances to associate entities and directors, all the amounts are short term. The carrying value of the borrowings and other payables are considered to be a reasonable approximation of fair value.

20. EMPLOYEE COST

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

21. FOREIGN CURRENCY EXCHANGE (LOSS)/ GAIN, NET

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

	31 March 2011	31 March 2010
Loss on restatement of foreign currency monetary receivables and payables	(2,520,139)	(2,184,783)
Gain on restatement of foreign currency borrowings	1,227,204	1,996,001
Loss arising on settlement of foreign currency transactions and restatement of foreign currency balances arising out of Oil block operations	(53,647)	(164,642)
	(1,346,582)	**(353,424)**

22. OPERATING LEASES

Lease payments capitalised under exploration and evaluation assets and development/ production assets during the year ended 31 March 2011 amount to US$ 29,525,204 (previous year: US$ 21,434,436). No sublease payments or contingent rent payments were made or received. No sublease income is expected as all assets held under lease agreements are used exclusively by the Group. All the operating leases of the Group are cancellable at a short notice of not more than 90 days and there are no future minimum payments for the existing operating leases. The terms and conditions of these operating leases do not impose any significant financial restrictions on the Group.

23. SHARE BASED PAYMENT

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

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. The total expense recognised in the profit or loss under the heading ‘administrative expenses’ of the year ended 31 March 2011 is US$ 45,078 (previous year: US$ 341,303).The forfeiture rate for the year has been considered as Nil (previous year: Nil).

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

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

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

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

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

Share options granted to Employees and others providing similar services (i.e. Directors and Consultants)

	31 March 2011		31 March 2011	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
		GBP		GBP
Balance at beginning of year	240,000	1.64	240,000	1.64
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Balance at end of year	**240,000**	**1.64**	**240,000**	**1.64**
Exercisable at year end	**160,000**		**80,000**	

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

Share options granted to Advisors

	31 March 2011		31 March 2011	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
		GBP		GBP
Balance at beginning of year	76,220	1.64	76,220	1.64
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Balance at end of year	**76,220**	**1.64**	**76,220**	**1.64**
Exercisable at year end	**76,220**		**76,220**	

The share options outstanding at the end of the year had a weighted average remaining contractual life of 0.16 years (previous year: 1.16 years).

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

24. LOSS PER SHARE

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

Calculation of basic and diluted loss per share for the year ending 31 March 2011 and 31 March 2010 are as follows:

	31 March 2011	31 March 2010
Loss attributable to shareholders of Indus Gas Limited, for basic and dilutive	(2,416,509)	(1,726,528)
Weighted average number of shares (used for basic loss per share)	182,913,924	182,913,924
Diluted weighted average number of shares (used for diluted loss per share) *(Refer note C below)*	182,913,924	182,913,924
Basic loss per share	**(0.01)**	**(0.01)**
Dilutive loss per share	**(0.01)**	**(0.01)**

Note C: The Group has outstanding share options, however, those are considered anti-dilutive as the Group has incurred loss during the current and previous year.

25. RELATED PARTY TRANSACTIONS

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

Nature of the relationship	Related Party's Name
I. Holding Company	Gynia Holdings Ltd.
II. Ultimate Holding Company	Multi Asset Holdings Ltd. *(Holding Company of Gynia Holdings Ltd.)*
III. Key management personnel ("KMP"):	Ajay Kalsi John Scott
IV. Enterprises over which KMP exercise control *(with whom there are transactions)*	Focus Energy Limited

Disclosure of transactions between the Group and related parties and the outstanding balances as on 31 March 2011 and 31 March 2010 is as under:

Transactions with parent and subsidiary companies

Particulars	31 March 2011	31 March 2010
Transactions during the year with the holding company		
Loan taken	15,085,376	-
Loan given	-	56,543
Loan repaid	-	170,000
Balances at the end of the year		
Total receivables	**-**	**56,543**
Total payables	**15,085,376**	**-**

Transactions with KMP and entities over which KMP exercise control

Particulars	31 March 2011	31 March 2010
Transactions during the year		
Remuneration to KMP		
• *Short term employee benefits*	393,357	376,676
• *Share based payments*	18,783	104,809
Entities over which KMP exercise control		
Remittances	64,463,427	26,421,188
Net assets and costs allocated transferred during the year	62,403,871	46,979,096
Loans given	-	-
Expenses to be reimbursed	90,334	26,685
Balances at the end of the year		
Total payables	**66,084,655**	**67,353,666**

Directors' remuneration

Directors' remuneration, by director, is separately disclosed in the directors' report on page 11.

26. SEGMENT REPORTING

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

All of the non–current assets other than financial instruments (there are no employment benefit assets, and rights arising under insurance contracts) are located in India and amounted US$ 187,468,633 (previous year: US$ 125,736,049).

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.

27. COMMITMENTS AND CONTINGENCIES

The group has no contingencies as at 31 March 2011 (previous year Nil).

A summary of the commitments existing as at 31 March 2011 and 31 March 2010 are as follows:

Nature of the commitments	31 March 2011	31 March 2010
Group's share in the commitment for Engineering Studies and Design for surface facility, pipeline and Control System including utilities and purchase of equipment	-	377,778
Group's share in commitment for purchase of equipment and storage tanks	20,923,564	-
Total	**20,923,564**	**377,778**

28. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Significant judgments applied in the preparation of the consolidated financial statements are as under:

Determination of functional currency of individual entities

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

Full cost accounting for exploration and evaluation expenditure

The Group has followed 'full cost' approach for accounting exploration and evaluation expenditure against the 'successful efforts' method. As further explained in Note 5.7 and 7 above, exploration and evaluation assets recorded using 'full cost' approach is tested for impairment prior to reclassification into development assets on successful discovery of gas reserves.

Impairment of tangible and intangible assets

The Group follows the guidance of IAS 36 and IFRS 6 to determine when a tangible or an intangible asset is impaired. This determination requires significant judgement to evaluate indicators triggering an impairment. The Group monitors internal and external indicators of impairment relating to its tangible and intangible assets. The management has assessed that no such indicators have occurred or exists as at 31 March 2011 to require impairment testing of property, plant and equipments and intangible assets.

Estimates used in the preparation of the consolidated financial statements

Useful life and residual value of tangible assets

The Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. During the financial year, the directors determined that no change to the useful lives of any of the property, plant and equipment is required. The carrying amounts of property, plant and equipment have been summarised in note 8.

Fair value for share-based payments

The Group measures the cost of equity-settled transactions with employees, advisors and others by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 23.

Recognition of restoration 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 17.

29. CAPITAL MANAGEMENT POLICIES

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

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

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

	31 March 2011	31 March 2010
Net debt	140,904,278	82,763,268
Total equity	57,221,791	58,352,032
Total capital employed	198,126,069	141,115,300
Gearing ratio	71 per cent	59 per cent

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.

30. 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 2011	31 March 2010
Non-current assets		
Loans and receivables		
- Security deposits	11,149	9,643
Current assets		
Loans and receivables		
- Recoverable from related party	-	56,543
- Trade receivables	1,172,052	-
- Cash and cash equivalents	2,252,815	220,724
- Short term investments	-	8,538,802
Total financial assets under loans and receivables	**3,436,016**	**8,825,712**

Non current liabilities		
Financial liabilities measured at amortised cost:		
- Long term debt from banks	45,089,825	14,815,524
- Payable to related parties	45,369,000	42,600,000
Current liabilities		
Financial liabilities measured at amortised cost:		
- Current portion of payable to related parties	35,801,031	24,753,666
- Current portion of long term debt from banks	11,835,959	-
- Accrued expenses and other liabilities	93,050	49,710
Total financial liabilities measured at amortised cost	**138,188,865**	**82,218,900**

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 retained earnings, loans from banks and related parties and equity. Finance requirements such as equity, debt and project finance are reviewed by the Board when funds are required for acquisition, exploration and development of projects.

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

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

Foreign currency risk

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

Entities within the Group conduct the majority of their transactions in their functional currency, other than a finance lease obligation balance which is maintained in Indian Rupees. All other monetary assets and liabilities are denominated in functional currencies of the respective entities. The currency exposure on account of liabilities which are denominated in a currency other than the functional currency of the entities of the Group as at 31 March 2011 and 31 March 2010 is as follows:

	Functional currency	Foreign currency	31 March 2011	31 March 2010
Total exposure			**99,348**	**174,559**
Short term exposure	US$	Indian rupee	68,126	75,270
Long term exposure	US$	Indian rupee	31,222	99,289

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

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. The Group also has 'Financing Facilities' additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk, which have been summarised in note 16.

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

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

31 March 2010	On demand	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
Non-interest bearing	59,102	14,439	414,344	-	-	487,885
Variable interest rate liabilities	24,300,082	-	-	11,237,579	7,573,896	43,111,557
Fixed interest rate liabilities	-	-	-	-	70,502,816	70,502,816
	24,359,184	**14,439**	**414,344**	**11,237,579**	**78,076,712**	**114,102,258**

Interest rate risk

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

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

The analysis below illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates. Based on volatility in interest rates in the previous 12 months, the management estimates a range of 50 basis points to be approximate basis for the reasonably possible change in interest rates. All other variables are held constant.

	Interest Rate	
	+ 0.50 per cent	**- 0.50 per cent**
31 March 2011	167,308	(167,308)
31 March 2010	1,458	(1,458)

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 agreement and the same would be reviewed periodically and reassessed mutually by the parties. No commodity price hedging contracts have been entered into.

Credit risk

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. Further, the Group's trade receivables are held with GAIL, which 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.

Directors

Ajay Kalsi	**John Scott**	**Marc Holtzman**	**John Behar**
Executive Director, CEO	Executive Director, CFO	Non-Executive Director, Chairman	Non-Executive Director

Company Secretary

Willow Trust Limited
Les Echelons Court,
Les Echelons, St Peter Port,
Guernsey GY1 2JF
Tel: +44 1481 721500
Fax: +44 1481 721600

London Representative Office

Indus Gas Limited
7th Floor, Tower 42, Old Broad Street
London EC2N 1HN
Tel : +44 20 7877 0020, +44 20 8819 7822
Fax: +44 20 7877 0021
E-mail : info@indusgas.com

Nominated Adviser and Broker

Arden Partners PLC
125 Old Broad Street
London EC2N 1AR
Tel: +44 20 7614 5900
Fax: +44 20 7614 5901

Auditors

Grant Thornton Limited
PO Box 313, Lefebvre House
Lefebvre Street, St Peter Port
Guernsey GY1 3TF
Tel: +44 1481 753400
Fax: +44 1481 753401

Financial PR

Pelham Bell Pottinger
5th Floor, Holborn Gate
330 High Holborn
London WC1V 7QD
Tel: +44 20 7861 3232
Fax: +44 20 7861 3233

CREST Service Provider

Computershare Investor Services (Jersey) Limited
Queensway House, Hilgrove Street
St Helier, Jersey JE1 1ES
Tel: +44 (0) 1534 825230, +44 (0) 870 707 4040
Fax: +44 (0) 1534 825315

INDUS GAS

Registered Office :
Les Echelons Court,
Les Echelons, St Peter Port,
Guernsey GY1 2JF
Tel: +44 1481 721500
Fax: +44 1481 721600
www.indusgas.com