Indus Gas Limited and its subsidiaries

Unaudited Condensed Consolidated Interim Financial Statements prepared in accordance with IFRS

Six months ended 30 September 2008

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Unaudited Condensed Consolidated Balance Sheet

	Notes	As at 30 September 2008 US$	As at 31 March 2008 US$
ASSETS			
Non-current			
Intangible assets - Exploration and Evaluation assets	7	14,401,302	3,926,209
Development Assets- Oil and Gas	8	46,221,326	46,221,326
Property, plant and equipment	9	1,136,166	1,140,729
Non-current assets		**61,758,794**	**51,288,264**
Current			
Inventories		2,137,996	2,286,252
Other current assets		123,084	8,319,515
Cash and cash equivalents		35,172,974	5,720
Current assets		**37,434,054**	**10,611,487**
Total assets		**99,192,848**	**61,899,751**
EQUITY AND LIABILITIES			
EQUITY			
Share capital		3,618,473	3,320,856
Additional paid-in capital		46,501,666	-
Merger reserve		19,570,288	19,570,288
Accumulated losses		(1,161,920)	(568,482)
Currency translation adjustment		(3,176,439)	1,080
Total Equity		**65,352,068**	**22,323,742**
LIABILITIES			
Non-Current			
Provisions for decommissioning		210,770	222,108
Finance lease obligations, excluding current portion		21,380	63,566
Non-current liabilities		**232,150**	**285,674**
Current			
Trade payables		33,463,412	39,178,479
Short term borrowings		65,580	-
Finance lease obligations (current portion)		73,956	95,310
Other current liabilities		5,682	16,546
Current liabilities		**33,608,630**	**39,290,335**
Total liabilities		**33,840,780**	**39,576,009**
Total equity and liabilities		**99,192,848**	**61,899,751**

(The accompanying notes are an integral part of these Unaudited Condensed Consolidated Interim Financial Statements)

Unaudited Condensed Consolidated Income statement

	Six months ended 30 September 2008 US$	Six months ended 30 September 2007 US$
Revenue	-	-
Cost and expenses		
Administrative expenses	624,492	100,172
Listing expenses	1,080,299	-
Loss from operations	**(1,704,791)**	**100,172**
Foreign exchange gains	491,777	**-**
Interest income	619,576	**-**
Loss before tax	**(593,438)**	**(100,172)**
Income tax expense	-	-
Loss after tax	**(593,438)**	**(100,172)**

(The accompanying notes are an integral part of these Unaudited Condensed Consolidated Interim Financial Statements)

Unaudited Condensed Consolidated Statement of Changes in Equity

	Share capital		Additional paid in capital	Currency translation adjustment	Merger reserve	Accumulated loss	Total equity
	Number	Amount					
		US$	US$	US$		US$	US$
Balance as at April 1, 2008	**167,670,002**	**3,320,856**	**-**	**1,080**	**19,570,288**	**(568,482)**	**22,323,742**
Share capital issued	15,243,924	297,617	48,511,505				48,809,122
Costs of issue of new shares			(2,009,839)				(2,009,839)
Currency Translation Adjustment			-	(3,177,519)			(3,177,519)
Loss for the period			-			(593,438)	(593,438)
Balance as at 30 September 2008	**182,913,926**	**3,618,473**	**46,501,666**	**(3,176,439)**	**19,570,288**	**(1,161,920)**	**65,352,068**
Balance as at 1 April 2007 (after incorporating merger adjustment – Refer note 3)	**167,670,000**	**3,320,856**			**19,570,288**	**-**	**22,891,144**
Loss for the period						(100,172)	**(100,172)**
Balance as at 30 September 2007	**167,670,000**	**3,320,856**	**-**	**-**	**19,570,288**	**(100,172)**	**22,790,972**

(The accompanying notes are an integral part of these Unaudited Condensed Consolidated Interim Financial Statements)

Unaudited Condensed Consolidated Statement of Cash Flows

	Six months ended 30 September 2008 US$	Six months ended 30 September 2007 US$
(A) Cash flow from operating activities		
Loss before tax	**(593,438)**	**(100,172)**
Changes in operating assets and liabilities		
Inventories	148,256	(519,579)
Trade and other payables	(3,587)	613,123
Other current assets	(109,373)	3,623
Other current liabilities	(10,864)	3,894
Cash provided by / (used in) operations	**(569,006)**	**889**
Income taxes paid	-	-
Net cash provided by / (used in) operating activities	**(569,006)**	**889**
(B) Cash flow for investing activities		
Expenditure incurred on Exploration and Evaluation assets (intangible assets as well as property, plant and equipment)	(16,552,770)	(139,000)
Sale/ transfer (to other blocks) of property, plant and equipment	331,127	-
Short term loans given to related parties	8,297,364	138,297
Net cash used in investing activities	**(7,924,279)**	**(703)**
(C) Cash flow from financing activities		
Net proceeds from issue of new equity shares	46,904,055	-
Proceeds from short term borrowings	65,580	-
Net cash provided by financing activities	**46,969,635**	**-**
Net increase in cash and cash equivalents	**38,476,350**	**186**
Cash and cash equivalents at the beginning of the year	5,720	1,424
Effect of exchange rate change on cash and cash equivalents	(3,309,096)	
Cash and cash equivalents at the end of the year	**35,172,974**	**1,610**
Cash and cash equivalents comprise		
Balances with banks in demand deposits	35,172,974	1,610

(The accompanying notes are an integral part of these Unaudited Condensed Consolidated Interim Financial Statements)

Notes to Unaudited Condensed Consolidated Interim Financial Statements

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 Royal Court of the Island of Guernsey. The Company was set up to act as the holding company of iServices Investments Limited ("iServices") and Newbury Oil Company Limited ("Newbury"). iServices and Newbury are companies incorporated in Mauritius and Cyprus respectively. iServices was incorporated in the year 2003 and Newbury was incorporated in the year 2005. Subsequently, the Company was listed on the Alternative Investment Market (AIM) of the London Stock Exchange on 6 June 2008.

Indus Gas through its subsidiaries iServices and Newbury (hereinafter collectively referred to as "the Group") is engaged in the business of oil and gas exploration, development and production. The Group owns an aggregate of 90 per cent participating interest in a petroleum exploration and development concession in India known as RJ-ON/06 ("the Block"). The balance 10 per cent participating interest is owned by Focus Energy Limited ("Focus"). Focus entered into a Production Sharing Contract ("PSC") with the Government of India ("GOI") and Oil and Natural Gas Corporation Limited ("ONGC") on 30 June 1998 in respect of the Block. Subsequently, on 13 January 2006, iServices and Newbury entered into an interest sharing agreement (referred to as "original interest sharing agreement") with Focus and obtained a 65 per cent and 25 per cent share respectively in the Block. Further ONGC in its capacity as the licensee of the block is obliged to pay the license fees in respect of the Block.

2. GENERAL INFORMATION

The Unaudited Condensed Consolidated Interim Financial Statements of the Group for the six months ended 30 September 2008 and the relevant comparatives have been prepared in accordance with *IAS 34 – Interim Financial Reporting* . The Unaudited Condensed Consolidated Interim Financial Statements have been prepared on a going concern basis, and are prepared and presented in United States Dollar (US$) which was the Company's functional currency upto its listing on the AIM as well as that of its subsidiaries.Upon listing the functional currency of the Company was re-assessed as Pound Sterling and that of its subsidiaries continues to be US$.

The Group's management believes that US$ is a better presentation currency than Pound Sterling considering that operations of the Group are primarily conducted in US$ and internationally the oil and gas industry largely operate and transact in US$.

3. GROUP RESTRUCTURING

Prior to acquisition by the Company, iServices and Newbury were subsidiaries of Gainway Holdings Limited BVI ("Gainway") and Focus Oil Inc. BVI ("Focusoil") respectively and were ultimately controlled by Gynia Holdings Limited BVI ("Gynia").

On 14 April 2008, the Company entered into a share exchange agreement with Gainway, Focusoil and Gynia. As per the agreement Focusoil has transferred 50,000 ordinary shares of Cyprus Pound 1.0 each in Newbury to the Company in exchange for the issue by the Company of 46,570,000 ordinary shares to Gynia and Gainway has transferred 100,000 ordinary shares of US$1.00 each in iServices to the Company in exchange for the issue by the Company of 121,100,000 ordinary shares to Gynia. Transfer of shares by Focusoil and Gainway to the Company was completed on 12 May 2008 and 13 May 2008 respectively and the Company issued shares to Gynia on 27 May 2008. Consequent to this share exchange iServices and Newbury became wholly owned subsidiaries of the Company and the Company became a wholly owned subsidiary of Gynia which was diluted to 91.67 per cent upon listing of the Company on AIM.

In the absence of explicit guidance available under IFRS on accounting of acquisition of common control entities, the Group has chosen to account for this transaction using "Pooling of interest method". As per the pooling of interest method, these unaudited condensed consolidated interim financial statements have been prepared assuming that transfer of shares was completed on the first day of the first period presented i.e. 1 April 2007 and assets and liabilities of iServices and Newbury have been recorded at their carrying value on that date. As mentioned above the Company was incorporated on 4 March 2008 and the financial information prior to that date relates to that of its subsidiaries iServics and Newbury, although labelled as that of the Company.

The difference between the nominal value of shares issued by the Company to Gynia and the aggregated net value of assets and liabilities of iServices and Newbury as at 1 April 2007 is adjusted in equity under the heading 'merger reserve'. The adjustment taken to merger reserve has been computed as under:

Particulars	**Amount US$**
iServices	
Share capital	100,000
Additional paid in capital	23,691,148
Accumulated losses	(717,717)
Newbury	
Share capital	106,778
Accumulated losses	(289,065)
Combined equity of iServices and Newbury on 1 April 2007	**22,891,144**
Shares issued by Indus Gas to Gynia	3,320,856
Difference adjusted through Merger reserve	**19,570,288**

4. JOINTLY CONTROLLED ASSETS

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

The aggregate amounts relating to jointly controlled assets, liabilities and expenses related thereto that have been included in the unaudited condensed consolidated interim financial statements are as follows:

	Six months ended 30 September 2008 US$	Year ended 31 March 2008 US$
Non current assets	61,758,794	51,288,265
Current assets	2,137,996	2,286,252
Non current liabilities	232,150	285,674
Current liabilities	33,055,805	38,969,124
Expenses (net of finance income)	6,483	260,701

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

5. CHANGES IN ACCOUNTING POLICIES

5.1 Amendment of IAS 1 Presentation of Financial Statements

In accordance with the amendment of *IAS 1 Presentation of Financial Statements*, the Group now reports on its capital management objectives, policies and procedures in each annual financial report. The new disclosures that become necessary due to this change in IAS 1 will be disclosed in the annual financial statements for 31 March 2009.

5.2 Adoption of IFRS 7 Financial Instruments: Disclosures

IFRS 7 Financial Instruments: Disclosures is mandatory for annual reporting periods beginning on 1 January 2007 or later. The new Standard replaces and amends the disclosure requirements previously set out in *IAS 32 Financial Instruments: Presentation and Disclosures*. The Company has adopted this standard for the accounting year beginning 1 April 2008 and accordingly all disclosures relating to financial instruments including all comparative information will be updated to reflect the new requirements. IFRS 7 doesn't require any change in recognition and measurement principles. The detailed disclosures for IFRS 7 will set out in the annual financial statements for 31 March 2009.

5.3 Standards and Interpretations Issued by IASB but not yet applied by the Group

The following standards or interpretations have been issued by IASB till the date of approval of these unaudited condensed consolidated interim financial statements 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 unaudited condensed consolidated interim financial statements of the Group.

Standard or Interpretation	Effective dates
IAS 1: Presentation of Financial Statements: A Revised Presentation (Issued September 2007)	Annual periods beginning on or after 1 January 2009
IAS 23: Borrowing costs (Revised)	Annual periods beginning on or after 1 January 2009
IAS 27: Consolidated and Separate Financial Statements (Amendment January 2008)	Annual periods beginning on or after 1 July 2009
IAS 32 Financial Instruments: Presentation- and IAS 1 Presentation of Financial Statements: Puttable Financial Instruments and Obligations Arising on Liquidation Amendment (Issued 14 February 2008)	Annual periods beginning on or after 1 January 2009
IFRS 1 First Time Adoption of IFRS Revised (Issued 27 November 2008)	Periods beginning on or after 1 January 2009.
IFRS 2: Share- based Payment (Amendment- January 2008)	Annual periods beginning on or after 1 January 2009
IFRS 3: Business Combinations (January 2008)	For acquisition dated on or after the beginning of the first annual reporting period beginning on or after 1 July 2009
IFRS 8: Operating Segments	Annual periods beginning on or after 1 January 2009
IFRIC 13: Customer Loyalty Programmes	Annual periods beginning on or after 1 July 2008
IFRIC 14: IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Annual periods beginning on or after 1 January 2008
IFRIC 15: Agreements for the Construction of Real Estate	Annual periods commencing on or after 1 January 2009.
IFRIC 16: Hedges of a Net Investment in a Foreign Operation issued	Annual periods commencing on or after 1 October 2008.
IFRIC 17: Distributions of Non-cash Assets to Owners	Annual periods beginning on or after 1 July 2009
Improvements to IFRS (Issued 22 May 2008)	Annual periods beginning on or after 1 January 2009
Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures (Issued October 2008)	An entity shall apply those amendments from 1 July 2008.
Amendments to IFRS 1 and IAS 27 Cost of an Investment in a subsidiary, jointly-controlled entity or associate (Issued May	Annual periods beginning on or after 1 January 2009

Standard or Interpretation	Effective dates
2008)	
Amendment to IAS 39 Financial Instruments: Recognition and Measurement: Eligible Hedged Items (Issued July 2008)	Annual periods beginning on or after 1 July 2009

Management anticipates that all of the above 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 Group's financial statements when these Standards/ Interpretations become effective. However, the directors are aware that the application of the above standards and interpretations will require certain additional disclosures to be included in the Group's subsequent financial statements.

The Group does not intend to apply any of these pronouncements early.

6. SUMMARY OF ACCOUNTING POLICIES

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

(a) OVERALL CONSIDERATIONS

The Unaudited Condensed Consolidated Interim Financial Statements have been prepared on the historical cost basis except that certain financial assets and liabilities are stated at fair value as explained in the following accounting policies.

(b) SIGNIFICANT ACCOUNTING ESTIMATES

In preparing Financial Statements, Group's management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. The management's estimates for the useful life and residual value of tangible assets, impairment of tangible and intangible assets 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.

(c) FOREIGN CURRENCIES

The Condensed Consolidated Interim 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 income statement.

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

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

(d) REVENUE RECOGNITION

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

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

(e) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value 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 income statement in the year 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.

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
Buildings	10 years
Bunk houses	5 years
Vehicles	5 years
Other equipment	5 years
Furniture and fixture	5 Years
Computer Equipment	3 Years

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

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

(f) 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 to the income statement 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 recognized and measured in accordance with the accounting policy on property, plant and equipment. To the extent that such a tangible asset is consumed in developing an intangible Exploration and Evaluation asset, the amount reflecting that consumption is recorded as part of the cost of the intangible asset.

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

(g) DEVELOPMENT ASSETS- OIL AND GAS

Development assets are accumulated on a field by field basis and comprise of costs of developing the commercially feasible reserve, costs of bringing such reserves into production and 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 above. As consistent with the full cost method, all Exploration and Evaluation expenditure incurred till the date of the first commercial discovery have been classified under development assets of that field. The Group currently has one proven commercial reserve, and development and production expenditure is yet to be incurred by the Group on the discovered field.

Development assets are classified under tangible assets and such assets are depleted 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 quantise are applied prospectively to future periods. No amortisation is charged until production commences.

(h) IMPAIRMENT OF EXPLORATION AND EVALUATION ASSETS

Exploration and Evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount. Such indicators include the point at which a determination is made as to whether or not commercial reserves exist. Where the Exploration and Evaluation assets concerned fall within the scope of an established full cost pool, the Exploration and Evaluation assets are tested for impairment together with all development and production assets associated with that cost pool, as a single cash generating unit. The aggregate carrying value is compared against the expected recoverable amount of the pool, generally by reference to the present value of the future net cash flows expected to be derived from production of commercial reserves. Any impairment loss is recognised in the income statement and separately disclosed.

(i) IMPAIRMENT OF OTHER ASSETS

Where an indication of impairment exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

(j) FINANCIAL ASSETS

Financial assets and financial liabilities are recognized on the Group's balance sheet 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. The Group determines the classification of its financial assets at initial recognition.

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

De-recognition of financial instruments 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.

(k) FINANCIAL LIABILITIES

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

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

Financial liabilities are recognized at their fair value and subsequently measured at amortised cost less settlement payments.

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 nominal value which is not materially different from their fair value.

(l) INVENTORIES

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

(m) 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 balance sheet date. 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 recognized as a component of tax expense in the income statement.

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

Deferred tax liabilities are always provided for in full. Deferred tax assets are recognized 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 balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, 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.

(n) BORROWING COSTS

Any interest payable on funds borrowed for the purpose of obtaining a qualifying asset is capitalized as a cost of that asset. However, 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.

(o) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand and at bank in demand and other short-term deposits, which are readily convertible to known amounts of cash. These assets are subject to an insignificant risk of changes in value.

(p) 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 against income.

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

(q) 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 presented in the income statement. To the extent such expense is incurred for construction or development of any asset, it is included in the cost of that asset. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as other finance expenses.

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

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

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

7. INTANGIBLE ASSETS – EXPLORATION AND EVALUATION ASSETS

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

	Intangible assets – Exploration and Evaluation assets US$
Balance at April 1, 2007	**35,140,921**
Additions	15,006,614
Transfer to development assets	(46,221,326)

	Intangible assets – Exploration and Evaluation assets US$
Balance as at 31 March 2008	**3,926,209**
Additions	10,475,093
Transfer to development assets	-
Balance as at 30 September 2008	**14,401,302**

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

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

Cost incurred on exploration and evaluation activities subsequent to 21 January 2008 are classified under Exploration and Evaluation assets.

8. TANGIBLE ASSETS- DEVELOPMENT ASSETS- OIL AND GAS

As mentioned in note 7 above, tangible assets comprising of Development Assets - Oil and Gas represent the amount of Exploration and Evaluation expenditure incurred and accumulated up to the date of the first commercial discovery declared by the Group on 21 January 2008 respect of well SGL # 1 and SGL # 2. These reserves have been independently assessed by technical consultants and have been reclassified as development assets under properties, plant and equipment. The amount of cost transferred was tested for impairment on the date of reclassification and no impairment was noted.

Further to the above discovery an area of 195 km^2 has been proposed as the "SGL Development Area". The Group is required to submit a field development plan for the area by 21 January 2009 and upon approval of such plan the extent of the development and the area approved will be known as the SGL Field and the participants will be able to develop and produce hydrocarbons from this field until the termination of PSC. As at 30 September 2008, no expenditure has been incurred on development and production activities, in respect of the commercially feasible reserves.

As part of the development and production activity, the Group, along with the other SGL field participants, will be required to install appropriate production facilities, including an estimated 16 production wells over the life of the sales contract, a gas gathering station and gas treatment facilities to meet the contractual requirements. Installation of the production facilities is expected to commence from early 2009 following approval of the field development plan.

No depletion/ amortization has been charged on the development assets in accordance with the Group's accounting policy as production is yet to commence on the field.
The table below summarises the movement in Development assets during the period ended 30 September 2008 and year ended 31 March 2008.

	Tangible assets – Development Assets- Oil and Gas US$
Balance at 1 April 2007	**-**
Additions (being transfer from Exploration and Evaluation Assets)	46,221,326
Balance as at 31 March 2008	**46,221,326**
Additions (being transfer from Exploration and Evaluation Assets)	-
Balance as at 30 September 2008	**46,221,326**

9. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprise of the following:

Cost	Land	Extended well test equipment	Bunk Houses	Vehicles*	Other assets	Total
	US$	US$	US$	US$	US$	US$
Balance as at 1 April 2007	**34,204**	**297,548**	**701,348**	**216,718**	**319,990**	**1,569,808**
Additions	**-**	55,374	254,494	78,310	74,786	**462,964**
Disposals/Transfers	**-**	(97,247)	-	-	(29,952)	**(127,199)**
Balance as at 31 March 2008	**34,204**	**255,675**	**955,842**	**295,028**	**364,824**	**1,905,573**
Additions	-	2,957	181,956	-	25,679	210,592
Disposals/Transfers			-	(76,578)		(76,578)
Balance as at 30 September 2008	**34,204**	**258,632**	**1,137,798**	**218,450**	**390,503**	**2,039,587**
Accumulated Depreciation						
Balance at 1 April 2007	**-**	25,332	311,906	44,017	142,177	**523,432**
Depreciation for the year	-	14,935	168,816	43,647	70,507	**297,905**
Disposals/Transfers	-	(1,305)	-	-	-	**(1,305)**
Balance as at 31 March 2008	**-**	**38,962**	**480,722**	**87,664**	**212,684**	**820,032**
Depreciation for the year	-	11,605	93,398	21,902	36,292	163,197
Balance as at 30 September 2008	**-**	**50,567**	**574,120**	**109,566**	**248,976**	**983,229**

Carrying Value	Land US$	Extended well test equipment US$	Bunk Houses US$	Vehicles* US$	Other assets US$	Capital work in progress US$	Total US$
At 31 March 2008	34,204	216,713	475,120	207,364	152,140	55,188	**1,140,729**
At 30 September 2008	34,204	208,065	563,678	108,884	141,527	79,808	**1,136,166**

*These vehicles have been secured against the finance leases as disclosed on the balance sheet.

The balances above represent the Group's share in property, plant and equipment (i.e. 90 per cent of such assets).

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

10. EQUITY

Authorised share capital

The total authorised share capital of the Company is GBP 5,000,000 divided into 500,000,000 shares of pound sterling 0.01 each.

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

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

Additional paid in capital

Additional paid-in capital (APIC) represents excess over the par value of share capital paid in by shareholders in return for the shares issued to them.

Cost of new shares issued

Incremental direct costs incurred in relation to issue of shares classified as equity, such as underwriting, accounting and legal fees, printing costs, and taxes, are to be treated as a reduction of the proceeds. However, if consummation of the equity offering is not probable, or the offering is aborted, such costs will be expensed in the period during which such offering is aborted or considered as not probable.

11. 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. Ultimate controlling party	Mr. Ajay Kalsi*
II. Entities directly or indirectly through one or more intermediaries, control, are controlled by, or are under common control with, the reported enterprises	Gynia Holdings Ltd. (Parent for *iServices, Newbury* and *Indus Gas Limited*), Multi Asset Holdings Ltd. *(Ultimate Parent, Indus Gas Limited)* Gainway Holdings Ltd. *(Parent, iServices)* Focusoil Inc. *(Parent, Newbury, Also holds 26% shares)*
III. Key management personnel ("KMP") and significant shareholders :	Mr. Ajay Kalsi - *(Ultimate Shareholder, Multi Asset Holdings Ltd.)* Directors: *(Indus Gas Limited)* Ajay Kalsi John Scott John Behar Marc Holtzman
IV. Other Enterprises over which KMP's are able to exercise significant influence	Each of entities listed in II, Reporting Entity and following group entities: Focus Energy Ltd. (*Joint operator of 10 per cent participating interest in the oil and gas operations)* Alliot Partellas Kiliaris Ltd - *Director Interest*

* Mr. Ajay Kalsi is the ultimate controlling party of the Group as he is the beneficial owner and a significant shareholder in each of the entities listed above.

Disclosure of transactions between the Group and related parties and the outstanding balances as on 30 September 2008 and 31 March 31 2008 is as under:

Transactions with parent and subsidiary companies

Particulars	30 September 2008 US$	31 March 2008 US$
Transactions during the year		
Loan to Gynia Holdings Limited	-	8,297,364
Loan from Gynia Holdings Limited	65,580	-
Expenses paid by Gynia Holdings Limited on behalf of the Company	145,200	28,800
Shares issued to Gynia Holdings Limited	3,320,856	-
Balances at the end of the year		
Total receivables	**-**	**8,297,364**
Total payables	**3,531,636**	**28,800**

Transactions with KMP and entities over which KMP exercise significant control

Particulars	30 September 2008 US$	31 March 2008 US$
Transactions during the year		
Directors' remuneration	234,954	16,667
Remittances to Focus Energy Limited for share of interest in the oil and gas operations of Block RJ-ON/06	16,288,385	294,000
Total balance of net assets transferred from Focus Energy Limited for the interest in Block RJ-ON/06	64,813,790	54,410,156
Amounts payable to Focus Energy Limited for expenses incurred on their behalf	6,565	7,204
Amounts due to Alliot Partellas Kiliaris Ltd for expenses paid on their behalf	-	18,209
Balances at the end of the year		
Total receivables	**-**	**-**
Total payables	**33,210,211**	**39,011,204**

12. COMMITMENTS AND CONTINGENCIES

A summary of the contingencies and commitments existing as at 30 September 2008 and 31 March 2008 are as follows:

S. No	Nature of the contingency/ commitments	30 September 2008 US$	31 March 2008 US$
(i)	Group's share in the contingent liability arising from bank guarantees raised in favour of GOI and ONGC in respect of oil and gas operations [Indian Rupees 40 million]	902,256	760,334
(ii)	Guarantee provided by iServices and Newbury in respect of the loans taken by Focus. In case the Group is made to pay this amount due to default by Focus, the Group will have a right to either recover this money from Focus or adjustment the same against amount it owes to Focus [Indian Rupees 820 million]	17,318,724	
	Total	**18,220,980**	**760,334**

13. POST BALANCE SHEET EVENTS

On 3 December 2008, Focus (acting as the principal operator in respect of the oil and gas operations) on behalf of the Group has received a notification from the Ministry of Petroleum and Natural Gas, Government of India, in respect of the Petroleum Exploration License granted to ONGC and Focus up to 20 August 2009. The previous exploration license had expired on 20 February 2008.