

AUDITORS REPORT

To the Shareholders and Board of Directors of the Great Eastern Energy Corporation Limited

We have audited the accompanying financial statements of the Great Eastern Energy Corporation Limited ('the Company') which comprise the balance sheet as of 31 March 2009 and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards ('IFRS'). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as of March 31, 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Price Waterhouse

Date : June 05, 2009

Address : Building 8, 7th & 8th Floor
Tower - B, DLF Cyber City
Gurgaon - 122002, Haryana

All amounts in US dollars unless otherwise stated

BALANCE SHEET

	Notes	As at March 31, 2009	As at March 31, 2008
ASSETS			
Non-current Assets			
Property, plant and equipment	5	34,227,389	16,818,701
Capital work-in-progress	6	41,464,058	45,121,201
Intangible assets	7	343,582	370,944
Prepayments	8	179,122	202,637
Restricted deposits with banks	10	18,646	–
Deferred income tax assets	18	1,133,691	687,767
Trade and Other receivables	9	78,744	67,173
		<u>77,445,232</u>	<u>63,268,423</u>
Current assets			
Prepayments	8	943,064	123,848
Trade and other receivables	9	1,158,441	1,291,056
Advance income tax		343,847	770,744
Restricted deposits with bank	10	545,584	927,938
Cash and cash equivalents	11	502,714	2,102,197
		<u>3,493,650</u>	<u>5,215,783</u>
Total assets		<u>80,938,882</u>	<u>68,484,206</u>
Capital and reserves attributable to equity holders of the Company			
Ordinary Shares	12	12,246,781	12,246,781
Share premium		33,301,944	33,301,944
Currency translation reserve		(4,270,102)	4,930,843
Share-based payment reserve		73,429	–
Retained earnings		(11,357,955)	(4,815,414)
Total equity		<u>29,994,097</u>	<u>45,664,154</u>
LIABILITIES			
Non-current liabilities			
Borrowings	14	42,417,694	18,663,070
Deferred income tax liabilities	18	1,133,691	687,767
Retirement benefit obligations	15	105,911	98,304
Provisions	17	71,545	107,588
		<u>43,728,841</u>	<u>19,556,729</u>
Current Liabilities			
Borrowings	14	23,763	–
Trade and other payables	16	6,990,591	3,263,323
Provisions	17	201,590	–
		<u>7,215,944</u>	<u>3,263,323</u>
Total liabilities		<u>50,944,785</u>	<u>22,820,052</u>
Total equity and liabilities		<u>80,938,882</u>	<u>68,484,206</u>

The accompanying notes form an integral part of these financial statements.

As per our report of even date attached

For and on behalf of

Price Waterhouse
Chartered Accountants

V. Nijhawan
Membership No: F-87228

Place: Gurgaon
Date: June 5, 2009

Yogendra Kr. Modi
Chairman & Chief Executive Officer

On behalf of the Board of Directors

Kashi Nath Memani
Director

All amounts in US dollars unless otherwise stated

Income Statement

	Notes	Year Ended March 31, 2009	Year Ended March 31, 2008
Income			
Revenue		701,146	122,761
Other income	21	133,419	44,801
Repairs and Stores and Consumables		(662,737)	(56,051)
Employee benefit expenses	20	(1,144,651)	(663,829)
Depreciation and amortization		(824,779)	(196,438)
Other operating expenses	19	(2,712,222)	(2,133,769)
Foreign exchange gain/(Loss)		(219,654)	25,458
Operating Loss		(4,729,478)	(2,857,067)
Finance income	22	39,164	375,243
Finance costs	23	(1,852,227)	(27,287)
Finance income/ costs net		(1,813,063)	347,956
Loss before income tax		(6,542,541)	(2,509,111)
Income tax benefit		—	(820)
Loss for the year		(6,542,541)	(2,509,931)
Loss per share	25		
— basic and diluted loss per share		0.0120131	0.0046086

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For and on behalf of

Price Waterhouse
Chartered Accountants

V. Nijhawan
Membership No: F-87228

Place : Gurgaon
Date : June 5, 2009

On behalf of the Board of Directors

Yogendra Kr. Modi
Chairman & Chief Executive Officer

Kashi Nath Memani
Director



All amounts in US dollars unless otherwise stated

Statement of changes in equity

	Issued Capital	Share premium	Retained earnings	Translation Reserve	Share-based payment reserve	Total equity
At April 1, 2007	12,246,781	33,301,944	(2,305,483)	945,822	–	44,189,064
Currency translation adjustment	–	–	–	3,985,021	–	3,985,021
Loss for the period	–	–	(2,509,931)	–	–	(2,509,931)
As at 31 March 2008	12,246,781	33,301,944	(4,815,414)	4,930,843	–	45,664,154

	Issued Capital	Share premium	Retained earnings	Translation Reserve	Share-based payment reserve	Total equity
At April 1, 2008	12,246,781	33,301,944	(4,815,414)	4,930,843	–	45,664,154
Currency translation adjustment	–	–	–	(9,200,945)	–	(9,200,945)
Loss for the period	–	–	(6,542,541)	–	–	(6,542,541)
Employees share-based payment scheme	–	–	–	–	73,429	73,429
As at 31 March 2009	12,246,781	33,301,944	(11,357,955)	(4,270,102)	73,429	29,994,097

- a) Share premium represents the premium paid by shareholders on issue of shares and is net of equity transaction costs. Under the Indian Companies Act, 1956 such a reserve has got a restricted usage.
- b) Translation reserves represent exchange differences arising on translation from functional currency to presentation currency in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rate."

The accompanying notes form an integral part of these financial statements.

As per our report of even date attached**For and on behalf of**Price Waterhouse
Chartered AccountantsV. Nijhawan
Membership No: F-87228Place: Gurgaon
Date : June 5, 2009**On behalf of the Board of Directors**Yogendra Kr. Modi
Chairman & Chief Executive OfficerKashi Nath Memani
Director

All amounts in US dollars unless otherwise stated

Cash Flow Statement

	Note	For the Year Ended March 31, 2009	For the Year Ended March 31, 2008
Cash flows from operating activities			
Net cash flow from operating activities	24	1,160,946	(2,503,366)
Interest paid		—	—
Income tax paid		—	—
Net cash used in operating activities		1,160,946	(2,503,366)
Cash flows from investing activities			
Purchase of property, plant and equipment (PPE)		(13,195,169)	(4,387,486)
Additions to capital work-in-progress (Development of wells)		(16,220,541)	(20,957,104)
Purchase of intangible assets		(17,185)	(3,056)
Increase / (decrease) in restricted deposits, (net)		181,708	(890,039)
Proceeds from sale of PPE		990	24,401
Interest received		116,578	375,243
Net cash used in investing activities		(29,133,619)	(25,838,041)
Cash flows from financing activities			
Proceeds from borrowings		30,626,079	24,924,526
Repayment of borrowings		—	(6,386,680)
Interest expense		(3,925,710)	(27,287)
Net cash provided by financing activities		26,700,369	18,510,559
Net (decrease)/increase cash and cash equivalents		(1,272,304)	(9,830,848)
Cash and cash equivalents at beginning of year		2,102,196	11,002,941
Exchange gains/losses on cash and cash equivalents		(327,178)	930,104
Cash and cash equivalents at end of year		502,714	2,102,197

The accompanying notes form an integral part of these financial statements.

As per our report of even date attached

For and on behalf of

Price Waterhouse
Chartered Accountants

V. Nijhawan
Membership No: F-87228

Place : Gurgaon
Date : June 5, 2009

Yogendra Kr. Modi
Chairman & Chief Executive Officer

On behalf of the Board of Directors

Kashi Nath Memani
Director



All amounts in US dollars unless otherwise stated

1. GENERAL INFORMATION

Great Eastern Energy Corporation Limited ('GEECL' or 'the Company') is a public limited company incorporated in India with its registered office at G. T. Road, Fatehpur, Asansol, West Bengal, India. The financial statements of the Company for the year ended 31 March 2009 were authorized for issue in accordance with a resolution of the directors on 5 June 2009. GEECL is a public limited company incorporated in India, with shares listed as Global Depository Receipts in the Alternate Investment Market, London.

The Company was incorporated in 1992 to explore, develop, distribute and market Coal Bed Methane or CBM in India. GEECL originally entered into a license agreement in December 1993 with Coal India Limited (CIL) for exploration and development of CBM over an area of approximately 210 Sq. km (approximately 52,000 acres) in the Raniganj coalfields of West Bengal (the Block). Following the transfer of CBM administration in India from the Ministry of Coal to the Ministry of Petroleum and Natural Gas (MoPNG), the Company entered into Production Sharing Contract (PSC) for CBM on 31 May 2001 for the Block.

The PSC is effective from 9 November 2001 as a result of the granting by Government of West Bengal of the Petroleum Exploration License on the same date and provides for a five year initial assessment and market development phase, followed by a five year development phase and then a twenty-five year production phase, extendable with the approval of the Government of India (GOI). The PSC also provides that the Company can produce gas during any phase with the prior approval of the GOI. Although GEECL currently is in the development phase, but dewatering is already underway in 30 producing wells and commercial production has already started in 19 of these wells. Further, another 12 wells are in various stages of development.

These financial statements were approved by the Board of Directors on 5 June 2009.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a. Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards [IFRSs] as issued by International Accounting Standards Board ('IASB') applicable to the company's reporting for the year ended 31 March 2009. The financial statements have been prepared on an accrual basis and under historical cost convention. The financial statements are presented in US Dollar and all values are rounded to the nearest US dollar except where otherwise indicated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial information are disclosed in the note 4.

• Standards, amendment and interpretations effective as at 31 March 2009

There are no standards, amendments and interpretations to published standards that are mandatory for accounting periods beginning on or after 1 April 2008 and are also relevant for Company's operations.

• Standards, amendments and interpretations effective in the period ended 31 March 2009 but not relevant

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 April 2008 but they are not relevant to the Company's operations:

- IFRIC 12, 'Service concession arrangements'; and
- IFRIC 14, 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction'

b. Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency of the Company is Indian Rupees ("Rs." or "INR"). The financial statements are presented in US Dollar (US \$), which is the Company's presentation currency.

For the purpose of conversion from the functional currency to the presentation currency the assets and liabilities except for equity for each balance sheet presented is translated at the closing rate at the date of that balance sheet. Income and expense for each income statement presented are converted using an average rate and all resulting exchange difference is recognized as a separate component of equity.

All amounts in US dollars unless otherwise stated**(ii) Transactions and balances**

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currency are translated into functional currency at the exchange rates ruling at the balance sheet date. Exchange differences arising on the settlement of monetary items or translation at rates that are different from those at which they were initially recorded, are recognized as income or expense in the period in which they arise. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

c. Property, plant and equipment

Property, plant and equipment is stated at historical cost including initial estimate of dismantling and site restoration cost, less accumulated depreciation and any impairment in value. Land is measured at cost. Historical cost includes expenditure that is directly attributable to the acquisition or self-construction of property, plant and equipment. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with them will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance expenditures are charged to the income statement during the financial period in which they are incurred. When any major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

Depreciation (other than Gas producing wells) is calculated on a straight-line basis over the estimated useful life of the assets as follows -

Buildings	: 30
Plant and Machinery	: 5-10
Furniture, Fixture and Office Equipment	: 5-15
Vehicles	: 10
Pipeline	: 10

The property, plant and equipment acquired under finance lease are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each balance sheet date. Depreciation on Gas producing wells is calculated based on unit of production method.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the greater of the net selling price and its value in use. 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 inflows. The recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognised in the income statement.

d. Capital work in progress

Expenses incurred for development and construction of wells are capitalized and included under the head capital work-in-progress until the wells are ready for their intended use using the Full Costing method. The cost of drilling, wire line logging and perforation services, cementing and fracturing services, which have been outsourced, has been included in well development costs. All other expenses directly attributable in respect to developing and constructing wells are capitalized and included under capital work in progress. Once the wells are ready for their intended use depreciation is charged on the unit of production method.

Inventories consumed as well as inventories lying in stock for the purpose of well development are grouped as part of capital work in progress. These items are not meant for sale in the ordinary course of business or for use as supplies in the production process of saleable gas, but are to be used towards well development and hence, are treated as Capital Work in Progress. Advances paid for supply of capital goods and services are also grouped as part of capital work in progress.

All amounts in US dollars unless otherwise stated

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, are deducted from the cost of the related asset in the current period provided that the amount deducted shall not exceed the carrying amount of the asset.

e. Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the company 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. In determining fair value less costs to sell, an appropriate valuation model is used.

f. Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement in the expense category consistent with the function of the intangible asset.

A summary of the policies applied to the Company's intangible assets is as follows:

- Gas exploration rights and Right of way are capitalized at historical costs.
- Computer Software-Costs associated with identifiable and unique software products controlled by the Company having probable economic benefits exceeding the costs beyond one year are recognized as intangible assets. Costs incurred during the development stage of computer software are shown as intangible assets under development and are not amortized till the software is ready for its intended use. These costs are amortized using the straight line method over their useful lives not exceeding 5 years.

	Gas exploration rights	Computer Software	Right of way
Useful lives	Finite	Finite	Finite
Amortization method used	Amortized on a straight line basis over the period of 25 years	Amortized on a straight line basis over the period of 5 years	Amortized on a straight line basis over the period of 5 years
Internally generated or acquired	Acquired	Acquired	Acquired
Impairment testing/ recoverable amount testing	Where an indicator of impairment exists	Where an indicator of impairment exists	Where an indicator of impairment exists
Remaining unamortized period	Twenty three years and Three months	Three and half years	Four years and nine months

g. Financial assets

Financial assets within the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, and available for sale financial assets, as appropriate. The classification of financial assets depends on the purpose for which the financial assets were acquired. The management determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this classification at each financial year end.

All amounts in US dollars unless otherwise stated

The financial assets held by the company consist of loans and receivables only. These financial assets are recognized initially at fair value plus transaction costs that are directly attributable to the acquisition or issue of these financial assets. Subsequent to initial recognition, these are carried at amortised cost using the effective interest method.

- *Loans and receivables*

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets except for maturities greater than 12 months after the balance sheet date in which case, these are classified as non-current assets. The Company's loans and receivables comprise of 'trade and other receivables', 'restricted deposits with banks' and 'cash and cash equivalents' on the balance sheet date. The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and any impairment loss is required to be recognised in the income statement. Impairment testing of receivables is discussed in note 2(h) below.

The Company considers whether a contract contains an embedded derivative when the entity first becomes a party to it. The embedded derivatives are separated from the host contract which is not measured at fair value through profit or loss when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

All regular way purchases and sales of financial assets are recognized on the trade date, which is the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

h. Trade and other receivables

Trade and other receivables are initially recognized at fair value. Subsequent to initial recognition, trade and other receivables are subsequently carried at amortized cost using the effective interest method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. A provision for impairment of trade and other receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

The allowance for impairment of receivables reflects management's best estimate of probable losses inherent in the accounts receivable balance. Management primarily determines the allowance based on the ageing of accounts receivable balances, historical write-off experience and customer credit worthiness. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When the receivable is uncollectible, it is written off against the allowance account.

i. Cash and cash equivalents

Cash and cash equivalents includes cash in hand, balances with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

j. Inventories

Inventories of stores and spares are valued at the lower of cost and net realisable value. Costs include expenses incurred in bringing each product to its present location and condition and is determined using the weighted average cost method. Net realizable value is the replacement cost of the stores, spares and consumables.

k. Trade and other payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

l. Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs incurred for the construction of any qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.



All amounts in US dollars unless otherwise stated

m. Provisions

Provisions are recognized when the company 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 company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. 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 recognized as other finance expense.

These provisions are capitalized where they are expected to increase the economic benefits flowing from the use or eventual disposal of the asset, or when they represent an obligation to remediate at the end of the asset's life and are recoverable from future economic benefits of using the asset. In all other cases, they are charged to the income statement.

n. Employee costs, Pensions and other post-employment benefits

Employee retirement benefits

The company has both defined benefit and defined contribution plans. The defined benefit plans are the gratuity plan and superannuation plan and the defined contribution plan is the state administered provident fund.

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate fund. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

i. The Gratuity Plan

The gratuity plan is a defined benefit plan that provides a lump sum payment to vested employees on retirement, death, incapacitation or termination of employment based on the respective employee's last drawn salary and length of employment.

The liability recognized in the balance sheet in respect of the gratuity plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized past-service costs. The defined benefit obligation is, each year, determined by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds denominated in Indian Rupees, being the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income statement in the period in which they arise.

ii. Superannuation

The Superannuation (pension) plan for the company is a defined benefit scheme where monthly contribution at the rate of 15% of salary is payable. These contributions will accumulate at the prevailing rate of interest. At the time of retirement, termination or separation of employee, accumulated contribution will be utilized to buy pension annuity from an insurance company. The company makes provision of such pension liability in the books of accounts on the basis of actuarial valuation.

iii. State administered provident fund

Under Indian law, employees are entitled to receive benefits under the Provident Fund, which is a defined contribution plan. Both the employee and the employer make monthly contributions to the plan at a pre-determined rate (currently 12.0%) of the employee's basic salary to a government recognised provident fund. The Company has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they accrue. Upon retirement or separation, an employee becomes entitled for this lump sum benefit, which is paid directly to the concerned employee by the fund.

All amounts in US dollars unless otherwise stated**iv. *Compensated absences***

Compensated absences comprises of leave balances accrued by employees. The leave balance is en-cashable for a maximum of 30 days. These balances can be accumulated up to a maximum of 60 days and carried forward for a period of 3 years. The leave lapses after 3 years if unutilized, or on the employee leaving the Company or on retirement. Compensated absences are being provided on the basis of actuarial valuation.

v. *Share-based compensation*

The Company operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Company. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any non-market service and performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

o. *Leases*

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- (a) There is a change in contractual terms, other than a renewal or extension of the arrangement.
- (b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially been included in the lease term.
- (c) There is a change in the determination of whether fulfillment is dependent on a specified asset.
- (d) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a), c) or d) and at the date of renewal or extension period for scenario b).

- ***Company as a lessee***

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

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

Lease where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

p. *Revenue Income*

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, excise duty, sales tax, returns, rebates and discounts.

Sales revenue is recognised on individual sales when persuasive evidence exist that the significant risks and rewards of ownership of the product have been transferred to the buyer.



All amounts in US dollars unless otherwise stated

These conditions are generally satisfied when the product is delivered, at a fixed or determinable price, and when inflow of economic benefits is reasonably assured. Delivery is defined based on the terms of the sale contract.

Revenue on sale of Coal Bed Methane ('CBM') is recognised on sale of gas to customers at delivery point. Revenue on sale of Compressed Natural Gas ('CNG') is recognised on sale of gas to customers at retail outlet.

q. Interest income

Income is recognized as interest accrues (using the 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 financial asset).

r. Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all the conditions attached to it will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Government grants relating to the purchase of property, plant and equipment are adjusted against the carrying amount of the related asset.

s. Taxes

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

t. Equity instruments

Equity instruments, convertible into fixed number of equity shares at a fixed predetermined price, and which are exercisable after a specific period, are accounted for as and when such instruments are exercised. The transaction costs pertaining to such instruments are adjusted against equity.

u. Segment Reporting

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of components operating in other economic environments. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. The Company considers that it operates in a single geography being India and in a single business segment being the production and sale of CBM gas.

All amounts in US dollars unless otherwise stated

3. Financial Risk Management

3.1 Financial Risk Factors

The company's activities expose it to a variety of financial risk such as market risk (foreign exchange risk and interest rate risk), credit risk and liquidity risk.

a) Market Risk.

- i) **Foreign Exchange Risk:** The Company's exposure to foreign currency risk arises from foreign-currency denominated liabilities on account of purchase of services and materials from foreign contractors and suppliers. The Company does not hold any financial assets in any currency other than INR.

The Company measures the foreign currency exchange risk as a product of the carrying value of its financial assets and liabilities denominated in currencies other than the functional currency of the company and the forward rate between INR and the foreign currency as at the next reporting date. It has not entered into any forward contracts to hedge such exposure in absence of practice of taking cover against such risk.

The following table gives a quantitative summary of the exposures by foreign-currency (carrying amounts of foreign currency financial assets and financial liabilities) as at the balance sheet date:

Particulars	Denomination Currency	As at 31 March 2009	As at 31 March 2008
Financial Liabilities:			
Trade and other payables	USD	2,600,826	348,267
	GBP	15,950	33,900
Provisions for demobilisation	USD	180,000	25,000
		<u>2,796,776</u>	<u>407,167</u>

The above amounts are disclosed on the basis of information provided internally to the key management personnel of the company.

At 31 March 2009, if INR had weakened/strengthened by 5% against the US dollar with all other variables held constant, pre-tax loss for the year would have been \$154,305 (2008: \$ 12,431) higher/lower, mainly as a result of foreign exchange gains/losses on translation of year-end balances of US dollar-denominated financial assets and liabilities. The amount of loss is more sensitive to movement in currency/US dollar exchange rates in 2009 than 2008 because of the increased amount of fluctuations in INR versus US Dollar rates.

At 31 March 2009, if INR had weakened/strengthened by 5% against the Sterling with all other variables held constant, pre-tax loss for the year would have been \$1,266 (2008: \$3,350) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Sterling denominated financial assets and liabilities.

The sensitivity analysis is based on a reasonably possible change in the underlying foreign currency against the Indian rupee computed from historical data and is representative of the foreign exchange currency risk inherent in financial assets and financial liabilities reported at the balance sheet date.

ii) Interest Rate Risk

All the financial assets and financial liabilities of the Company are either interest-free or at a fixed rate of interest except for secured term loan taken from a consortium of 7 nationalised banks and one finance company at different floating rates linked to prime lending rates of respective banks. The carrying value of this loan as at 31 March 2009 is \$42,441,455 (2008: \$18,663,070). Accordingly, the company is exposed to cash flow interest rate risk on its secured loans.

The company analyses its interest rate exposure regularly. Various scenarios are analysed taking into consideration refinancing, alternative financing etc. Based on these scenarios, the Company calculates the impact on profit and loss of a defined interest rate shift.

At 31 March 2009, if lending rates had weakened/strengthened by 100bp with all other variables held constant, post-tax loss for the year would have been \$471,007 (2008: \$185,378) higher/lower, mainly as a result of fluctuation in floating interest rates for term loan.

The above amounts are disclosed on the basis of information provided internally to the key management personnel of the company.

The sensitivity analysis is based on a reasonably possible change in the market interest rates computed from historical data and is representative of the interest rate risk inherent in financial assets and financial liabilities reported at the balance sheet date.

All amounts in US dollars unless otherwise stated

b) Credit Risk

Credit risk refers to the risk of default on its obligation by the counterparty resulting in a financial loss. The Company makes advances to suppliers and vendors in the normal course of its business and generally requires bank guarantees from them against these advances. The Company also makes advances to employees and places security deposits with related parties and restricted margin money deposits with banks. The majority of the Company's sales to its customers are on credit and it generally requires these customers to provide bank guarantees against the sales made to them. These transactions expose the Company to credit risk on account of default by any of the counterparties. Credit risk is managed through credit approvals and continuously monitoring the creditworthiness of counterparties.

The Company classifies all of its financial assets as 'loans and advances'.

The below table discloses by class of financial instruments, the maximum amounts of exposures to credit risk as at the balance sheet date without taking into account any collateral or credit enhancements.

Class of Financial Instrument	Description of Collateral / Other credit enhancements	31 March, 2009	31 March, 2008
Trade and Other receivables			
Trade receivables	Bank guarantee*	45,799	21,445
Due from related parties		25,668	26,464
Advances to employees		84,730	4,129
Security deposits		38,217	38,582
Interest receivable		20,959	–
Others		16,978	21,642
		232,351	112,262
Cash and cash equivalents			
Balance with banks		498,608	1,319,867
Short term deposits with banks		–	782,219
		498,608	2,102,086
Restricted deposits with banks		564,230	927,938
		1,295,189	3,142,286

* The Company holds bank guarantees against trade receivables amounting to \$26,774 (2008: \$21,209).

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (where available) or to historical information about counterparty default rates. The below table provides information in that respect.

	31 March 2009	31 March 2008
Trade receivables:		
Customers without external credit rating and with no defaults in the past	45,799	21,445
	45,799	21,445
Other receivables:		
Counterparties without external credit rating and with no defaults in the past	186,552	90,817
	186,552	90,817
Cash with banks and short-term deposits with banks:		
A1 +	2,036	3,178
AAA	–	25,019
BA2	438,033	2,061,825
P1	1,258	1,603
Rating not available	57,281	10,462
	498,608	2,102,087
Restricted deposits with banks:		
BA2	494,553	927,938
Rating not available	69,677	–
	564,230	927,938

All amounts in US dollars unless otherwise stated

c) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. The company ensures flexibility in funding by maintaining availability under committed credit lines. The unused amount under the line of credit as of the balance sheet date is to the tune of \$26,303,233 (2008:\$68,801,601). These unused amounts pertain to the credit facility availed from the consortium of banks. The management prepares quarterly budgets based on the business plans and needs and submits the same to the bank for disbursement of funds in the following quarter. In addition, the company's liquidity management policy involves considering the level of liquid assets necessary to meet the funding requirement; monitoring balance sheet liquidity ratios against internal requirements and maintaining debt financing plans.

The Company classifies all of its financial liabilities as 'financial liabilities at amortised cost'. The following tables sets forth the Company financial liabilities to make future payments as at 31 March 2009 and 2008.

As at 31st March 2009	Within1 Year	1-3 Years	3-5 Years	After 5 Years	Total
Borrowings	23,761	6,318,572	35,336,605	762,519	42,441,457
Interest on Borrowings	5,247,736	16,507,276	7,121,746	–	28,876,758
Trade and Other Payables					
Trade Payables	5,721,023	–	–	–	5,721,023
Other Payables	211,963	–	–	–	211,963
Due to related parties	34,755	–	–	–	34,755
Security deposits	181,961	–	–	–	181,961
Interest accrued	203,846	–	–	–	203,846
	11,625,045	22,825,848	42,458,351	762,519	77,671,763
Provisions	201,590	–	–	71,545	273,135
	11,826,635	22,825,848	42,458,351	834,064	77,944,898
As at 31st March 2008	Within1 Year	1-3 Years	3-5 Years	After 5 Years	Total
Borrowings	–	–	18,663,070	–	18,663,070
Interest on Borrowings	2,297,408	4,684,314	2,648,753	–	9,630,475
Trade and other payables					
Trade Payables	2,422,450	–	–	–	2,422,450
Other Payables	191,200	–	–	–	191,200
Due to related parties	19,028	–	–	–	19,028
Security deposits	75,664	–	–	–	75,664
Interest accrued	148,667	–	–	–	148,667
	5,154,417	4,684,314	21,311,823	–	31,150,554
Provisions	–	45,000	–	62,588	107,588
	5,154,417	4,729,314	21,311,823	62,588	31,258,142

As the amounts included in the table are the contractual undiscounted cash flows, these amounts will not reconcile to the amounts disclosed on the balance sheet for borrowings.

3.2 Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for stakeholders. The Company also proposes to maintain an optimal capital structure to reduce the cost of capital. Hence, the Company may adjust any dividend payments, return capital to shareholders or issue new shares. Total capital is the equity as shown in the balance sheet. Currently, the Company primarily monitors its capital structure in terms of evaluating the funding of potential new investments. The Directors are in the process of further enhancing the Company's systems for monitoring capital use.



All amounts in US dollars unless otherwise stated

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non current borrowings' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

	As at 31 March 2009	As at 31 March 2008
Total Borrowings	42,441,457	18,663,070
Less: Cash and Cash Equivalents	502,714	2,102,197
Net Debt	41,938,743	16,560,873
Total Equity	29,994,097	45,664,154
Total Capital	71,932,840	62,225,027
Capital Gearing Ratio	0.58	0.27

The above amounts are disclosed based on information provided internally to the key management personnel of the company.

3.3 Fair value estimation

The carrying value less impairment provision of trade and other receivables and payables are assumed to approximate their fair values. The fair value of financial assets and liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

The company has not classified financial instruments by categories and classes as all the financial assets have been classified as 'loans and receivables' and all the financial liabilities have been classified as 'financial liabilities at amortised cost' and the carrying amounts of assets are assumed to approximate their fair values.

4. Critical accounting estimates and judgments

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The Company invests in the development and production of coal bed methane gas. The assessment as to whether this expenditure will achieve a complete product for which the technical feasibility is assured is a matter of judgment, as is the forecasting of how the product will generate future economic benefit. Finally, the period of time over which the economic benefit associated with the expenditure occurred will arise is also a matter of judgment.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Pension and other employment benefits

The cost of defined benefit plans consisting of the gratuity plan, superannuation and compensated absences plan is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. The net employee liability for these three plans at 31 March 2009 is \$210,697 (2008: \$180,890) (refer note 15).

(ii) Income taxes

The Company is subject to income taxes in a single jurisdiction. Significant judgment is required in determining provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The company recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

All amounts in US dollars unless otherwise stated

5. Property, plant and equipment

	Freehold Land	Building	Plant and machinery	Pipeline	Gas producing wells	Furniture fixture and office equipment	Vehicles	Total
Carrying amount as at 1 April 2007, net of accumulated depreciation	138,428	436,875	449,243	–	–	61,194	95,284	1,181,024
Additions during the year	210,789	128,942	3,326,612	377,242	11,241,220	328,156	151,367	15,764,328
Disposals / retirements	–	–	(6,890)	–	–	(13,211)	(48,581)	(68,682)
Depreciation charge for the year	–	(17,578)	(204,842)	(7,627)	(35,258)	(14,993)	(295,191)	(295,191)
Depreciation Retirement	–	–	6,473	–	–	8,893	13,163	28,529
Exchange Fluctuation	13,961	41,580	59,265	2,497	75,697	6,613	9,080	208,693
As at 31 March 2008, net of accumulated depreciation	363,178	589,819	3,629,861	372,112	11,281,659	376,652	205,420	16,818,701
Carrying amount as at 1 April 2008, net of accumulated depreciation	363,178	589,819	3,629,861	372,112	11,281,659	376,652	205,420	16,818,701
Additions during the year	198,700	1,323,014	5,618,495	4,254,243	12,894,721	45,648	43,603	24,378,424
Disposals / retirements	(1,592)	–	(1,767)	–	–	–	–	(3,359)
Depreciation charge for the year	–	(37,180)	(661,368)	(155,963)	(124,881)	(31,841)	(22,281)	(1,033,514)
Depreciation Retirement	–	–	685	–	–	–	–	685
Exchange Fluctuation	(97,765)	(254,305)	(1,272,509)	(485,597)	(3,694,457)	(82,537)	(46,378)	(5,933,549)
As at 31 March 2009, net of accumulated depreciation	462,521	1,621,348	7,313,397	3,984,795	20,357,042	307,922	180,364	34,227,389
As at 31 March 2008	363,178	636,241	3,944,984	379,739	11,316,917	402,174	227,421	17,270,654
Gross Carrying Amount	–	(46,422)	(315,123)	(7,627)	(35,258)	(25,522)	(22,001)	(451,953)
Accumulated Depreciation	363,178	589,819	3,629,861	372,112	11,281,659	376,652	205,420	16,818,701
As at 31 March 2009	462,521	1,704,950	8,289,203	4,148,385	20,517,181	365,285	224,646	35,712,171
Gross Carrying Amount	–	(83,602)	(975,806)	(163,590)	(160,139)	(57,363)	(44,282)	(1,484,782)
Accumulated Depreciation	462,521	1,621,348	7,313,397	3,984,795	20,357,042	307,922	180,364	34,227,389

Depreciation amounting to \$273,905 (2008: \$134,528) has been transferred to capital work in progress.

The carrying value of buildings acquired under finance lease at 31 March 2009 is \$226,517 (2008: \$299,052) net of accumulated depreciation of \$28,870 (2008: \$26,492).

Items of stores and spares included in property, plant and equipment are net of excise duty and customs duty which have been exempted by the Government of India. The Company enjoys exemption from paying excise duty and Customs Duty on the purchase of goods under the Deemed Export category as per EXIM policy of the Government of India. The amount of such exemption relating to items of Property, Plant and Equipment is as follows:

	As at 31 March, 2009	As at 31 March, 2008
Towards excise duty	39,552	248,143
Towards customs duty	173,632	268,918
	213,184	517,061

There are no un-fulfilled conditions or contingencies attaching to these grants.

Borrowings costs have been capitalised at a weighted average rate of capitalization of 12.98% (2008: Nil) during the year ended 31 March 2009. Property, plant and machinery include borrowing costs capitalised for \$382,775 at 31 March 2009 (2008: Nil).

Buildings include:

a) Premises acquired for \$393,622 (2008: \$501,752) which are yet to be registered in the name of the company.

b) Warehouse constructed at a cost of \$4,141 (2008: \$5,279) on land not owned by the company.

Refer note 14 for security details.

All amounts in US dollars unless otherwise stated

6. Capital-Work-In-Progress

	As at 31 March, 2009	As at 31 March, 2008
Cost as at beginning of the year	45,121,201	31,913,627
Additions during the year	17,662,494	21,927,225
Disposals	–	(433,691)
Capitalization	(10,929,769)	(11,241,220)
Exchange fluctuation	(10,389,868)	2,955,260
Cost as at end of the year	41,464,058	45,121,201

Items of stores and spares included in Capital Work in Progress are net of excise duty and customs duty which have been exempted by the Government of India. The Company enjoys exemption from paying Excise duty and Customs Duty on the purchase of goods under the Deemed Export category as per EXIM policy of the Government of India.

The amount of such exemption relating to items of Capital Work in Progress is as follows:

	As at 31 March, 2009	As at 31 March, 2008
Towards excise duty	720,507	1,746,856
Towards customs duty	1,173,957	3,800,932
	1,894,464	5,547,788

There are no un-fulfilled conditions or contingencies attaching to these grants.

Borrowings costs have been capitalised at a weighted average rate of capitalization of 12.98% (2008: Nil) during the year ended 31 March 2009. Capital work in progress includes borrowing costs capitalised for \$ 382,775 at 31 March 2009 (2008: Nil).

As at 31 March 2009, CWIP includes advances to capital equipment supply vendors amounting to \$676,886 (2008: \$ 641,173), net of provision for impairment of advances amounting to \$42,461 (2008: \$54,125). Movement in the provision for impairment of advances is on account of exchange difference on translation. The creation of provision for impaired advances to vendors is included in "other operative expenses" in the income statement.

Refer note 14 for security details.

7. Intangible Assets

	Gas Exploration Right	Right way	Computer Software	Total
Cost as at 31 March 2007, net of accumulated amortization	229,410	–	139,161	368,571
Additions during the year	–	–	3,056	3,056
Exchange fluctuation	20,778	–	12,395	33,173
Amortization charge for the year	–	–	(33,856)	(33,856)
As at 31 March 2008, net of accumulated amortization	250,188	–	120,756	370,944
Additions during the year	–	103,137	18,524	121,661
Exchange Fluctuation	(52,440)	(8,672)	(24,602)	(85,714)
Amortization charge for the year	(14,943)	(15,470)	(32,896)	(63,309)
As at 31 March 2009, net of accumulated amortization	182,805	78,995	81,782	343,582
As at 31 March 2008				
Cost	250,188	–	171,703	421,891
Accumulated amortization	–	–	(50,947)	(50,947)
Net Carrying Amount	250,188	–	120,756	370,944
As at 31 March 2009				
Cost	196,270	92,935	151,392	440,597
Accumulated amortization	(13,465)	(13,940)	(69,610)	(97,015)
Net Carrying Amount	182,805	78,995	81,782	343,582

Refer note 14 for security details.

All amounts in US dollars unless otherwise stated

8. Prepayments

	As at March 31, 2009	As at March 31, 2008
Prepayments for leasehold	162,264	206,571
Prepaid Expenses	959,922	119,914
	1,122,186	326,485
Less: Non current portion		
– Prepayments for leasehold	159,116	202,637
– Prepaid Expenses	20,006	–
Current portion	943,064	123,848

Leasehold land represents non current portion of payments made for taking different pieces of land on lease for 30-99 years for the Company's site at Asansol, West Bengal, India. An amount of \$1,860 (2008: \$1,919) representing amortization for the current year has been charged to revenue

Prepaid expenses include:

- an amount of \$19,289 (2008: \$24,588) on account of rent paid in advance to a related party YKM Holdings Private Limited (refer note 28)
- share issue expenses amounting to \$844,820 (2008: \$Nil) incurred by the Company for raising of funds through public issue of ordinary shares in India. Out of this, \$416,484 (2008: \$Nil) is recoverable from existing shareholders participating in offer for sale on public issue of ordinary shares and balance \$428,336 (2008: \$Nil) shall be adjusted with share premium on successful raising of funds through public issue.

Refer note 14 for security details.

9. Trade and other receivables

	As at March 31, 2009	As at March 31, 2008
Trade receivables	45,799	21,445
Less: provision for impairment of receivables	–	–
	45,799	21,445
Statutory dues recoverable	1,003,688	1,247,843
Due from related parties (refer note 28)	25,668	26,464
Advances to employees	84,730	4,129
Security deposits	38,217	38,582
Interest receivable	20,959	–
Others	18,124	19,766
Total trade and other receivables	1,237,185	1,358,229
Less: Non current portion:		
Due from related parties	–	26,464
Advances to employees	78,744	2,127
Security deposits	–	38,582
Current portion	1,158,441	1,291,056

Statutory dues recoverable includes service tax recoverable of \$ 1,025,988 (Previous Year \$ 1,246,108) as Service Tax Credit taken on input services. The Company is in the process of examining options available for setting off the said service tax credit against future excise duty payable, as appropriate. However, out of abundant caution a provision of \$ 73,314 (Previous Year \$ Nil) has been made against possible under recovery in the future. The creation of provision for service tax recoverable has been included in "other operative expenses" in the income statement (refer note 19).

The advance to employees has not been discounted to its present value as the impact of the discounting is not expected to be material.

Movements in the provision for impairment of advances were as follows:

	As at 31 March, 2009	As at 31 March, 2008
As at beginning of the year	–	–
Provision for advances impairment	81,362	–
Exchange difference on translation	(8,048)	–
As at end of the year	73,314	–

The fair value of financial trade and other receivables approximates their carrying value in the balance sheet. Fair value has been estimated by discounting the cash flows at the market rate at the balance sheet date.

As of 31 March 2009, trade receivables of \$45,799 (2008: \$21,445) were fully performing. Out of these, trade receivables

All amounts in US dollars unless otherwise stated

amounting to \$26,774 (2008: \$21,209) are secured through a performance bank guarantee received from the customers. As of 31 March 2009, none of the trade receivables are either past due but not impaired or impaired and provided for. The carrying amount of trade and other receivables are all denominated in INR.

The other classes within trade and other receivables do not contain impaired assets.

Refer note 14 for security details.

10. Restricted deposits

	As at March 31, 2009	As at March 31, 2008
Fixed deposits maturing within 12 months	545,584	927,938
Fixed deposits maturing beyond 12 months	18,646	–
	<u>564,230</u>	<u>927,938</u>

All the restricted fixed deposits are denominated in INR.

These fixed deposits earn fixed interest at the respective bank deposit rates. These are margin money deposits against bank guarantee issued by banks on behalf of the company. Restrictions on such deposits are released on the expiry of terms of respective arrangements.

Other Financial Assets-Current

11. Cash and cash equivalents

	As at March 31, 2009	As at March 31, 2008
Cash in hand	4,106	110
Cash at banks	498,608	1,319,867
Short Term Deposits	–	782,220
	<u>502,714</u>	<u>2,102,197</u>

Cash at banks is non-interest bearing.

Short-term deposits are made for varying periods ranging from one day to three months depending on the immediate cash requirements of the Company, and earn fixed interest at the respective short-term deposit rates.

The carrying amounts of Cash and cash equivalents are representative of their fair values as at the respective balance sheet dates.

The carrying amounts of the cash and cash equivalents are all denominated in INR.

Cash at banks include \$Nil (2008: \$25,338) on account of deposit with a related party (refer note 28).

Refer note 14 for security details.

12. Share Capital

	As at March 31, 2009	As at March 31, 2008
<i>Authorised share capital</i>		
650,000,000 ordinary shares of INR 1 each [USD equivalent 0.0196 (2008: 0.0226)]	14,724,745	14,724,745
	<u>14,724,745</u>	<u>14,724,745</u>
<i>Issued, Subscribed and Paid-up</i>		
544,619,499 ordinary shares of INR 1 each [USD equivalent 0.0196 (2008: 0.0226)]	12,246,781	12,246,781
	<u>12,246,781</u>	<u>12,246,781</u>

13. Share-based payments

Share options are granted to non-executive directors and eligible employees under the stock option plan established and operated by the Company. The plan is an equity settled plan. The Plan was established by the Company on 27 May 2008.

All amounts in US dollars unless otherwise stated

These options are fair valued using Black-Scholes model. The share based payment charge on these options granted are amortised over the vesting period of 60 months in accordance with the vesting schedule below, provided that the holders of the options continue to be an employee on the vesting date. The options must be exercised before the expiry of 9 years from the date of first vesting.

The options vest on a graded basis from the grant date as follows:

On completion of one year	20%
On completion of two years	20%
On completion of three years	20%
On completion of four years	20%
On completion of five years	20%

A reconciliation of option movements for the Plan is as follows:

	2009		2008	
	Number of equity shares	Weighted average exercise price (in USD per share)	Number of equity shares	Weighted average exercise price (in USD per share)
Beginning of the year	–	–	–	–
Granted	485,578	0.87	–	–
Forfeited	(49,963)	0.87	–	–
End of the year / period	435,615	0.87	–	–
Exercisable at the end of year	–	–	–	–

No options were exercisable as of 31 March 2009 (2008: Nil).

All the options outstanding as of 31 March 2009 carry an exercise price of \$0.87 (2008: Nil) and their remaining weighted average contractual life is 9.38 years (2008: Nil).

The fair value of each option award is estimated on the date of grant using the Black-Scholes Option Pricing model. The weighted average fair value of options granted during the year ended 31 March 2009 determined using the Black-Scholes Option Pricing valuation model was \$0.63 (2008: Nil). The following table gives the weighted-average assumptions used to determine fair value:

	2009		2008
	Options granted on		
	1 August 2008	1 December 2008	
Weighted average share price on grant date (in USD)	1.00	0.67	–
Weighted average exercise price (in USD)	0.87	0.87	–
Dividend yield	0%	0%	–
Expected volatility	50.88%	54.85%	–
Risk-free interest rate	9.29% to 9.30%	7.17% to 7.51%	–
Expected term (in years)	5.50 to 7.50	5.50 to 7.50	–

Expected volatility was computed on the basis of the historical daily volatility of the closing price of the equity share of Company on Alternate Investment Market, London over the expected life of the option.

The total charge for the year ended 31 March 2009 and 2008 relating to employee share-based payment plans was \$73,429 (2008:Nil).



All amounts in US dollars unless otherwise stated

14. Borrowings

	As at March 31, 2009	As at March 31, 2008
Non current		
Borrowings from banks and finance company	42,391,566	18,663,070
Borrowing from others	26,128	–
Current	42,417,694	18,663,070
Borrowings from others	23,763	–
	23,763	–
Total	42,441,457	18,663,070

The fair value of borrowings equals their carrying amount, as the debts are at floating rates of interest.

Borrowings from banks and finance company have been taken from consortium of banks and a finance company and are secured by:

- First mortgage and charge over all the immovable properties and assets of the project, both present and future.
- First charge by way of hypothecation on all the movables (including movable plant and machinery, machineries, spares, tools and accessories and other current assets) of the project, both present and future.
- First charge/assignment and/creation of security interest on (i) all the rights, title, interest, benefits, claims and demands whatsoever of the Company in the project documents, any letter of credit, guarantee or performance bond that may be provided by any party to any project document in favour of the Company, all as amended, varied or supplemented from time to time; (ii) all the rights, title, interest, benefits, claims and demands whatsoever of the Company in or under the authorization.
- First charge on all Company's bank account in relation to the project including, without limitation, the project capex account and each of the other accounts required to be created by the Company under any project document or contract.
- First charge and or creation of security interest on the trust and retention account (TRA) established by the Company for the revenue generated from the project

The aforesaid mortgage and charge shall rank pari-passu with mortgages and charges created/to be created in favour of the participating institutions/ banks to the project (refer notes 5, 6, 7, 8, 9 and 11).

Borrowings from others are secured by way of hypothecation of vehicle.

Borrowings from banks and finance company mature until 2016.

The average annual interest rates for the borrowings as of 31 March 2009 is 12.98% (2008: 12.56%)

The carrying amounts of the Group's borrowings are all denominated in INR.

The unused amounts available under the line of credit with consortium of banks and a finance company as of 31 March 2009 are \$26,303,233 (2008: \$68,801,601).

15. Retirement benefit obligations

- The following tables summarize the components of net benefit expense recognised in the income statement and the amounts recognised in the balance sheet for the respective plans -

	For the year ended 31 March, 2009			For the year ended 31 March, 2008		
	Superannuation	Gratuity	Total	Superannuation	Gratuity	Total
Current service cost	27,347	18,125	45,472	30,277	18,910	49,187
Interest cost on benefit obligations	3,087	3,315	6,402	1,906	1,019	2,925
Expected return on plan assets	–	–	–	–	–	–
Actuarial (gains)/losses recognised in the period	1,026	(20,482)	(19,456)	(843)	21,609	20,766
Past service costs	–	–	–	–	–	–
	31,460	958	32,418	31,340	41,538	72,878
Less transferred in capital work in progress	18,875	(3,179)	15,696	18,846	22,035	40,881
Charged to revenue	12,585	4,137	16,722	12,494	19,503	31,997

All amounts in US dollars unless otherwise stated

Changes in the present value of the defined benefit obligation are as follows:

	As at 31 March, 2009			As at 31 March, 2008		
	Superannuation	Gratuity	Total	Superannuation	Gratuity	Total
Opening defined benefit obligation	47,270	51,034	98,304	26,984	13,138	40,122
Current service cost	27,347	18,125	45,472	30,277	18,910	49,187
Interest cost	3,087	3,315	6,402	1,906	1,019	2,925
Actuarial (gains) and losses	1,026	(20,482)	(19,456)	(843)	21,609	20,766
Exchange Fluctuation	(13,299)	(11,048)	(24,347)	2,562	2,021	4,583
Benefits paid	–	(464)	(464)	(13,616)	(5,663)	(19,279)
Closing defined benefit obligation	65,431	40,480	105,911	47,270	51,034	98,304

The principal actuarial assumptions used for gratuity and superannuation plans were as follows:

Particulars	As at March 31, 2009	As at March 31, 2008
Salary growth	6.00%	6.00%
Inflation Factor	5.00%	6.00%
Discount rate	7.50%	8.50%
Mortality rates have been taken as per	LIC (1994-96) Ultimate Table	LIC (1994-96) Ultimate Table

Both the gratuity and the superannuation plan are unfunded.

16. Trade and other payables

	As at March 31, 2009	As at March 31, 2008
Trade Payables	5,721,023	2,422,450
Other Payables	211,963	191,200
Due to related parties (refer note 28)	34,755	19,028
Employee benefit liability	267,075	209,204
Statutory dues	366,729	193,738
Security deposits	181,961	75,664
Interest accrued	203,846	148,667
Other liabilities	3,239	3,372
	6,990,591	3,263,323
Less: Non current portion:	–	–
Current portion	6,990,591	3,263,323

Trade and other payables are non-interest bearing.

The carrying amounts of trade and other payables approximate their fair values at respective balance sheet dates.

Except for financial liabilities denominated in USD and GBP for \$2,606,826 (2008: \$373,267) and \$15,950 (2008: \$33,900), respectively, all other trade and other payables are denominated in INR.

Employee benefit liabilities include:

a) Defined contribution plans - Provident fund

The liability for provident fund payable to fund is \$12,182 (2008: \$82,586). The Company contributed \$72,067 (2008: \$56,201) to the Provident fund. Out of total contributions, \$43,842 (2008: \$25,459) has been charged to income statement and \$28,225 (2008: \$30,742) has been transferred to Capital work in progress.

b) Compensated absences plan

The liability for compensated absences plan is \$104,786 (2008: \$82,586). During the year \$3,556 (2008: \$2,335) been charged to income statement and an amount of \$21,447 (2008: \$53,808) has been transferred to Capital work in progress on account of compensated absences plan.

All amounts in US dollars unless otherwise stated

17. Provisions

	As at March 31, 2009	As at March 31, 2008
Provision for equipment demobilization	201,590	45,000
Provision for site restoration	71,545	62,588
	273,135	107,588
Less: Non current portion		
– Provision for site demobilization	–	45,000
– Provision for site restoration	71,545	62,588
Current portion	201,590	–
	Provision for site demobilization	Provision for site restoration
As at 1 April 2007	13,765	45,882
Arising during the year *	45,000	12,550
Exchange fluctuation	–	4,156
Utilized during the year	(13,765)	–
As at 31 March 2008	45,000	62,588
Arising during the year *	184,543	24,910
Exchange fluctuation	(27,953)	(15,953)
Utilized during the year	–	–
As at 31 March 2009	201,590	71,545

* The provisions created during the year ended 31 March 2009 and 2008 have been capitalised and no amount has been charged off to the income statement.

Provision for Equipment Demobilization

A provision is recognized in the accounts for demobilization of equipments payable to various service providers, as and when the equipments reach the site. All obligations under this provision are expected to be settled within the next 12 months as of balance sheet date and hence have been treated as current liability. The provisions under this head are not discounted to their present value as the impact of the discounting is not expected to be material.

Site Restoration Costs

A provision for restoring the land back to its originality is created by way of site restoration costs, on a well by well basis. Such expenses are provided when the wells have been drilled substantially. These are expected to be incurred when the company has commercially exploited the proved reserves of the well or when a well which has been drilled has been declared as a dead well.

18. Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The break-up of deferred tax assets and liabilities is as follows:

	As at March 31, 2009	As at March 31, 2008
Deferred tax assets:		
Deferred tax assets to be recovered after more than 12 Months	1,133,691	687,767
Deferred tax liabilities:		
Deferred tax liabilities to be recovered after more than 12 months	1,133,691	687,767
Deferred tax asset/ (liabilities), net	–	–

All amounts in US dollars unless otherwise stated

The gross movement on deferred income tax account is as follows:

	Property, plant and equipment	Total
Deferred tax liabilities		
At 1 April 2007	77,992	77,992
Charged to the income statement	598,667	598,667
Exchange differences	11,108	11,108
At 31 March 2008	687,767	687,767
Charged to the income statement	659,366	659,366
Exchange differences	(213,442)	(213,442)
At 31 March 2009	1,133,691	1,133,691

	Retirement benefit obligation	Unabsorbed tax losses	Provision for doubtful advances	Total
Deferred tax assets				
At 1 April 2007	22,238	55,754	–	77,992
Credited to the income statement	44,642	535,751	18,274	598,667
Exchange differences	2,316	8,669	123	11,108
At 31 March 2008	69,196	600,174	18,397	687,767
Credited to the income statement	19,235	612,476	27,655	659,366
Exchange differences	(16,815)	(189,927)	(6,700)	(213,442)
At 31 March 2009	71,616	1,022,723	39,352	1,133,691

The Company is entitled to tax holiday for 7 years under sec. 80IB (9) of the Indian Income Tax Act, 1961. These incentives provide a deduction from taxable income of an amount equal to 100% of profits derived from the business for 7 years from the date of commencement of production. The benefit of this deduction would expire during the year ending 31 March 2015.

A reconciliation between tax expense and the product of accounting loss multiplied by India's domestic tax rate for the years ended 31 March 2009 and 2008 has not been disclosed as there is no current tax expense and no deferred tax expense/(income) during the year ended 31 March 2009 and 2008.

Except to the extent of reversal of taxable temporary differences, deferred tax asset on unused losses has not been recognized as the same are expected to reverse within the tax holiday period.

The following are the unused tax losses, and unused tax credits (on account of unabsorbed depreciation) for which no deferred tax asset is recognised in the balance sheet:-

Unused Tax Losses

	As at 31 March, 2009	As at 31 March, 2008	Expiry Date
2005-06	138,017	138,017	2013-2014
2006-07	309,324	309,324	2014-2015
2007-08	2,586,281	2,586,281	2015-2016
2008-09	2,254,147	–	2016-2017
	5,287,769	3,033,622	
Unused tax credit towards unabsorbed depreciation			
2005-06	158,876	158,876	Can be
2006-07	109,497	109,497	carried
2007-08	1,867,046	1,867,046	forward
2008-09	7,040,991	–	indefinitely
	9,176,410	2,135,419	

All amounts in US dollars unless otherwise stated

19. Other Operative Expenses

	As at 31 March, 2009	As at 31 March, 2008
Audit fees	84,148	86,200
Training expenses	8,812	–
Electricity charges	11,459	9,360
Repair and maintenance	230,283	71,937
Insurance	47,465	44,398
Operating lease rentals	156,583	147,431
Rates and taxes	44,928	18,529
Postage, printing and stationery	16,199	13,076
Telephone / fax charges	88,198	72,827
Traveling and conveyance	423,609	435,329
Advertisement and publicity	13,648	66,238
Consultancy charges	553,354	612,289
Survey and information expenses	449	73,125
Fee and legal charges	162,006	35,124
Loss on disposal of stores and spares	–	108,234
Sitting fees paid to non-executive directors (refer note 28(d))	12,198	12,922
Freight and cartage	1,159	1,068
Chemical consumption	192,567	56,716
Hire charges	86,292	30,488
Security expenses	107,896	23,849
Selling and distribution expenses	191,161	48,531
Conference and subscription	74,797	54,450
Miscellaneous expenses	123,557	111,648
Provision for impairment of advances (refer note 9)	81,362	–
Loss on sale of assets	92	–
	2,712,222	2,133,769

20. Employee benefit expenses

	As at 31 March, 2009	As at 31 March, 2008
Wages and salaries	915,331	503,945
Defined contribution plans (refer note 16)	43,842	25,459
Provision for gratuity and superannuation (refer note 15)	16,722	31,997
Compensated absences (refer note 16)	3,556	2,335
Staff Welfare	8,053	–
Share-based payment charge (refer note 13)	73,429	–
Director's Remuneration	83,718	100,093
	1,144,651	663,829

All amounts in US dollars unless otherwise stated

21. Other Income

	As at 31 March, 2009	As at 31 March, 2008
Interest on Income Tax refund	34,036	–
Notice Pay Recovery	1,565	975
Profit on Sale of Assets	–	690
Liability Written Back	78,793	37,797
Miscellaneous Income	19,025	5,339
	<u>133,419</u>	<u>44,801</u>

22. Finance Income

	As at 31 March, 2009	As at 31 March, 2008
Interest on bank deposit	55	375,243
Interest Others	39,109	–
	<u>39,164</u>	<u>375,243</u>

23. Finance Costs

	As at 31 March, 2009	As at 31 March, 2008
Interest on borrowings and finance company	1,811,897	–
Interest on borrowings from others	5,290	–
Bank charges	35,040	27,287
	<u>1,852,227</u>	<u>27,287</u>

24. Cash generated from operations

	As at 31 March, 2009	As at 31 March, 2008
Cash flows from operating activities		
Net loss after income tax	(6,542,541)	(2,509,111)
Adjustments for:		
Liabilities written back	(78,793)	(37,797)
Loss on disposal of PPE and CWIP written off	92	125,191
Finance costs	1,852,227	27,287
Finance Income	(39,164)	(375,243)
Interest on income tax refund	(34,037)	–
Depreciation and amortization	824,780	196,438
Unrealised foreign exchange losses/(gains)	158,041	(7,629)
Provision for gratuity and superannuation	16,722	31,997
Provision for compensated absences	3,556	2,335
Share-based payments charge	73,429	–
Provision for advances	81,362	–
Provisions for wealth tax	1,199	–
Income tax charge	–	(820)
Operating profit before working capital changes	<u>(3,683,127)</u>	<u>(2,547,352)</u>
(Increase)/decrease in trade receivables	400,145	(1,923,289)
(Increase)/decrease in other receivables	196,454	962,618
(Increase)/decrease in prepayments	(938,770)	242,495
Increase/(decrease) in trade and other payables	5,186,244	762,162
Net cash flows from operating activities	<u>1,160,946</u>	<u>(2,503,366)</u>



All amounts in US dollars unless otherwise stated

25. Loss per Share

	As at 31 March, 2009	As at 31 March, 2008
Loss after tax attributable to equity share holders for the year	6,542,541	2,509,931
Weighted average number of ordinary shares for basic loss per share	544,619,499	544,619,499
Diluted weighted average number of shares	544,619,499	544,619,499
Basic and Diluted Loss per Share	0.0120131	0.0046086

Basic Loss per share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year.

The effect of potential shares to be issued on exercise of stock options has not been taken into account for determination of diluted loss per share as their impact is anti-dilutive.

26. Commitments and Contingencies

Claims made against the Company not acknowledged as debts are as follows

	As at 31 March, 2009	As at 31 March, 2008
M/s Adkins Services Inc.	8,783,048	10,287,998
M/s M.R Associates	15,948	–
M/s D.S Steels	162,760	–
Claims made by Government of India (Ministry of Petroleum and Natural Gas)	212,831	249,775
Claims made by Income Tax Authorities	45,664	6,136
	9,220,251	10,543,909

- a) Capital Advances include \$ 42,461 (2008: \$54,125) recoverable from M/s Adkins Services Inc., (Adkins), a drilling contractor, which has been fully impaired. The Contract with Adkins was terminated by the Company on the ground of non-performance and continued breach of contract. The Company in addition to the above amount has made a claim of \$3,887,223 (2008: \$4,955,066) along with interest at a fixed rate for damages on account of delay in providing the services by the said contractor.

The contractor had filed a counter claim of \$ 4,747,792 (2008: \$6,960,000) against the Company for loss of profit, damages etc. which the Company disputes. The contractor had also further claimed interest with retrospective effect at a fixed rate till the date of realization of its claim along with cost incurred on litigation. The Company had filed an application before Honorable High Court at Calcutta for the appointment of presiding arbitrator for the arbitral proceedings. The matter is subjudice before the arbitration panel and necessary adjustments, if any, will be made in the financial statements once the arbitration proceedings are complete.

- b) The company entered into an Exploration & Production Contract with Government of India ('GoI'), Ministry of Petroleum & Natural Gas in the year 2001, pursuant to which, PSC was signed between GoI and the company to carry out CBM operations in the contract area. In terms of the said contract, the company was required to pay a signature bonus of \$300,000 to GoI on signing of the PSC in 2001 and the amount of Rs. 10,000,000 already paid by it to Coal India Limited in 1994 was to be adjusted against such amount. After signing of the PSC, GoI, (Ministry of Petroleum & Natural Gas) on the basis of the exchange rate applicable on the date of the contract, has worked out the signature bonus as Rs. 14,100,000 and claimed the balance amount of Rs. 4,100,000 after adjusting the amount of Rs. 10,000,000, which has been opposed by the company. In the opinion of the management and based on legal advice obtained, no further amount is payable in this regard as in their opinion the prevailing rate on the date of payment of such amount of Rs 10,000,000 and not the rate prevailing on the date of the contract was applicable. This dispute has been referred to arbitration pursuant to the terms & conditions of the said contract.

Till the year end, GOI has claimed a sum of Rs 6,750,000 (2008: Rs 5,890,000) towards interest for non payment in addition to the amount initially claimed. Further, the Company has filed a claim for refund of Rs. 630,000 along with interest. Necessary adjustments, if any, will be made in the financial statements once the arbitration proceedings are complete.

This dispute has been referred to arbitration pursuant to the terms & conditions of the said contract and company filed a claim for refund of Rs. 627,400 along with fixed interest of 21% from 27 January 1994. GoI filed a counterclaim

All amounts in US dollars unless otherwise stated

of above mentioned amount of Rs. 4,100,000 along with interest at the rate of 21% from 31 May 2001. The matter is subjudice before the arbitration panel and necessary adjustments, if any, will be made in the financial statements once the arbitration proceedings are complete.

An aggregate amount of \$ 212,831 (2008: 249,775) converted at USD/INR exchange rate of Rs. 50.95 (2008: 39.97) is included in the table above.

27. Capital Commitments:

	As at 31 March, 2009	As at 31 March, 2008
Purchase of Land	150,052	114,830
Capital Assets	11,440,799	11,418,365
	11,590,851	11,533,195

28. Related Party Disclosures**a) Relationship with the related parties**

The Company is controlled by Mr. Yogendra Kr. Modi, who is also the Company's ultimate controlling party.

	2009	2008
Shareholders having significant influence	• CBM Investments Limited	• CBM Investments Limited
Key managerial personnel	• Mr. Yogendra Kr. Modi • Mr. Prashant Modi • Mr. P Murari • Mr. Kashi Nath Memani • Mr Haigreave Khaitan • Mr. Serajul Haq Khan (resigned w.e.f. 5 December 2008) • Mr Paul Sebastian Zuckerman	• Mr. Yogendra Kr. Modi • Mr. Prashant Modi • Mr. P Murari • Mr. Kashi Nath Memani • Mr. Haigreave Khaitan • Mr. Serajul Haq Khan
Entities that are controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual or close family member of such individual Referred to in (b) above	• YKM Holdings Private Limited • YKM Holding International Limited • Bokel Investments Limited • Khaitan and Co. • KNM Advisory Private Limited	• Mr. Paul Sebastian Zuckerman • YKM Holdings Pvt. Limited • YKM Holding International limited • Bokel Investments Limited. • Indian Purchase.com Infoware Limited * • Khaitan and Co. • Centurian Bank of Punjab Limited * • KNM Advisory Private Limited.

* These entities are not controlled by key management personnel as of 31 March 2009.

b) The following tables provide the total amount outstanding with related parties as at the financial year-end.

	As at 31 March, 2009		As at 31 March, 2008	
	Receivable	Payable	Receivable	Payable
YKM Holdings Private Limited (refer notes 8, 9 and 16) *	38,579	329	49,177	370
Indian Purchase.com Infoware Limited (refer note 16) **	–	–	–	1,416
Mr. Yogendra Kr. Modi (refer note 16)	–	13,072	–	5,729
Mr. Prashant Modi (refer note 16)	–	7,189	–	5,279
Khaitan & Co. (refer notes 9 and 16)	6,378	14,165	1,875	6,234
Centurian Bank of Punjab Limited (refer note 11) **	–	–	25,338	–
	44,957	34,755	76,390	19,028

* Amounts recoverable from YKM Holdings Private Limited consists of \$19,290 (2008: \$24,589) on account of security deposits paid for property taken on lease recoverable on expiry of lease agreement (refer note 9) and \$19,289 (2008: \$24,588) on account of advance paid in rent adjustable against future occupation of property taken on lease (refer note 8).

** These entities are not controlled by key management personnel as of 31 March 2009.



All amounts in US dollars unless otherwise stated

- c) The following tables provide the total amount of transactions which have been entered into with related parties during the years ended 31 March 2009 and 2008.

Related Party	Nature of transaction	For the year ended 31 March,	
		2009	2008
YKM Holdings Private Limited	Lease rentals	94,405	102,579
	Reimbursement of expenses	1,706	128
	Payment for services rendered	4,503	4,754
Indian Purchase.com Infoware Limited	Payment for Services Rendered	–	3,171
	Rental Received	–	1,342
Khaitan & Co.	Reimbursement of Expenses	10,438	1,810
	Payment for services rendered	77,603	121,443
KNM Advisory Private Limited	Reimbursement of Expenses	–	2,041
Centurion Bank of Punjab	FD Matured during the year		4,193,072
Bokel Investments Ltd	Provision of Services	–	–
	Loan taken	–	146,620
	Loan Repaid	–	146,620
	Interest Paid	–	552
Mr. Y K Modi	Borrowing cost paid	–	718,191

- d) Compensation paid to Key Management Personnel

	As at 31 March, 2009	As at 31 March, 2008
Short term Employee Benefits	376,080	387,316
Provision for gratuity and superannuation	28,123	58,746
Compensated absences	237	47,525
Defined Contribution Plan	20,349	22,425
	<u>424,789</u>	<u>516,012</u>

In addition to above payments, the Company has also paid \$12,198 (2008: \$ 12,922) as sitting fees to the independent directors for attending various meetings and the same are included in 'other operative expenses' in the income statement (refer note 19). These independent directors have also been issued stock options by the Company under the stock options plan (refer note 13) and the expense for the same recognised in income statement during the year ended 31 March 2009 amounts to \$14,741 (2008: Nil).

- e) Terms and conditions of transactions with related parties

The transactions with the related parties are made at normal market prices. Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 March 2009, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (2008: Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

29. Segment Reporting

The Company operates in a single geographical segment, being India, and in a single business segment, being the extraction and sale of CBM gas. Hence, no separate segment information has been furnished herewith.

30. Production and consumption

The details of actual production and consumption in cubic meters during the year ended 31 March 2009 and 2008 are as follows:

	As at 31 March, 2009	As at 31 March, 2008
Opening stock	–	–
Production during the year	19,779,789	3,595,101
Sales during the year	(1,556,135)	(213,693)
Internal consumption during the year	(1,473,675)	(336,982)
Flaring during the year	16,749,979	(3,044,426)
Closing stock	–	–

All amounts in US dollars unless otherwise stated**31. Leases and Arrangements containing lease**

The Company has entered into Equipment lease and other arrangements with various contractors for development of its wells, whereby the specific assets leased by the contractors are used only at the company's well development site and such arrangements convey the right to use the assets. Some of these arrangements contain lease as per IFRIC 4. The significant terms and arrangements are described below.

- a) The company has entered into an arrangement with Mitchell Drilling International PTY Limited for logging and wireline services of production wells and core holes. The terms of contract include comprehensive payment rates to include both lease and non-lease elements which are not separable. The arrangement is cancelable at the option of either party to the contract.
- b) The Company has taken a drilling rig on lease from Aakash Exploration Services Pvt. Limited for an initial period of one year starting from 3 June 2008. This arrangement has terms describing the operating rate per hour, the standby rate per hour and the repair rate per hour. The total lease payments made under this contract during the year are \$324,719 (2008 \$Nil). The lease has expired on 14th April 2009.
- c) The Company has hired some equipment and personnel from Schlumberger Asia Services limited for cementing and fracturing services. This arrangement is cancelable at the option of either party to the contract. After completion of a specified minimum commitment, fracturing services have been demobilized on 12 December 2008. However, cementing services are still in progress.
- d) The above mentioned arrangements include non-lease elements also and are being treated as well development costs along with other costs. The segregation of lease and non-lease elements under some of the arrangements is not possible. The details of total expenses during the year ended 31 March 2009 are as follows:-

Nature	As at 31 March, 2009	As at 31 March, 2008
Towards equipment lease payments:-		
Cementing and fracturing charges	4,749,106	145,632
Logging and wireline charges	700,428	115,644
Towards lease payments under arrangements where lease and non-lease payments are combined		
Work Over Expenses	324,719	389,260

- e) The Company has taken a building on finance lease, the net carrying amount of which is \$226,517 (2008: \$299,052). The entire consideration has already been paid during the year ended 31 March 2006 and there are no future lease rentals payable.
- f) The Company had acquired a property under an operating lease for an initial period of three years renewable by mutual consent on mutually agreeable terms during the year ended 31 March 2006. The lease is cancelable at the option of either party by service of appropriate notice. The lease rental of \$94,405 (2008: \$102,579) has been charged to income statement.
- g) The company had acquired compressors from Indian Compressors Limited on operating lease, which was cancelable subject to certain conditions. The lease period was for two years and was further renewable for the same period of time. The lease rental of \$32,836 (2008: \$ 31,524) has been paid during the year. The lease has expired on 31 January 2009.
- h) The company takes different pieces of land on lease on which the wells are being developed. The lease period for these pieces of land generally ranges from 30 to 99 years. The Company is required to pay the entire amount of consideration as lease premium upfront upon entering into agreement for acquisition of these pieces of land and no further periodic lease rentals are payable for use of these pieces of land. The premiums paid till 31 March 2009 amounts to \$170,028 (2008: \$170,028) and the same have been recognised as prepayments and are being amortized over their respective lease periods.

32. Business Developments

- a) During the current year, the Company has filed the Draft Red Herring Prospectus ('DRHP') with Securities Exchange Board of India ('SEBI') on 26 December 2008 for public issue of upto 91,280,501 equity shares with a face value of Rs. 1.00 each at a price to be determined through book building process. The equity shares are proposed to be listed in Bombay Stock Exchange ('BSE') & National Stock Exchange ('NSE') of India. Total issue consist of 46,280,501 fresh issue equity shares and offer for sale of 45,000,000 equity shares by selling shareholders. The book running lead managers to the Issue are Enam Securities Private Ltd, ABN AMRO Asia Equities (India) Limited and SBI Capital Markets Limited. The issue would constitute approximately 15.45% of the fully diluted post issue paid up capital of the company. The Company is awaiting the approval from SEBI for proceeding ahead with the public issue.



All amounts in US dollars unless otherwise stated

- b) The Company has received Grant of Petroleum Mining Lease under Rule 5(1)(ii) of the PNG Rules and Oil Fields (Regulation and Development) Act, 1948 on September 4, 2008 from the Government of West Bengal. The period of lease shall be valid for a period of 20 years from the effective date i.e. the date of grant of this lease or as agreed in the lease deed signed thereof. The government of West Bengal and the Company are in the process of finalising the lease deed.
- c) The Company had awarded a contract to M/S Schlumberger Asia Services Limited for cementing and fracturing of 20 new drill wells, and fracturing of additional existing 20 wells on 9 April 2008. After completion of minimum commitment of 80 fracs, fracturing services of Schlumberger have been demobilized on 12 December 2008. However, cementing services are still in progress.
- d) During the current year, two more online mother stations, in addition to two existing mother stations, have been installed at well no. 12 and 20 for supplying the CBM gas through vehicle mounted cascades to customers in the adjoining areas not yet connected through pipeline.
- e) During the current year, two more daughter stations, in additions to two existing daughter stations, have been installed at the petrol pumps of Indian Oil Corporation Limited ('IOCL') situated at Mahindra Auto in Neamatpur and City Fuels in Durgapur for retail sales of CNG. These CNG dispensers have been installed under the franchise agreement entered with IOCL on 30 October 2007.
- f) During the current year, one Gas Gathering Station ('GGS') has been commissioned at village Shyamdihi in Raniganj Block. 19 wells have already been connected to this GGS and another 20 more wells are expected to be connected to this GGS during the year ending 31 March 2010. Further, one City Gathering Station ('CGS') has also been commissioned in Asansol city in West Bengal.
- g) During the current year, 11.80 Km of 12" steel pipeline has been commissioned for connecting GGS and CGS in Asansol. The online supply of CBM gas has already started to a few customers through this pipeline.
- h) During the current year, the Company has also made substantial progress on laying of two more pipelines from Asansol to Kulti and from Asansol to Durgapur by laying approx 30 Km 12" steel pipeline.

33. Translation to Presentation Currency

The company has converted INR balances to \$ equivalent balances on the following basis:

For conversion of all assets and liabilities, other than equity, as at the reporting dates, the exchange rates prevailing as at the reporting date have been used, which are as follows:

- as at 31 March 2009: \$ 1 = INR 50.95
- as at 31 March 2008: \$ 1 = INR 39.97

For conversion of all expenses and income on income statement and the cash flow statement, for the respective periods, periodic average exchange rates have been used, which are as follows:

- For the year ended 31 March 2009: \$ 1 = INR 45.91
- For the year ended 31 March 2008: \$ 1 = INR 40.24

For conversion of issued Share Capital and Share Premium, historical exchange rates prevailing on the respective dates of issue of shares have been taken into consideration

34. A. Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 April 2009 or later periods, but the Company has not early adopted them:

IFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Company will apply IFRS 2 (Amendment) from the effective date and is currently assessing the impact on the Company's financial statements.

IFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase

All amounts in US dollars unless otherwise stated

a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Company will apply IFRS 3 (Revised) prospectively to all business combinations from 1 April 2009.

IAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Company will apply IAS 1 (Revised) from 1 April 2009.

IAS 1 (Amendment), 'Presentation of financial statements' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, 'Financial instruments: Recognition and measurement' are examples of current assets and liabilities respectively. The Company will apply the IAS 39 (Amendment) from 1 April 2009. It is not expected to have an impact on the Company's financial statements.

IAS 19 (Amendment), 'Employee benefits' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008.

- The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.
- The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.
- The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.
- IAS 37, 'Provisions, contingent liabilities and contingent assets, requires contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent.

The Company will apply the IAS 19 (Amendment) from 1 April 2009.

IAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance' (effective from 1 January 2009). The benefit of a below market rate government loan is measured as the difference between the carrying amount in accordance with IAS 39, 'Financial instruments: Recognition and measurement', and the proceeds received with the benefit accounted for in accordance with IAS 20. This amendments is not expected to have any impact on the Company's accounts.

IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. This standard is not expected to have any impact on Company's financial statements as the Company has already been capitalizing the eligible borrowing costs as allowed by this standard before amendment.

IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 'Financial instruments: Recognition and measurement'. This eliminates the inconsistency of terms between IAS 39 and IAS 23. The Company will apply the IAS 23 (Amendment) prospectively to the capitalisation of borrowing costs on qualifying assets from 1 January 2009. This amendment is not expected to have an impact on the Company's financial statements.

IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements' - 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components



All amounts in US dollars unless otherwise stated

of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The Company will apply the IAS 32 and IAS 1(Amendment) from 1 April 2009. This amendment is not expected to have an impact on the Company's financial statements.

IAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Company will apply the IAS 36 (Amendment) and provide the required disclosure where applicable for impairment tests from 1 April 2009.

IAS 38 (Amendment), 'Intangible assets' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment deletes the wording that states that there is 'rarely, if ever' support for use of a method that results in a lower rate of amortisation than the straight-line method. This amendment is not expected to have any impact on Company's accounts as no intangible assets are amortised at a rate lower than the straight-line method.

There are a number of minor amendments to IFRS 7, 'Financial instruments: Disclosures', IAS 8, 'Accounting policies, changes in accounting estimates and errors', IAS 10, 'Events after the reporting period', IAS 18, 'Revenue' and IAS 34, 'Interim financial reporting', which are part of the IASB's annual improvements project published in May 2008 (not addressed above). These amendments are unlikely to have an impact on the Company's accounts and have therefore not been analyzed in detail.

B. Interpretations to existing standards that are not yet effective and not relevant for the Company's operations

The following interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 April 2008 or later periods but are not relevant for the Company's operations:

IFRS 1 (Amendment) 'First time adoption of IFRS', and IAS 27 'Consolidated and separate financial statements' (effective from 1 January 2009). The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor.

IFRS 5 (Amendment), 'Non-current assets held-for-sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption') (effective from 1 July 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to IFRS 1 states that these amendments are applied prospectively from the date of transition to IFRSs. The Company will apply the amendment prospectively to all partial disposals of subsidiaries from 1 April 2010. It is not expected to have an impact on the Company's financial statements.

IFRS 8, 'Operating segments'(effective from 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. IFRS 8 is not relevant to the Company's operations because the company operate only in one segments.

IAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendment to IAS 7, 'Statement of cash flows') (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Entities whose ordinary activities comprise renting and subsequently selling assets present proceeds from the sale of those assets as revenue and should transfer the carrying amount of the asset to inventories when the asset becomes held for sale. A consequential amendment to IAS 7 states that cash flows arising from purchase, rental and sale of those assets are classified as cash flows from operating activities. The amendment will not have an impact on the Company's operations because Company's ordinary activities does not comprise renting and subsequently selling assets.

IAS 27 (Revised), 'Consolidated and separate financial statements', (effective from 1 July 2009). The revised standard requires the effects of all transactions with non controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Company will apply IAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 April 2009.

All amounts in US dollars unless otherwise stated

IAS 27 (Amendment), 'Consolidated and separate financial statements' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where an investment in a subsidiary that is accounted for under IAS 39, 'Financial instruments: recognition and measurement', is classified as held for sale under IFRS 5, 'Non-current assets held-for-sale and discontinued operations', IAS 39 would continue to be applied. The amendment will not have an impact on the Company's operations because it is the Company's policy for an investment in subsidiary to be recorded at cost in the standalone accounts of each entity.

IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation', and IFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. An investment in associate is treated as a single asset for the purposes of impairment testing. Any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The Company will apply the IAS 28 (Amendment) to impairment tests related to investments in subsidiaries and any related impairment losses from 1 April 2009.

IAS 29 (Amendment), 'Financial reporting in hyperinflationary economies' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The guidance has been amended to reflect the fact that a number of assets and liabilities are measured at fair value rather than historical cost. The amendment will not have an impact on the Company's operations, as the Company does not operate in hyperinflationary economies.

IAS 31 (Amendment), 'Interests in joint ventures' (and consequential amendments to IAS 32 and IFRS 7) (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where an investment in joint venture is accounted for in accordance with IAS 39, only certain rather than all disclosure requirements in IAS 31 need to be made in addition to disclosures required by IAS 32, 'Financial instruments: Presentation', and IFRS 7 'Financial instruments: Disclosures'. The amendment will not have an impact on the Company's operations as none of the joint ventures are accounted for in accordance with IAS 39.

IAS 38 (Amendment), 'Intangible assets' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. A prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. This amendment is not applicable to the Company as the Company has not entered into any such transactions.

IAS 39 (Amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008.

- This amendment clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.
- The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition.
- The current guidance on designating and documenting hedges states that a hedging instrument needs to involve a party external to the reporting entity and cites a segment as an example of a reporting entity. This means that in order for hedge accounting to be applied at segment level, the requirements for hedge accounting are currently required to be met by the applicable segment. The amendment removes the example of a segment so that the guidance is consistent with IFRS 8, 'Operating segments', which requires disclosure for segments to be based on information reported to the chief operating decision-maker.
- When re measuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) are used.

The Company will apply the IAS 39 (Amendment) from 1 April 2009. It is not expected to have an impact on the Company's income statement.

IAS 40 (Amendment), 'Investment property' (and consequential amendments to IAS 16) (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Property that is under construction or development for future use as investment property is within the scope of IAS 40. Where the fair value model is applied, such property is, therefore, measured at fair value. However, where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable. The amendment



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will not have an impact on the Company's operations, as there are no investment properties are held by the Company.

IAS 41 (Amendment), 'Agriculture' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. It requires the use of a market-based discount rate where fair value calculations are based on discounted cash flows and the removal of the prohibition on taking into account biological transformation when calculating fair value. The amendment will not have an impact on the Company's operations as no agricultural activities are undertaken.

IFRIC 13, 'Customer loyalty programmes' (effective from 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement in using fair values. IFRIC 13 is not relevant to the Company's operations because the company does not operate any loyalty programmes.

IFRIC 15, 'Agreements for construction of real estates' (effective from 1 January 2009). The interpretation clarifies whether IAS 18, 'Revenue', or IAS 11, 'Construction contracts', should be applied to particular transactions. It is likely to result in IAS 18 being applied to a wider range of transactions. IFRIC 15 is not relevant to the Company's operations as all revenue transactions are accounted for under IAS 18 and not IAS 11.

IFRIC 16, 'Hedges of a net investment in a foreign operation' (effective from 1 October 2008). IFRIC 16 clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the Company. The requirements of IAS 21, 'The effects of changes in foreign exchange rates', do apply to the hedged item. IFRIC 16 is not relevant to the Company's operations because the company does not hold any investments in foreign operations.

The minor amendments to IAS 20 'Accounting for government grants and disclosure of government assistance', and IAS 29, 'Financial reporting in hyperinflationary economies', IAS 40, 'Investment property', and IAS 41, 'Agriculture', which are part of the IASB's annual improvements project published in May 2008 (not addressed above). These amendments will not have an impact on the Company's operations as described above.

On 13 October 2008, the IASB agreed to amend IAS 39 "Financial instruments; recognition and measurement", to allow the reclassification of certain financial assets previously classified as held for trading or available for sale to another category under limited circumstances. Various disclosures are required where a reclassification has been made. Derivatives and assets designated as "at fair value through profit or loss" under the fair value option are not eligible for this reclassification. Given the urgency of the issue due process has been suspended and there will be no comment period. The amendment has an effective date of 1 July 2008. It is not expected to have an impact on the Company's financial statement.

35. Figures of the previous period have been regrouped / rearranged wherever considered necessary. Figures in brackets represent amounts relating to year ended 31 March 2008.
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On behalf of the Board of Directors

Place : Gurgaon
Date : June 5, 2009

Yogendra Kr. Modi
Chairman & Chief Executive Officer

Kashi Nath Memani
Director