29th September 2017

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

Preliminary Financial Results

Indus Gas Limited (AIM:INDI.L), an oil and gas exploration and development company, is pleased to report its full year results for the 12 months to 31 March 2017.

Highlights

Operations:

- The Integrated Field Development Plan for the SSG (Pariwar) & SSF (B&B) area of 2,000 km2 was approved by the Directorate General of Hydrocarbons (DGH) and Ministry of Petroleum and Natural Gas (MoP&NG).
- The revised Field Development Plan ('FDP') in respect of the SGL area for the enhancement of production to about 90mmscfd has been approved by the Management Committee having representative of MoP&NG, DGH & Contractors/Companies.
- Successfully drilled development wells, which showed good results.
- The new gas sand reservoir was successfully exploited for production.
- Discussions are ongoing with potential buyers including GAIL for finalizing the prices of additional gas. Discussions are also being held for finalising the gas pipeline to evacuate additional gas supply from the SSG & SSF Development area of 2000 km2 of the block. The additional production of SSG & SSF area has been approved to be about 200mmscfd.

Financial:

- Total revenues increased to US$ 54.57m (2015-16: US$ 45.60 million).
- Reported operating profit increased to US$ 41.51m (2015-16: US$ 33.15 million).
- The profit before tax increased to US$ 43.78 million (2015-16: US$ 29.71 million).
- Investments were made in property plant equipment, exploration and evaluation assets amounting to US$ 88.80million.

Mr Peter Cockburn, Chairman of the Company commented:

The financial period witnessed a continuation of the extremely challenging and volatile conditions facing the global oil and gas sector. However, the Company's activities continue to gather momentum. The approval of the integrated FDP for the SSG and SSF area coupled with the revised FDP for the SGL acreage represented major milestones achieved in 2017.

The Company's strong operational and financial performance is highlighted by another year of improved revenue and profit generation. The Board continues to anticipate a substantial increase in revenues once the additional gas supplies commence under the new FDP approval for SSF and SSG.

In accordance with the AIM rules, Paul Fink, Technical Consultant, a Geophysicist who holds an engineering degree from the Mining University of Leoben, Austria and has 25 years of industry experience is the qualified person that has reviewed the technical information contained in this release.

-ENDS-

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Introduction

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

Development and appraisal activity has continued at a rapid pace in the last twelve months. This drilling and appraisal programme has provided further valuable insight into the gas structures present in the western half of our block.

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

Activity

Indus is pleased to announce another year of good achieving consolidated total revenues of US$ 54.57 million. We have continued to increase operating profits and our stated long term business plan remains on track. An integrated FDP for the SSG & SSF area of the Block, for future enhancement of revenues, has been approved by Managing Committee. Tie ups for evacuation and sale of the additional gas are in progress.

A summary of activities since April 2016 is provided below:

Operations

The company has achieved total revenue of US$ 54.57 million in the financial year ended March, 2017.

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

a) appraisal drilling to support the integrated FDP;

b) drilling and completion of production wells for the SGL field development continued as planned to meet contracted and planned gas sale requirements;
c) testing various wells previously drilled, where gas shows were encountered to enable the Group to increase its reserve base; and
d) testing the B&B gas recovery potential in addition to gas discovered in the Pariwar formation.

The current drilling programme is progressing on schedule and producing positive results. Now that the FDP for SSG & SSF Development area has been approved, we continue to test concepts and obtain log and core data for analysis outside the SGL area. In the SGL area work continues to expand knowledge of the producing intervals. Additional testing is part of a programme to enhance production and maximize recovery of gas through good asset management. Activities such as these will increase as we obtain and act on new data and production history. An important development in respect of SGL Field was the discovery of new sands within Pariwar. These were located just below the existing producing upper P10 sands. These reservoirs were successfully exploited for production and going forward will add to the reserves and production from existing and new wells.

Financials

During the financial year, the Company achieved total revenue of US$ 54.57 million, resulting in reported operating profit of US$ 41.51 million (2015/16 US$ 33.15 million). The reported profit after tax was US$ 25.38million (2015/16 US$ 15.71 million) after a foreign exchange gain of US$ 2.27 million (2015/16 foreign exchange loss of US$ 0.37 million).

While the Company is not expected to pay any significant taxes on its income for many years in view of the 100% deduction allowed on the capital expenses in the Block, the Company has accrued non-cash deferred tax liability of US$ 18.40 million as per IFRS requirements.

Post this deferred tax liability provision, the net profit for the year was US$ 25.38million.

The expenditure on the purchase of property, plant & equipment was US$ 88.80 million. The property plant and equipment including development assets and production assets increased to US$ 639.86 million.

The current assets (excluding cash) as of 31 March 2017 stood at US$ 7.66 million, which includes US$ 5.58 million of inventories and US$ 2.04 million of trade receivables. The trade receivables are mainly on account of receivables from GAIL. The current liabilities of the Company, excluding the related party liability of US$ 5.57 million and current portion of long term debt of US$ 46.61 million, stood at US$ 5.21 million. This comprised mainly of deferred revenue of US$ 5.08 million (GAIL Take or Pay Payment) and other liabilities of US$ 0.13 million.

As of 31 March 2017, the outstanding debt of the Company was US$ 286.26 million, out of which US$ 46.61million was categorised as repayable within a year and the remaining US$ 239.65 million has been categorised as a long term liability. During the year, the Company has repaid an amount of US$ 34.22 million of the outstanding term loan facilities, as per the scheduled repayment plan.

Outlook

During the next twelve months, we expect a further step change in the growth of the Company. Following FDP approval for both SGL and SSG & SSF Development area, we shall look to develop the 2176 $km^2$of the Development area. Existing production from SGL area is also expected to increase with the approval of FDP. We look forward to continue drilling success in both Pariwar and B&B. Negotiations on the new gas sales contract with GAIL are on-going. The Company is discussing connection arrangements to the pipeline for the additional gas which will enable connectivity to the national gas grid supplying customers in Gujarat, Rajasthan and Punjab.

Consolidated Statement of Financial Position

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

	Note	31 March 2017	31 March 2016
ASSETS			
Non-current assets			
Intangible assets: exploration and evaluation assets	**6**	-	-
Property, plant and equipment	**7**	639,862,170	562,441,955
Tax assets		2,165,313	1,735,438
Other assets		885	885
Total non-current assets		**642,028,368**	**564,178,278**
Current assets			
Inventories	**10**	5,581,503	4,113,607
Trade receivables		2,045,252	3,266,738
Other current assets	**11**	38,784	238,879
Cash and cash equivalents	**12**	11,401,788	61,081,916
Total current assets		**19,067,327**	**68,701,140**
Total assets		**661,095,695**	**632,879,418**
LIABILITIES AND EQUITY			
Shareholders' equity			
Share capital	**13**	3,619,443	3,619,443
Additional paid-in capital	**13**	46,733,689	46,733,689
Currency translation reserve	**13**	(9,313,781)	(9,313,781)
Merger reserve	**13**	19,570,288	19,570,288
Share option reserve	**21**	-	-
Retained earnings	**13**	68,639,613	43,256,305
Total shareholders' equity		**129,249,252**	**103,865,944**
Liabilities			
Non-current liabilities			
Long term debt, excluding current portion	**14**	239,647,360	283,779,293
Provision for decommissioning	**15**	1,321,033	1,132,726
Deferred tax liabilities (net)	**8**	58,848,114	40,445,531
Payable to related parties, excluding current portion	**16**	149,071,994	128,107,609
Deferred revenue		25,563,995	25,563,995
Total non-current liabilities		**474,452,496**	**479,029,154**
Current liabilities			
Current portion of long term debt	**14**	46,614,354	37,556,739
Current portion payable to related parties	**16**	5,570,622	7,175,123
Accrued expenses and other liabilities		131,885	175,372
Deferred revenue		5,077,086	5,077,086
Total current liabilities		**57,393,947**	**49,984,320**
Total liabilities		**531,846,443**	**529,013,474**
Total equity and liabilities		**661,095,695**	**632,879,418**

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

These consolidated financial statements were approved and authorized for issue by the board on 28 September 2017 and was signed on its behalf by:

Peter Cockburn
Director

Consolidated Statement of Comprehensive Income

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

	Note	Year ended 31 March 2017	Year ended 31 March 2016
Revenues		39,073,203	45,595,101
Other operating income	**17**	15,500,000	-
Cost of sales		(11,143,221)	(10,159,620)
Gross profit		**43,429,982**	**35,435,481**
Cost and expenses			
Administrative expenses		(1,920,445)	(2,282,260)
Operating profit		**41,509,537**	**33,153,221**
Foreign currency exchange (loss)/gain, net	**19**	2,275,910	(366,430)
Interest expense		-	(3,081,211)
Interest income		444	131
Profit before tax		**43,785,891**	**29,705,711**
Income taxes	**9**		
- Deferred tax expense		(18,402,583)	(14,000,208)
Profit for the year (attributable to the shareholders of the Group)		**25,383,308**	**15,705,503**
Total comprehensive income for the year (attributable to the shareholders of the Group)		**25,383,308**	**15,705,503**
Earnings per share	**22**		
Basic		*0.14*	*0.09*
Diluted		*0.14*	*0.09*

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

Consolidated Statement of Changes in Equity

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

	Common stock		Additional paid in capital	Currency translation reserve	Merger reserve	Share option reserve	Retained earnings	Total shareholders' equity
	No. of shares	Amount						
Balance as at 1 April 2015	**182,973,924**	**3,619,443**	**46,733,689**	**(9,313,781)**	**19,570,288**	**324,865**	**27,225,937**	**88,160,441**
Profit and total comprehensive income for the year.	-	-	-	-	-	-	15,705,503	15,705,503
Amount Transferred to retained earnings						**(324,865)**	**324,865**	
Balance as at 31 March 2016	**182,973,924**	**3,619,443**	**46,733,689**	**(9,313,781)**	**19,570,288**	**-**	**43,256,305**	**103,865,944**
Comprehensive income for the year	-	-	-	-	-	-	25,383,308	**25,383,308**
Amount transferred to retained earnings	-	-	-	-	-	-	-	**-**
Balance as at 31 March 2017	**182,973,924**	**3,619,443**	**46,733,689**	**(9,313,781)**	**19,570,288**	**-**	**68,639,613**	**129,249,252**

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

Consolidated Statement of Cash Flow

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

	Note	Year ended 31 March 2017	Year ended 31 March 2016
Cash flow from operating activities			
Profit before tax		43,785,891	29,705,711
Adjustments			
Unrealized exchange (gain)/loss	19	(2,268,808)	366,430
Interest income		(444)	(131)
Interest Expense		-	3,081,211
Depreciation	7	10,352,335	9,374,247
Changes in operating assets and liabilities			
Inventories		(1,467,896)	1,117,808
Trade receivables		1,221,486	2,063,746
Other current and non-current assets		200,095	1,084,158
Payable to related party-operating activities		11,456,179	10,187,655
Provisions for decommissioning		188,307	(149,136)
Accrued expenses and other liabilities		14,988	557,255
Cash generated from operations		63,482,133	57,388,954
Income taxes paid		(429,875)	(506,650)
Net cash generated from operating activities		**63,052,258**	**56,882,304**
Cash flow from investing activities			
Purchase of property, plant and equipment [A]		(73,141,946)	(91,434,470)
Interest received		444	131
Net cash used in investing activities		**(73,141,502)**	**(91,434,339)**
Cash flow from financing activities			
Repayment of long term debt from banks		(34,222,000)	(17,320,000)
Proceeds from long term debt from banks		-	42,155,045
Proceeds from issue of bond		-	74,180,000
Proceeds from loans by related parties		12,500,000	-
Payment of interest		(17,884,032)	(14,929,944)
Net cash generated from financing activities		**(39,606,032)**	**84,085,101**
Net decrease in cash and cash equivalents		**(49,695,276)**	**49,533,066**
Cash and cash equivalents at the beginning of the year		61,081,916	12,251,533
Effects of exchange differences on cash and cash equivalents		15,148	(702,683)
Cash and cash equivalents at the end of the year		**11,401,788**	**61,081,916**

[A] The purchase of property, plant and equipment above, includes additions to exploration and evaluation assets amounting to US$ 28,719,544 (previous year: US$ 61,117,653) transferred to development cost, as explained in Note 6.

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

Notes to Consolidated Financial Statements

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

1. INTRODUCTION

Indus Gas Limited ("Indus Gas" or "the Company") was incorporated in the Island of Guernsey on 4 March 2008 pursuant to an Act of the Royal Court of the Island of Guernsey. The Company was set up to act as the holding company of iServices Investments Limited. ("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 wholly owned subsidiaries iServices and Newbury (hereinafter collectively referred to as "the Group") is engaged in the business of oil and gas exploration, development and production.

Focus Energy Limited ("Focus"), an entity incorporated in India, entered into a Production Sharing Contract ("PSC") with the Government of India ("GOI") and Oil and Natural Gas Corporation Limited ("ONGC") on 30 June 1998 for petroleum exploration and development concession in India known as RJ-ON/06 ("the Block"). Focus is the Operator of the Block. On 13 January 2006, iServices and Newbury entered into an interest sharing agreement with Focus and obtained a 65 per cent and 25 per cent share respectively in the Block. Balance 10 per cent of participating interest is owned by Focus. The participating interest explained above is subject to any option exercised by ONGC in respect of individual wells (already exercised for all the wells in 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 adapted by the European Union ('EU'). The consolidated financial statements have been prepared on a going concern basis (refer to note 27), and are presented in United States Dollar (US$). The functional currency of the Company as well as its subsidiaries is US$.

3. JOINTLY CONTROLLED ASSETS

As explained above, the Group through its subsidiaries has an interest sharing arrangement with Focus in the block which under IFRS 11 Joint Arrangements, is classified as a 'Joint operation'. All rights and obligations in respect of exploration, development and production of oil and gas resources under the 'Interest sharing agreement' are shared between Focus, iServices and Newbury in the ratio of 10 per cent, 65 per cent and 25 per cent respectively.

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

Subsequent to the declaration of commercial discovery in SGL field on 21 January 2008, ONGC had exercised the option to acquire a 30 per cent participating interest in the discovered fields on 6 June 2008. The exercise of this option would reduce the interest of the existing partners proportionately.

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

The allocation of the production from the field to each participant in any year is determined on the basis of the respective proportion of each participant's cumulative unrecovered contract costs as at the end of the previous year or where there are no unrecovered contract cost at the end of previous year on the basis of participating interest of each such participant in the field. For recovery of past contract cost, production from the field is first allocated towards exploration and evaluation cost and thereafter towards development cost.

On the basis of the above, gas production for the year ended 31 March 2017 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 2017	**31 March 2016**
Non-current assets	639,862,170	562,441,955
Current assets	5,581,503	4,113,607
Non-current liabilities	1,321,033	1,132,726
Current liabilities	5,250,197	7,175,123
Expenses (net of finance income)	11,456,179	10,187,655
Commitments	NIL	NIL

The GOI, through ONGC, has option to acquire similar participating interest in any other successful discoveries of gas reserves in the Block.

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

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

Management anticipates that all of these pronouncements will be adopted by the Group in the accounting period beginning after the effective date of each of the pronouncements. Information on the new standards, interpretations and amendments that are expected to be relevant to the Group's consolidated financial statements is provided below.

- **IFRS 9 *Financial Instruments Classification and Measurement***

In July 2014, the International Accounting Standards Board (IASB) issued the final version of IFRS 9, Financial Instruments. The standard reduces the complexity of the current rules on financial instruments as mandated in IAS 39. IFRS 9 has fewer classification and measurement categories as compared to IAS 39 and has eliminated the categories of held to maturity, available for sale and loans and receivables. Further it eliminates the rule-based requirement of segregating embedded derivatives and tainting rules pertaining to held to maturity investments. For an investment in an equity instrument which is not held for trading, IFRS 9 permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognized in other comprehensive income would ever be reclassified to profit or loss. It requires the entity, which chooses to measure a liability at fair value, to present the portion of the fair value change attributable to the entity's own credit risk in other comprehensive income.

IFRS 9 replaces the 'incurred loss model' in IAS 39 with an 'expected credit loss' model. The measurement uses a dual measurement approach, under which the loss allowance is measured as either 12 month expected credit losses or lifetime expected credit losses. The standard also introduces new presentation and disclosure requirements.

This standard is effective for reporting periods beginning on or after 1 January 2018 with early adoption permitted. Management is currently evaluating the impact that this standard will have on its consolidated financial statements.

- **IFRS 15 *Revenue from contracts with customers***

The IASB has published a new standard, IFRS 15 Revenue from Contracts with customers on 28 May 2014. This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue- Barter Transactions involving advertising services. It sets out the requirements for recognizing revenue that apply to contracts with customers, except for those covered by standards on leases, insurance contracts and financial instruments.

The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

This standard is effective for reporting periods beginning on or after 1 January 2018 with early adoption permitted. It applies to new contracts created on or after the effective date and to the existing contracts that are not yet complete as of the effective date.

Management is currently evaluating the impact that this new standard will have on its consolidated financial statements.

• **IFRS 16 *Leases***

On January 13, 2016, the IASB issued the final version of IFRS 16, Leases. IFRS 16 will replace the existing leases Standard, IAS 17 Leases, and related interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The Standard also contains enhanced disclosure requirements for lessees. The effective date for adoption of IFRS 16 is annual periods beginning on or after January 1, 2019 (but not yet endorsed in EU), though early adoption is permitted for companies applying IFRS 15 Revenue from Contracts with Customers.

Management is currently evaluating the impact that this new standard will have on its consolidated financial statements.

5. SUMMARY OF ACCOUNTING POLICIES

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

5.1. BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the parent company and all of its subsidiary undertakings drawn up to 31 March 2017. The Group consolidates entities which it controls. Control exists when the parent has power over the entity, is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns by using its power over the entity. Power is demonstrated through existing rights that give the ability to direct relevant activities, those which significantly affect the entity's returns.

The Group recognises in relation to its interest in a joint operation:

a. its assets, including its share of any assets held jointly;
b. its liabilities, including its share of any liabilities incurred jointly;
c. its revenue from the sale of its share of the output arising from the joint operation;
d. its share of the revenue from the sale of the output by the joint operation; and
e. its expenses, including its share of any expenses incurred jointly.

Intra-Group balances and transactions, and any unrealised gains and losses arising from intra-Group transactions are eliminated in preparing the consolidated financial statements. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

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

5.2. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In preparing consolidated financial statements, the Group's management is required to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. The management's estimates for the useful life and residual value of tangible assets, impairment of tangible and intangible assets and recognition of provision for decommissioning represent certain particularly sensitive estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized 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 judgments, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, revenues and expenses is provided in note 26.

5.3. FOREIGN CURRENCIES

The consolidated financial statements have been presented in US$ which is the functional currency of the group entities

Foreign currency transactions are translated into the functional currency of the respective Group entities, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Functional currency is the currency of the primary economic environment in which the entity operates.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year-end exchange rates are recognised in the profit or loss for the year.

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

5.4. REVENUE RECOGNITION

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

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

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

5.5. PROPERTY, PLANT AND EQUIPMENT

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

Development assets are accumulated on a field by field basis and comprise costs of developing the commercially feasible reserve, expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and other costs of bringing such reserves into production. It also includes the exploration and evaluation costs incurred in discovering the commercially feasible reserve, which have been transferred from the exploration and evaluation assets as per the policy mentioned in note 5.6. As consistent with the full cost method, all exploration and evaluation expenditure incurred up to the date of the commercial discovery have been classified under development assets of that field.

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

An item of property, plant and equipment is derecognized 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 derecognized. However, where the asset is being consumed in developing exploration and evaluation intangible assets, such gain or loss is recognized 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 recognized at cost and no depreciation is charged as it has an unlimited useful life.

Production assets are depreciated from the date of commencement of production, on a field by field basis with reference to the unit of production method for the commercially probable and proven reserves in the particular field.

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

5.6. EXPLORATION AND EVALUATION ASSETS

The Group adopts the full cost method of accounting for its oil and gas interests, having regard to the requirements of *IFRS 6: Exploration for and Evaluation of Mineral Resources.* Under the full cost method of accounting, all costs of exploring for and evaluating oil and gas properties, whether productive or not are accumulated and capitalized 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 license 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 license are written off as a loss in the year incurred.

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

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

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

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

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

An assessment is made at each reporting date as to whether there is any indication that previously recognized 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 recognized 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 recognized. 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 recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at a re-valued amount, in which case the reversal is treated as a revaluation increase.

5.8. FINANCIAL ASSETS

Financial assets and financial liabilities are recognized 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 recognized 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 recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

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

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

5.9. FINANCIAL LIABILITIES

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

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

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

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

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

5.10. INVENTORIES

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

5.11. SHARE BASED PAYMENTS

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

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

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

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

5.12. ACCOUNTING FOR INCOME TAXES

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 and laws that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted at the date of the statement of financial position.

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

5.13. BORROWING COSTS

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

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

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

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

5.14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, at bank in demand deposits and deposit with maturities of 3 months or less from inception, which are readily convertible to known amounts of cash. These assets are subject to an insignificant risk of change in value. Cash and cash equivalents are classified as loans and receivables under the financial instruments category.

5.15. LEASING ACTIVITIES

Finance leases which transfer substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease, at the fair value of the leased property or the present value of the minimum lease payments, whichever is lower.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly in profit or loss of the year.

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

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

5.16. OTHER PROVISIONS AND CONTINGENT LIABILITIES

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

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

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

A contingent asset is not recognised but disclosed in the financial statements when an inflow of economic benefits is probable but when it is virtually certain than the asset is recognised in the financial statements.

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

5.17. SEGMENT REPORTING

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

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6. INTANGIBLE ASSETS : EXPLORATION AND EVALUATION ASSETS

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

	Intangible assets: Exploration and Evaluation assets

Balance as at 1 April 2015	**-**
Additions [A]	61,117,653
Transfer to development assets [B]	(61,117,653)
Balance as at 31 March 2016	**-**
Additions [A]	28,719,544
Transfer to development assets [B]	(28,719,544)
Balance as at 31 March 2017	**-**

[A]The above includes borrowing costs of US$ 859,043 (previous year: US$ 2,034,442). The weighted average capitalisation rate on funds borrowed generally is 6.17 per cent per annum (previous year: 5.84 per cent per annum).

[B] On 19 November 2013, Focus Energy Limited submitted an integrated declaration of commerciality (DOC) to the Directorate General of Hydrocarbons, ONGC, the Government of India and the Ministry of Petroleum and Natural Gas. Upon submission of DOC, exploration and evaluation cost incurred on SSF and SSG field was transferred to development cost. Focus continues to carry out further appraisal activities in the Block, and exploration and evaluation cost incurred subsequent to 19 November 2013, to the extent considered recoverable as per DOC submitted by Focus, is immediately transferred on incurrence to development assets.

7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprise of the following:

Cost	Land	Extended well test equipment	Development /Production assets	Bunk Houses	Vehicles	Other assets	Capital work-in-progress	Total
Balance as at 1 April 2015	**167,248**	**3,737,654**	**491,344,442**	**5,917,523**	**4,576,803**	**1,492,748**	**1,189,853**	**508,426,271**
Additions/transfers	-	-	89,444,612	-	-	13,541	38,116	89,496,269
Disposals/transfers	-	-	-	-	-	-	-	-
Balance as at 31 March 2016	**167,248**	**3,737,654**	**580,789,054**	**5,917,523**	**4,576,803**	**1,506,289**	**1,227,969**	**597,922,540**
Additions/transfers	-	382,389	88,090,155	9,397	157,816	70,687	89,939	88,800,383
Disposals/transfers	-	-	-	-	-	-	-	-
Balance as at 31 March 2017	**167,248**	**4,120,043**	**668,879,209**	**5,926,920**	**4,734,619**	**15,76,976**	**1,317,908**	**686,722,923**
Accumulated Depreciation								
Balance as at 1 April 2015	**-**	**1,369,651**	**14,506,669**	**4,516,785**	**2,878,730**	**1,359,963**	**-**	**24,631,798**
Depreciation for the year	-	260,108	9,374,247	498,262	623,283	92,887	-	10,848,787
Balance as at 31 March 2016	**-**	**1,629,759**	**23,880,916**	**5,015,047**	**3,502,013**	**1,452,850**	**-**	**35,480,585**
Depreciation for the year	-	240,855	10,352,335	373,561	365,785	47,632	-	11,380,168
Balance as at 31 March 2017		**1,870,614**	**34,233,251**	**5,388,608**	**3,867,798**	**1,500,482**	**-**	**46,860,753**
Carrying values								
At 31 March 2016	167,248	2,107,895	556,908,138	902,476	1,074,790	53,439	1,227,969	**562,441,955**
At 31 March 2017	167,248	2,249,429	634,645,958,	538,312	866,821	76,494	1,317,908	**639,862,170**

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

Tangible assets comprise development /production assets in respect of SGL field and development assets in respect of SSF and SSG field.

Development assets of SGL field includes the amount of exploration and evaluation expenditure transferred to development cost on the date of the first commercial discovery declared by the Group in 2012 and also includes expenditure incurred for the drilling of further wells in the SGL field to enhance the production activity. Production assets in respect of SGL field includes completed production facilities and under construction Gas gathering station - 2. The Group commenced the production facility in October 2012, and accordingly such production assets have been depreciated since this date.

Development assets of SSF and SSG are explained in note 6. The assessment of these reserves by the Directorate General of Hydrocarbons, ONGC, the Government of India and the Ministry of Petroleum and Natural Gas has been received by the company post 31 March 2017 hence pending the development for production activities, no depreciation has been charged on the same.

The additions in Development/Production assets also include borrowing costs US$ 27,753,096 (previous year: US$ 23,304,470) (including the amount stated in note 6 above). The weighted average capitalisation rate on funds borrowed generally is 6.17 per cent per annum (previous year 5.84 per cent).

The depreciation has been included in the following headings-

	31 March 2017	31 March 2016
Depreciation included in development assets	1,027,833	1,474,540
Depreciation included in statement of comprehensive income under the head cost of sales	10,352,335	9,374,247
Total	**11,380,168**	**10,848,787**

8. DEFERRED TAX ASSETS/ LIABILITIES (NET)

Deferred taxes arising from temporary differences are summarized as follows:

	31 March 2017	31 March 2016
Deferred tax assets		
Unabsorbed losses/credits	215,699,664	199,258,525
Total	**215,699,664**	**199,258,525**
Deferred tax liability		
Development assets/ property, plant and equipment	274,547,778	239,704,056
Total	**274,547,778**	**239,704,056**
Net deferred tax liabilities	**58,848,114**	**40,445,531**

a) The Group has recognized deferred tax assets on all of its unused tax losses/unabsorbed depreciation considering there is convincing evidence of availability of sufficient taxable profit in the Group in the future as summarized in note 9.

b) The deferred tax movements during the current year have been recognized in the Consolidated Statement of Comprehensive income

9. INCOME TAXES

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

Income tax credit is arising on account of the following:

	31 March 2017	31 March 2016
Current tax	-	-
Deferred tax charge	(18,402,583)	(14,000,208)
Total	**(18,402,583)**	**(14,000,208)**

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 2017	31 March 2016
Accounting profit for the year before tax	**43,785,891**	**29,705,711**
Effective tax at the domestic rates applicable to profits in the country concerned	18,941,776	12,850,690
Impact of change in tax rate on deferred tax	-	252,699
Non allowable expenses/(Non-taxable income)	(539,193)	896,819
Tax expense	18,402,583	**14,000,208**

The reconciliation shown above has been based on the rate 43.26 per cent (previous year: 43.26 per cent) as applicable under Indian tax laws.

The Company's profits are taxable as per the tax laws applicable in Guernsey where zero per cent tax rate has been prescribed for corporates. Accordingly, there is no tax liability for the Group in Guernsey. iServices and Newbury being participants in the PSC are covered under the Indian Income tax laws as well as tax laws for their respective countries. However, considering the existence of double tax avoidance arrangement between Cyprus and India, and Mauritius and India, profits in Newbury and iServices are not likely to attract any additional tax in their local jurisdiction. Under Indian tax laws, Newbury and iServices are allowed to claim the entire expenditure in respect of the Oil Block incurred until the start of commercial production (whether included in the exploration and evaluation assets or development assets) as deductible expense in the first year of commercial production or over a period of 10 years. The Company has opted to claim the expenditure in the first year of commercial production.

As the Group has commenced commercial production in 2011 and has generated profits in Newbury and iServices, the management believes there is reasonable certainty of utilization of such losses in the future years and thus a deferred tax asset has been created in respect of these.

10. INVENTORIES

Inventories comprise the following:

	31 March 2017	31 March 2016
Drilling and production stores and spares	4,344,244	3,503,608
Fuel	31,665	15,521
Goods in transit	1,205,594	594,478
Total	**5,581,503**	**4,113,607**

The above inventories are held for use in the exploration, development and production activities. These are valued at cost determined based on policy explained in paragraph 5.10.

Inventories of US$ 169,331 (previous year: US$ 254,090) were recorded as an expense under the heading 'cost of sales' in the consolidated statement of comprehensive income during the year ended 31 March 2017.

Inventories of US$ 7,037,963 (previous year: US$ 8,908,991) were capitalized as part of exploration and evaluation assets and development assets.

11. OTHER CURRENT ASSETS

	31 March 2017	31 March 2016
Prepayments	38,784	238,879
Total	**38,784**	**238,879**

12. CASH AND CASH EQUIVALENTS

	31 March 2017	31 March 2016
Cash at banks in current accounts	11,401,788	61,081,916
Total	**11,401,788**	**61,081,916**

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

13. EQUITY

Authorised share capital

The total authorised share capital of the Company is GBP 5,000,000 divided into 500,000,000 shares of GBP 0.01 each. The total number of shares issued by the Company as at 31 March 2017 is 182,973,924 (previous year: 182,973,924).

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

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

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

Currency translation reserve
Currency translation reserve represents the balance of translation of the entities financial statements into US$ until 30 November 2010 when its functional currency was assessed as GBP. Subsequent to 1 December 2010, the functional currency of Indus Gas was reassessed as US$.

Merger reserve
The balance on the merger reserve represents the fair value of the consideration given in excess of the nominal value of the ordinary shares issued in an acquisition made by the issue of shares of subsidiaries from other entities under common control.

Share option reserve
The amount of share option reserve represents the accumulated expense recognised by the company in its consolidated statement of comprehensive income on account of share based options given by the Company.

Retained earning
Retained earnings include current and prior period retained profits.

14. LONG TERM DEBT

From Banks

	Maturity	31 March 2017	31 March 2016
Non-current portion of long term debt	2018/2024	168,252,860	210,454,996
Current portion of long term debt from banks		44,069,933	34,932,179
Total		**212,322,793**	**245,387,175**

Current interest rates are variable and weighted average interest for the year was 5.96 per cent per annum (previous year: 5.80 per cent per annum). The fair value of the above variable rate borrowings are considered to approximate their carrying amounts. The maturity profile (undiscounted) is explained in note 29.

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

The term loans are secured by following:-

- First charge on all project assets of the Group both present and future, to the extent of SGL Field Development and to the extent of capex incurred out of this facility in the rest of RJ-ON/6 field.
- First charge on the current assets (inclusive of condensate receivable) of the Group to the extent of SGL field.
- First Charge on the entire current assets of the SGL Field and to the extent of capex incurred out of this facility in the rest of RJON/6 field.

From Bonds

	Maturity	31 March 2017	31 March 2016
Non-current portion of long term debt	2018	71,394,500	73,324,297
Current portion of long term debt		2,544,421	2,624,560
Total		**73,938,921**	**75,948,857**

During the period ended 31 March 2016, the Group has issued Singapore Dollar ("SGD") 100 million (USD 74.18 million) notes under the US$ 300 million MTN programme which carries interest at the rate of 8 per cent per annum. These notes are unsecured notes and are fully repayable at the end of 3 years i.e. April 2018, further interest on these notes is paid semi-annually.

15. PROVISION FOR DECOMMISSIONING

	Provision for decommissioning
Balance at 1 April 2015	**1,281,862**
Decrease in provision	(149,136)
Balance as at 31 March 2016	**1,132,726**
Increase in provision	188,307
Balance as at 31 March 2017	**1,321,033**

As per the PSC, the Group is required to carry out certain decommissioning activities on gas wells. The provision for decommissioning relates to the estimation of future disbursements related to the abandonment and decommissioning of gas wells. The provision has been estimated by the Group's engineers, based on individual well filling and coverage. This provision will be utilised when the related wells are fully depleted. The majority of the cost is expected to be incurred within a period of next 8 years. The discount factor being the risk adjusted rate related to the liability is estimated to be 9 per cent for the year ended 31 March 2017 (previous year: 8 per cent).

16. PAYABLE TO RELATED PARTIES

Related parties payable comprise the following:

	Maturity	31-Mar-17	31-Mar-16
Current			
Liability payable to Focus	On demand	5,250,197	6,916,510
Payable to directors	On demand	320,425	258,613
		5,570,622	**7,175,123**
Other than current			
Borrowings from Gynia Holdings Ltd.*		149,071,994	128,107,609
		149,071,994	**128,107,609**
Total		**154,642,616**	**135,282,732**

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.

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

* Borrowings from Gynia Holdings Ltd. carries interest rate of 6.5 per cent per annum compounded annually. The entire outstanding balance (including interest) is subordinate to the loans taken from the banks (detailed in note 14) and therefore, is payable along with related interest subsequent to repayment of bank loan in year 2024.

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

17. OTHER OPERATING INCOME

The Company's subsidiaries decided to enter into the business of leasing Rig/Drillship for oil and gas exploration and Production activities and entered into contracts for purchase of drillship and rig. The counter party to the respective contracts failed on their commitment to timely deliver the rig and Drillship consequently, in accordance with terms of the respective contracts, the Company received compensation amounting to US$ 15.5 million for loss of profit on account of cancellation of contracts. This income is recorded as other operating income in the consolidated financial statements.

18. EMPLOYEE COST

Costs pertaining to the employees of Focus have been included in the cost of sales and administrative expenses in the consolidated statement of comprehensive income amounting to

US$ 327,733 (previous year US$ 324,428) and US$ 473,106 (previous year US$ 532,756) respectively. Cost pertaining to the employees of the Group have been included under administrative expense is US$ 449,778 (previous year US$ 621,455).

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

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

	31 March 2017	31 March 2016
Gain/ (Loss) on restatement of foreign currency monetary receivables and payables	2,260,762	(702,683)
Gain/(loss) arising on settlement of foreign currency transactions and restatement of foreign currency balances arising out of Oil block operations	15,148	336,253
Total	**2,275,910**	**(366,430)**

20. OPERATING LEASES

Lease payments capitalised under exploration and evaluation assets and development/ production assets during the year ended 31 March 2017 amount to US$ 40,298,219 (previous year US$ 45,601,638). No sublease payments or contingent rent payments were made or received. No sublease income is expected as all assets held under lease agreements are used exclusively by the Group. All the operating leases of the Group can be cancelled and there are no future minimum payments for the existing operating leases. The terms and conditions of these operating leases do not impose any significant financial restrictions on the Group.

21. Share based payment

The Company maintained an equity settled share-based payment scheme adopted and approved by the directors on 29 May 2008. Vesting of these options have completed in earlier years and there is no expense in respect of these options during the years ended 31 March 2017 and 31 March 2016. All share options granted to directors and advisors of the Company and Arden Partners have expired in June 2015 and the Company has no legal or constructive obligation to repurchase or settle the options hence the amount of share option reserve has been transferred to retained earnings during the year ended 31 March 2016.

22. EARNINGS PER SHARE

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

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

	31 March 2017	31 March 2016

Profits attributable to shareholders of Indus Gas Limited, for basic and dilutive	25,383,308	15,705,503
Weighted average number of shares (used for basic earnings per share)	182,973,924	182,973,924
Diluted weighted average number of shares (used for Diluted earnings per share)	182,973,924	182,973,924
Basic earnings per share	**0.14**	**0.09**
Diluted earnings per share	**0.14**	**0.09**

23. RELATED PARTY TRANSACTIONS

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

Nature of the relationship	Related Party's Name
I. Holding Company	Gynia Holdings Ltd.
II. Ultimate Holding Company	Multi Asset Holdings Ltd. *(Holding Company of Gynia Holdings Ltd.)*
III. Enterprises over which Key Management Personnel (KMP) exercise control *(with whom there are transactions)*	Focus Energy Limited

Disclosure of transactions between the Group and related parties and the outstanding balances as at 31 March 2017 and 31 March 2016 is as under:

Transactions with holding company

Particulars	31 March 2017	31 March 2016
Transactions during the year with the holding company		
Amount received	12,500,000	-
Interest	8,464,385	7,818,774
Balances at the end of the year		
Total payable*	**149,071,994**	**128,107,609**

**including interest*

Transactions with KMP and entity over which KMP exercise control

Particulars	31-Mar-17	31-Mar-16

Transactions during the year		
Remuneration to KMP		
Short term employee benefits	449,778	621,455
Total	**449,778**	**621,455**
Entity over which KMP exercise control		
Cost incurred by Focus on behalf of the Group in respect of the Block	65,122,032	64,768,570
Remittances to Focus	66,426,722	82,020,937
Balances at the end of the year		
Total payable*	**5,570,622**	**6,824,887**

**including interest*

Directors' remuneration

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

Remuneration by director is also separately disclosed in the directors' report on page 10.

24. SEGMENT REPORTING

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

All of the non–current assets other than financial instruments and deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) are located in India and amounted to US$ 639,863,055 (previous year: US$ 562,442,840).

The Group has a product natural gas and its by-product i.e. condensate. The natural gas is supplied to a single customer, GAIL, in a single geographical segment, being India. Sale of by product is not significant to be classified as separate reportable segment.

25. COMMITMENTS AND CONTINGENCIES

The Group has no contingent liabilities as at 31 March 2017 (previous year Nil).

The Group has no commitments as at 31 March 2017 (previous year Nil).

26. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Determination of functional currency of individual entities

Following the guidance in IAS 21 "The effects of changes in foreign exchange rates" the functional currency of each individual entity is determined to be the currency of the primary economic environment in which the entity operates. In the management's view each of the individual entity's functional currency reflects the transactions, events and conditions under which the entity conducts its business. The management believes that US$ has been taken as the functional currency for each of the entities within the Group. US$ is the currency in which each of these entities primarily generate and expend cash and also generate funds for financing activities.

Full cost accounting for exploration and evaluation expenditure

The Group has followed 'full cost' approach for accounting exploration and evaluation expenditure against the 'successful efforts' method. As further explained in Note 5.6 and 6, exploration and evaluation assets recorded using 'full cost' approach are tested for impairment prior to reclassification into development assets on successful discovery of gas reserves.

Impairment of tangible assets

The Group follows the guidance of IAS 36 and IFRS 6 to determine when a tangible asset is impaired. This determination requires significant judgment to evaluate indicators triggering impairment. The Group monitors internal and external indicators of impairment relating to its tangible assets. The management has assessed that no such indicators have occurred or exists as at 31 March 2017 to require impairment testing of property, plant and equipment.

Estimates used in the preparation of the consolidated financial statements

Useful life and residual value of tangible assets

The Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. Specifically, production assets are depreciated on a basis of unit of production (UOP) method which involves significant estimates in respect of the total future production and estimate of reserves. The calculation of UOP rate of depreciation could be impacted to the extent that the actual production in future is different from the forecasted production. During the financial year, the directors determined that no change to the useful lives of any of the property, plant and equipment is required. The carrying amounts of property, plant and equipment have been summarised in note 7.

Recognition of provision for decommissioning cost

As per the PSC, the Group is required to carry out certain decommissioning activities on gas wells. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing and amount of expenditure can also change, for example, in response to changes in reserves or changes in laws and regulations or their interpretation. As a result, there could be adjustments to the provisions established which would affect future financial results. The liabilities estimated in respect of decommissioning provisions have been summarised in note 15.

Impairment testing

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

The recoverable amount was determined based on value-in-use calculations, basis gas reserves confirmed by an independent competent person. Selling price of the gas is based on selling price to GAIL which has been agreed for a period of three years which has expired on September 2016 (the Company is presently in negotiations with GAIL for increase in gas price) The discount rate calculation is based on the Company's weighted average cost of capital adjusted to reflect pre-tax discount rate and amounts to 9% p.a. Management believes that no reasonably possible changes in the assumptions may lead to impairment of property, plants and equipment and intangible assets of the Block.

The company is in the process of negotiating selling prices with GAIL and expects that revised selling price will not be less than the existing selling price.

Deferred tax assets

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

27. BASIS OF GOING CONCERN ASSUMPTION

The Group has current liabilities amounting to US$ 57,393,947 the majority of which is towards current portion of borrowings from banks and related parties, primarily to Focus. As at 31 March 2017, the amounts due for repayment (including interest payable) within the next 12 months for long term borrowings are US$ 46,614,354 which the Group expects to meet from its internal generation of cash from operations.

Further, the Group is contemplating to raise funds which will be used for planned capital expenditures (including the exploration, appraisal and development of assets).

28. CAPITAL MANAGEMENT POLICIES

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

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Debt is calculated as total liabilities (including 'current and non-current liabilities' as shown in the consolidated Statement of Financial Position). Total equity is calculated as 'equity' as shown in the consolidated statement of financial position plus total debt.

	31 March 2017	**31 March 2016**
Total debt (A)	531,846,443	529,013,474
Total equity (B)	129,249,252	103,865,944
Total capital employed (A+B)	661,095,695	632,879,418
Gearing ratio	80.45 per cent	83.59 per cent

The gearing ratio has marginally decreased since in the current year due to proportionately greater increase in equity as compared to increase in the draw-down of loans from banks and related party to fund additional exploration, evaluation and development activities for the Group.
The Group is not subject to any externally imposed capital requirements. There were no changes in the Group's approach to capital management during the year.

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

The carrying amounts of the Group's financial assets and liabilities recognised at the end of the reporting period are as follows:

	31 March 2017	**31 March 2016**
Non-current assets		

	31 March 2017	31 March 2016
Loans and receivables		
- Security deposits	885	885
Current assets		
Loans and receivables		
- Trade receivables	2,045,252	3,266,738
- Cash and cash equivalents	11,401,788	61,081,916
Total financial assets under loans and receivables	**13,447,925**	**64,349,539**
Non-current liabilities		
Financial liabilities measured at amortised cost:		
- Long term debt	239,647,360	283,779,293
- Payable to related parties	149,071,994	128,107,609
Current liabilities		
Financial liabilities measured at amortised cost:		
- Current portion of long term debt	46,614,354	37,556,739
- Current portion of payable to related parties	5,570,622	7,175,123
- Accrued expenses and other liabilities	131,885	175,372
Total financial liabilities measured at amortised cost	**441,036,215**	**456,794,136**

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

Risk management objectives and policies

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

The Group treasury functions are responsible for managing funding 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$. All revenues from gas sales are received in US$ and substantial costs are incurred in US$. No forward exchange contracts were entered into during the year.

Entities within the Group conduct the majority of their transactions in their functional currency other than finance lease obligation balances which are maintained in Indian Rupees and amounts of cash held in GBP. All other monetary assets and liabilities are denominated in functional currencies of the respective entities. The currency exposure on account of assets and liabilities which are denominated in a currency other than the functional currency of the entities of the Group as at 31 March 2017 and 31 March 2016 is as follows:

Particulars	Functional currency	Foreign currency	31 March 2017 (Amount in US$)	31 March 2016 (Amount in US$)
Short term exposure-Cash and cash equivalents	US$	Great Britain Pound	20,594	149,937
Short term exposure-Cash and cash equivalents	US$	Singapore Dollar	143,583	44,881,697
Long term exposure-Long term debt	US$	Singapore Dollar	73,938,921	75,948,857
Total exposure			**74,103,098**	**120,980,491**

As at March 31, 2017, every 1% (increase)/decrease of the respective foreign currencies compared to the functional currency of the Group entities would impact profit before tax by approximately USD (665,166) and USD 665,166 respectively.

Liquidity risk
Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

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

	On demand	0-3 months	3 months to 1 year	1-5 years	5+ years	Total
31 March 2017						
Non-interest bearing	5,250,197	131,885	-			5,382,082
Variable interest rate liabilities		13,338,846	39,458,607	139,919,422	53,892,270	246,609,146
Fixed interest rate liabilities		-	-	80,608,933	149,071,994	223,010,915

On demand	0-3 months	3 months to 1 year	1-5 years	5+ years	Total
5,250,197	**13,397,222**	**39,458,607**	**240,036,831**	**176,785,778**	**475,001,144**

	On demand	0-3 months	3 months to 1 year	1-5 years	5+ years	Total
31 March 2016						
Non-interest bearing	6,916,510	175,373	-	-	-	7,091,883
Variable interest rate liabilities	-	8,013,352	29,802,000	158,944,00	122,397,19	319,156,542
Fixed interest rate liabilities	-	-	-	73,498,806	128,107,608	201,606,414
	6,916,510	**8,188,725**	**29,802,000**	**232,442,806**	**250,504,798**	**527,854,839**

Interest rate risk

The Group's policy is to minimize interest rate risk exposures on the borrowing from the banks and the sum payable to Focus Energy Limited. Borrowing from the Gynia Holdings Ltd. is at fixed interest rate and therefore, does not expose the Group to risk from changes in interest rate. The interest rate on bond issued during the year is fixed at 8% per annum. The Group is exposed to changes in market interest rates through bank borrowings at variable interest rates. Interest rate on US$ 110 million bank borrowing is 5 percent plus LIBOR; on US$ 40 million bank borrowing is 4 percent plus LIBOR and on US$ 180 million bank borrowing is 4.1 percent plus LIBOR (detailed in note 14).

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

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

	Interest rate	
	+ 0.50 per cent	- 0.50 per cent
31 March 2017	1,073,074	(1,073,074)
31 March 2016	1,226,936	(1,226,936)

possible change in interest rates. All other variables are held constant.

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 capitalized 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 prices has been agreed for a period of three years which expired in September 2016. As per the terms of contract, after expiry of three years period, the price will be reviewed periodically and reassessed mutually between the parties. The Company is presently in negotiations with GAIL for increase in gas price. 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 credit risk to be significant. Other receivables such as security deposits and advances with related parties, do not comprise of a significant cumulative balance and thus do not expose the Group to a significant credit risk. The Group has concentration of credit risk as all the Group's trade receivables are held with GAIL, its only customer. However, GAIL has a reputable credit standing and hence the Group does not consider credit risk in respect of these to be significant. None of the financial assets held by the Group are past due.

Post reporting date event

No adjusting or significant non adjusting event have occurred between 31 March 2017 and the date of authorization.