

Gail Global (Singapore) Pte. Ltd.
(Incorporated in the Republic of Singapore)
(Company Registration No.: 200411690H)

**Annual Report for the financial year ended
31 March 2014**

Associated With

Smith & Williamson

Nexia TS Tax Services Pte. Ltd.

UEN: 200901698R

Nexia TS Tax Services Pte. Ltd. is a member of Nexia International, an international network of independent accounting and consulting firms.

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Singapore

Shanghai

The directors present their report to the shareholder together with the audited financial statements for the financial year ended 31 March 2014.

Directors

The directors in office at the date of this report are as follows:

Kirpa Ram Vij
Premesh Kumar Jain
Prabhat Singh
Venkatraman Srinivasan
Gajendra Singh
Ramesh Chandra Gupta

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisitions of shares in, or debentures of, the Company or any other body corporate.

Directors' interests in shares or debentures

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations.

Directors' contractual benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the accompanying financial statement and in this report.

Share options

There were no options granted during the financial year to subscribe for unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under option at the end of the financial year.

Independent auditor

The independent auditor, Nexia TS Public Accounting Corporation, has expressed its willingness to accept re-appointment.

On behalf of the Board of Directors



.....
Premesh Kumar Jain
Director




.....
Prabhat Singh
Director

In the opinion of the directors,

- (a) the financial statements as set out on pages 6 to 25 are drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 March 2014 and of the results of the business, changes in equity and cash flows of the Company for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors



Premesh Kumar Jain
Director



Prabhat Singh
Director

Independent Auditor's Report to the Shareholder of Gail Global (Singapore) Pte. Ltd.

Report on the Financial Statements

We have audited the accompanying financial statements of Gail Global (Singapore) Pte. Ltd., set out on pages 6 to 25, which comprise the balance sheet as at 31 March 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; that transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

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 Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to 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 judgement, 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 controls relevant to the entity's preparation of the financial statements that give a true and fair view 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the 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.

**Independent Auditor's Report to the Shareholder of
Gail Global (Singapore) Pte. Ltd.
(Cont'd)**

Opinion

In our opinion, the financial statements of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company as at 31 March 2014, and the results, changes in equity and cash flows of the Company for the financial year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.



Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants

Singapore

16 May 2014

| | Note | 2014 USD | 2013 USD |
|--------------------------------------|------|-------------------|-------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 4 | 1,781,706 | 1,434,602 |
| Trade and other receivables | 5 | 59,878,157 | 1,470,062 |
| Other current assets | 6 | 51,493 | 53,136 |
| | | <u>61,711,356</u> | <u>2,957,800</u> |
| Non-current assets | | | |
| Financial assets, available-for-sale | 7 | 12,296,976 | 14,326,087 |
| Property, plant and equipment | 8 | 21,052 | 702 |
| | | <u>12,318,028</u> | <u>14,326,789</u> |
| Total assets | | <u>74,029,384</u> | <u>17,284,589</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Other payables | 9 | 65,401 | 144,852 |
| Borrowings | 10 | 58,475,823 | - |
| | | <u>58,541,224</u> | <u>144,852</u> |
| Non-current liability | | | |
| Borrowings | 10 | 9,500,000 | 10,284,554 |
| Total liabilities | | <u>68,041,224</u> | <u>10,429,406</u> |
| NET ASSETS | | <u>5,988,160</u> | <u>6,855,183</u> |
| EQUITY | | | |
| Share capital | 11 | 2,100,000 | 2,100,000 |
| Other reserves | 12 | (6,768,990) | (4,739,879) |
| Retained earnings | | 10,657,150 | 9,495,062 |
| Total equity | | <u>5,988,160</u> | <u>6,855,183</u> |

The accompanying notes form an integral part of these financial statements

| | Note | 2014 USD | 2013 USD |
|-----------------------------------------------------------------|------|---------------|--------------|
| Revenue | 13 | 188,134,199 | 31,633,772 |
| Cost of sales | | (187,253,817) | (31,499,983) |
| Gross profit | | 880,382 | 133,789 |
| Other income – net | 14 | 1,200,025 | 1,461,026 |
| Expenses | | | |
| - Depreciation | 8 | (1,333) | (270) |
| - Employee compensation | 15 | (246,989) | (235,008) |
| - Professional fees | | (51,784) | (17,069) |
| - Safe custody charges | | (12,091) | (13,597) |
| - LC charges | | (41,449) | (7,613) |
| - Rental on operating lease | | (233,812) | (147,664) |
| - Telecommunication | | (19,190) | (12,388) |
| - Travel expenses | | (96,448) | (21,087) |
| - Finance | 16 | (149,381) | (177,161) |
| - Other | | (65,842) | (38,462) |
| Total expenses | | (918,319) | (670,319) |
| Profit before income tax | | 1,162,088 | 924,496 |
| Income tax expense | 17 | - | - |
| Total profit | | 1,162,088 | 924,496 |
| Other comprehensive income | | | |
| Items that maybe reclassified subsequently to profit or loss: | | | |
| - Fair value (loss)/gain on available-for-sale financial assets | | (2,029,111) | 343,768 |
| Total comprehensive (loss)/income | | (867,023) | 1,268,264 |

The accompanying notes form an integral part of these financial statements

| | Share capital USD | Other reserves USD | Retained earnings USD | Total equity USD |
|------------------------------|-------------------------|--------------------------|-----------------------------|------------------------|
| 2014 | | | | |
| Beginning of financial year | 2,100,000 | (4,739,879) | 9,495,062 | 6,855,183 |
| Total comprehensive loss | - | (2,029,111) | 1,162,088 | (867,023) |
| End of financial year | <u>2,100,000</u> | <u>(6,768,990)</u> | <u>10,657,150</u> | <u>5,988,160</u> |
| 2013 | | | | |
| Beginning of financial year | 2,100,000 | (5,083,647) | 8,570,566 | 5,586,919 |
| Total comprehensive income | - | 343,768 | 924,496 | 1,268,264 |
| End of financial year | <u>2,100,000</u> | <u>(4,739,879)</u> | <u>9,495,062</u> | <u>6,855,183</u> |

The accompanying notes form an integral part of these financial statements

| | Note | 2014 USD | 2013 USD |
|------------------------------------------------------------|------|---------------------|--------------------|
| Cash flows from operating activities | | | |
| Net profit | | 1,162,088 | 924,496 |
| Adjustments for: | | | |
| - Depreciation | 8 | 1,333 | 270 |
| - Interest expense | 16 | 149,381 | 177,161 |
| | | <u>1,312,802</u> | <u>1,101,927</u> |
| Change in working capital | | | |
| - Trade and other receivables | | (58,408,095) | 820,701 |
| - Other payables | | (79,451) | 25,440 |
| - Other current assets | | 1,643 | (42,306) |
| Net cash (used in)/provided by operating activities | | <u>(57,173,101)</u> | <u>1,905,762</u> |
| Cash flows from investing activity | | | |
| Purchase of property, plant and equipment | | (21,683) | (711) |
| Net cash used in investing activity | | <u>(21,683)</u> | <u>(711)</u> |
| Cash flows from financing activities | | | |
| Proceed from borrowings | | 58,475,823 | - |
| Repayments of borrowings | | (784,554) | (1,018,131) |
| Interest paid | | (149,381) | (177,161) |
| Net cash provided by/(used in) financing activities | | <u>57,541,888</u> | <u>(1,195,292)</u> |
| Net increase in cash and cash equivalents | | 347,104 | 709,759 |
| Cash and cash equivalents at beginning of financial year | | <u>1,434,602</u> | <u>724,843</u> |
| Cash and cash equivalents at end of financial year | | <u>1,781,706</u> | <u>1,434,602</u> |

The accompanying notes form an integral part of these financial statements

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

The financial statements of the Company for the financial year ended 31 March 2014 were authorised for issue in accordance with resolution of the directors on 16 May 2014.

1 General information

The Company is incorporated and domiciled in Singapore. The address of its registered office is 100 Beach Road, #30-00, Shaw Towers, Singapore 189702. The address of business is #44-01, Wangz Business Centre, Suntec Tower One, Singapore 038987.

The principal activities of the Company is the business of investment holding company and trading of liquefied natural gas.

The immediate and ultimate holding corporation is GAIL (India) Limited, a company incorporated in New Delhi, India and listed on National Stock Exchange of India Limited and BSE Ltd.

2 Significant accounting policies

(a) Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of these financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Company's accounting policies. It also requires the use of certain critical accounting estimates and assumptions.

Interpretations and amendments to published standards effective in 2014

On 1 April 2013, the Company adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date. Changes to the Company's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years except for the following:

Amendment to FRS 1 Presentation of Items of Other Comprehensive Income

The Company has adopted the amendment to FRS 1 *Presentation of Items of Other Comprehensive Income* on 1 April 2013. The amendment is applicable for annual periods beginning on or after 1 July 2012 (with early adoption permitted). It requires items presented in other comprehensive income to be separated into two groups, based on whether or not they may be recycled to profit or loss in the future.

An additional balance sheet and related notes at the beginning of the earliest comparative period is not presented as there is no impact on the balance sheet.

2 Significant accounting policies (Cont'd)

(a) *Basis of preparation (Cont'd)*

FRS 113 Fair Value Measurement

FRS 113 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across FRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within FRSs.

The adoption of FRS 113 does not have any material impact on the accounting policies of the Company. The Company has incorporated the additional disclosures required by FRS 113 into the financial statements.

(b) *Revenue recognition*

Sales comprise the fair value of the consideration received or receivable in the ordinary course of the Company's activities. The Company recognises revenue when the amount of revenue and related cost can be reliably measured, when it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Company's activities are met as follows:

(i) Sales of goods

Revenue from sale of goods is recognised when the Company has delivered the products to its customers, the customers have accepted the products and the collectability of the related receivables are reasonably assured.

(ii) Dividend income

Dividend income is recognised when dividend has been declared and right to receive dividend has been established.

(c) *Property, plant and equipment*

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

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Depreciation is calculated using the straight-line method to allocate depreciable amounts over their estimated useful lives. The estimated useful lives are as follows:

| | |
|------------------|---------------------|
| | <u>Useful lives</u> |
| Office equipment | 3 years |

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

2 Significant accounting policies (Cont'd)

(c) *Property, plant and equipment (Cont'd)*

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "Other income – net".

(d) *Impairment of non-financial assets*

Property, plant and equipment are reviewed for impairment whenever there is any indication that these assets may be impaired.

If the recoverable amount of the asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of accumulated depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss.

(e) *Loans and receivables*

Cash and cash equivalents
Trade and other receivables

Cash and cash equivalents and trade and other receivables are initially recognised at their fair values plus transaction costs and subsequently carried at amortised cost using the effective interest method, less accumulated impairment losses.

The Company assesses at each balance sheet date whether there is objective evidence that these financial assets are impaired and recognises an allowance for impairment when such evidence exists. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amounts of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

These assets are presented as current assets except for those that are expected to be realised later than 12 months after the balance sheet date, which are presented as non-current assets.

2 Significant accounting policies (Cont'd)

(f) *Financial assets, available-for-sale*

Financial assets, available-for-sale are initially recognised at their fair values plus transaction costs and are subsequently carried at their fair values. Changes in fair values are recognised in other comprehensive income and accumulated under the fair value reserve within equity.

These financial assets are recognised on the date which the Company commits to purchase the asset. They are presented as non-current assets unless management intends to dispose of the assets within 12 months after the balance sheet date.

The Company assesses at each balance sheet date whether there is objective evidence that these financial assets are impaired. Significant or prolonged decline in the fair value of an equity security below its cost is objective evidence that the security is impaired.

If there is evidence of impairment, the cumulative loss that was recognised in the fair value reserve is reclassified to profit or loss. Impairment losses on available-for-sale equity securities are not reversed through profit or loss.

On disposal, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount in the fair value reserve relating to that asset is transferred to profit or loss.

(g) *Other payables*

Other payables represent unpaid liabilities for goods and services provided to the Company prior to the end of financial year. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities.

Other payables are initially measured at fair value, and subsequently measured at amortised cost using the effective interest method.

(h) *Provisions*

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

(i) *Income taxes*

Current income tax is recognised at the amount expected to be paid or recovered from the tax authorities.

Deferred income tax is recognised for all temporary differences except when the deferred income tax arises from the initial recognition of an asset or liability that affects neither accounting nor taxable profit or loss at the time of the transaction.

Current and deferred income tax is measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date, and are recognised as income or expenses in profit or loss, except to the extent that the tax arises from a transaction which is recognised directly in equity.

2 Significant accounting policies (Cont'd)

(j) Currency translation

The financial statements are presented in United States dollar, which is the functional currency of the Company.

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined. Currency translation differences on these items are included in the fair value reserve.

Foreign exchange gains and losses impacting profit or loss are presented within "other income – net".

(k) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value.

(l) Borrowings

Borrowings are presented as current liabilities unless the Company has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(m) Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method.

(n) Employee compensation

Defined contribution plans

The Company's contributions to defined contribution plans are recognised as employee compensation expense when the contributions are due, unless they can be capitalised as an asset.

2 Significant accounting policies (Cont'd)

(o) *Leases*

When a Company is the lessee:

The Company leases office space under operating leases from non-related parties.

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

(p) *Share Capital*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

(q) *Fair value estimation of financial assets and liabilities*

The carrying amount of current financial assets and liabilities carried at amortised cost approximate their fair values.

3 Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Impairment of available-for-sale financial assets

At the balance sheet date, the fair values of equity securities classified as available-for-sale financial assets with a carrying amount of USD12,296,976 have declined by USD2,029,111. The Company has made a judgement that this decline is not significant and prolonged. In making this judgement, the Company has considered, among other factors, the short-term duration of the decline, dividend payments, the small magnitude by which the fair value of the investment, and the positive financial health and short-term business outlook of the investee.

If the decline in fair value was considered significant or prolonged, the Company would have recognised an additional loss of USD2,029,111 in its 2014 financial statements, being the reclassification of the fair value loss included in the fair value reserve to profit or loss.

4 Cash and cash equivalents

| | 2014 USD | 2013 USD |
|--------------------------|------------------|------------------|
| Cash at bank | 1,281,706 | 1,434,602 |
| Short-term bank deposits | 500,000 | - |
| | <u>1,781,706</u> | <u>1,434,602</u> |

5 Trade and other receivables

| | 2014 USD | 2013 USD |
|----------------------------------------|-------------------|------------------|
| Trade receivable – Holding corporation | 58,661,964 | - |
| Dividends receivable | 1,216,193 | 1,467,300 |
| Advances to employees | - | 2,762 |
| | <u>59,878,157</u> | <u>1,470,062</u> |

6 Other current assets

| | 2014 USD | 2013 USD |
|--------------------------------------|---------------|---------------|
| Deposits | 37,410 | 37,410 |
| Other receivable – non-related party | 5,845 | - |
| Prepayments | 8,238 | 15,726 |
| | <u>51,493</u> | <u>53,136</u> |

7 Financial assets, available-for-sale

| | 2014 USD | 2013 USD |
|-----------------------------|-------------------|-------------------|
| Beginning of financial year | 14,326,087 | 13,982,319 |
| Fair value (loss)/gain | (2,029,111) | 343,768 |
| End of financial year | <u>12,296,976</u> | <u>14,326,087</u> |

Financial assets, available-for-sale are analysed as follows:

| | 2014 USD | 2013 USD |
|----------------------------|-------------------|-------------------|
| Non-listed securities | | |
| - Equity securities, Egypt | <u>12,296,976</u> | <u>14,326,087</u> |

Financial assets, available for sale with carrying amount of USD12,296,976 (2013: USD14,326,087) is mortgaged to holding corporation for the loan from the holding corporation. Fair value measurement is disclosed in Note 20(e).

8 Property, plant and equipment

| | Office Equipment USD |
|---------------------------------|-------------------------------------|
| 2014 | |
| <i>Cost</i> | |
| Beginning of financial year | 987 |
| Additions | 21,683 |
| End of financial year | <u>22,670</u> |
| <i>Accumulated depreciation</i> | |
| Beginning of financial year | 285 |
| Depreciation charge | 1,333 |
| End of financial year | <u>1,618</u> |
| Net book value | |
| End of financial year | <u>21,052</u> |
| 2013 | |
| <i>Cost</i> | |
| Beginning of financial year | 276 |
| Additions | 711 |
| End of financial year | <u>987</u> |
| <i>Accumulated depreciation</i> | |
| Beginning of financial year | 15 |
| Depreciation charge | 270 |
| End of financial year | <u>285</u> |
| Net book value | |
| End of financial year | <u>702</u> |

9 Other payables

| | 2014 USD | 2013 USD |
|-----------------------------------------------|---------------------|---------------------|
| Amount due to holding corporation – non-trade | 39,991 | 100,047 |
| Accrued operating expenses | 25,410 | 44,805 |
| | <u>65,401</u> | <u>144,852</u> |

The non-trade amount due to holding corporation pertains to expenses incurred by it on behalf of Company and includes interest accrued on loan from holding corporation.

10 Borrowings

| | 2014 USD | 2013 USD |
|-------------------------------|-------------------|-------------------|
| <i>Current</i> | | |
| Bank borrowing | 58,475,823 | - |
| <i>Non-current</i> | | |
| Loan from holding corporation | 9,500,000 | 10,284,554 |
| | <u>67,975,823</u> | <u>10,284,554</u> |

(a) Security granted

- (i) The bank borrowing is secured by corporate guarantee of the holding company. The bank borrowing bears an interest rate of the aggregate of LIBOR displayed on the relevant REUTERS Screen LIBOR Page and margin of 0.40% per annum as per committed Revolving Loan Facility with the bank.
- (ii) The loan from holding corporation is secured by the financial assets, available-for-sale of the 15% paid up capital in National Gas Company S.A.E Egypt (NATGAS) with carrying values of USD12,296,976 (2013: USD14,326,087) as at 31 March 2014 (Note 7) and bears interest at the rate of 6-months LIBOR as per Telerate page plus one hundred basis point (bps) on the principal amount.

(b) Fair value of non-current borrowings

At the balance sheet date, the fair value of non-current borrowings is USD8,830,241 (2013: USD10,063,412) and is computed based on cash flow discounted at the rate of 6-months LIBOR as per Telerate page plus one hundred basis point (bps) at 1.33% (2013: 1.45%).

11 Share capital

The Company's share capital comprises fully-paid 2,100,000 (2013: 2,100,000) ordinary shares with no par value, amounting to a total of USD2,100,000 (2013: USD2,100,000).

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

12 Fair value reserve

| | 2014 USD | 2013 USD |
|--------------------------------------|--------------------|--------------------|
| Beginning of financial year | (4,739,879) | (5,083,647) |
| Financial assets, available for sale | | |
| - Fair value (loss)/gain | (2,029,111) | 343,768 |
| | <u>(6,768,990)</u> | <u>(4,739,879)</u> |

Fair value reserve is non-distributable.

13 Revenue

| | 2014 USD | 2013 USD |
|--------------------------------|--------------------|-------------------|
| Sales of liquefied natural gas | <u>188,134,199</u> | <u>31,633,772</u> |

14 Other income – net

| | 2014 USD | 2013 USD |
|-----------------------------|------------------|------------------|
| Dividend income | 1,216,193 | 1,467,300 |
| Miscellaneous income | 8,645 | 5,813 |
| Foreign exchange loss – net | (24,813) | (12,087) |
| | <u>1,200,025</u> | <u>1,461,026</u> |

15 Employee Compensation

| | 2014 USD | 2013 USD |
|-------------------------------------------------------|----------------|----------------|
| Salaries and bonus | 228,000 | 219,228 |
| Employer's contribution to defined contribution plans | 18,989 | 15,780 |
| | <u>246,989</u> | <u>235,008</u> |

16 Finance expense

| | 2014 USD | 2013 USD |
|------------------------------------------|----------------|----------------|
| Interest expense | | |
| - Loan from ultimate holding corporation | 144,880 | 177,161 |
| - Bank borrowing | 4,501 | - |
| | <u>149,381</u> | <u>177,161</u> |

17 Income tax expense

No provision for current income tax expenses was provided as there is no taxable profit for the financial year.

The tax on profit before tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

| | 2014 USD | 2013 USD |
|--------------------------------------------------------------|-------------|-------------|
| Profit before income tax | 1,162,088 | 924,496 |
| Tax calculated at a tax rate of 17% (2013:17%) | 197,555 | 157,164 |
| Effects of: | | |
| - Expenses not deductible for tax purposes | 28,334 | 31,656 |
| - Utilisation of previously unrecognised deferred tax assets | (19,136) | - |
| - Deferred tax asset not recognised | - | 60,621 |
| - Income not subject to income tax | (206,753) | (249,441) |
| Tax charge | - | - |

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Company has unrecognised tax losses of USD242,000 (2013 : USD356,000) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements. The tax losses have no expiry date.

18 Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Company and related parties at terms agreed between the parties:

(a) Sale and purchases of goods and services

| | 2014 USD | 2013 USD |
|---------------------------------------------------|-------------|-------------|
| Sales to holding corporation | 188,134,199 | 31,633,772 |
| Interest expense to loan from holding corporation | 144,880 | 177,161 |
| Payment on behalf by holding corporation | 118,034 | 44,213 |

Outstanding balances at 31 March 2014, arising from sales of goods, are unsecured and receivable within 12 months from balance sheet date are disclosed in Notes 5 and 9 respectively.

(b) Key management personnel compensation.

Key management personnel compensation is as follows:

| | 2014 USD | 2013 USD |
|-------------------------------------------------------|-------------|-------------|
| Salaries and bonus | 228,000 | 219,228 |
| Employer's contribution to defined contribution plans | 18,989 | 15,780 |
| | 246,989 | 235,008 |

19 Operating lease commitments

The Company leases its office premise and staff accommodation under operating lease agreements. The leases have varying terms and renewal rights.

The future aggregate minimum lease payable under operating leases contracted for at the balance sheet date but not recognised as liabilities, are analysed as follows:

| | 2014 USD | 2013 USD |
|----------------------------|----------------|----------------|
| Not later than one year | 158,172 | 227,303 |
| Between one and five years | - | 15,315 |
| | <u>158,172</u> | <u>242,618</u> |

20 Financial risk management

The Company's activities expose it to market risk (including currency risk and interest rate risk) and liquidity risk. The Company's overall risk management strategy seeks to minimise potential adverse effects from the unpredictability of financial markets on the financial performance of the Company.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Company. The management team then establishes detailed policies such as risk identification and measurement, exposure limits and hedging strategies. Financial risk management is carried out by treasury personnel.

The finance personnel measure actual exposures against the limits set and prepare regular reports for the review of the management team and the Board of Directors. The information presented below is based on information received by key management.

(a) Market risk

(i) Price risk

The price of liquefied natural gas, which is a global commodity is not set by the Company and is subject to fluctuations. The Company is not exposed to liquefied natural gas price risk as the Company sold the liquefied natural gas on back to back basis on fixed margin to its holding corporation.

20 Financial risk management (Cont'd)

(a) Market risk (Cont'd)

(ii) Currency risk (Cont'd)

Currency risk arises when the transactions are denominated in foreign currencies such as the Singapore Dollar ("SGD") and Egyptian Pound ("EGP").

The Company's currency exposure to EGP and SGD is as follows:

| | <u>SGD</u> <u>USD</u> | <u>EGP</u> <u>USD</u> | <u>USD</u> <u>USD</u> | <u>Total</u> <u>USD</u> |
|-----------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------|--------------------------|----------------------------|
| 31 March 2014 | | | | |
| Financial assets | | | | |
| Cash and cash equivalents | 85,915 | - | 1,695,791 | 1,781,706 |
| Financial assets, available-for-sale | - | 12,296,976 | - | 12,296,976 |
| Trade and other receivables | - | 1,216,193 | 58,661,964 | 59,878,157 |
| Other current assets | 37,410 | - | 5,845 | 43,255 |
| | 123,325 | 13,513,169 | 60,363,600 | 74,000,094 |
| Financial liabilities | | | | |
| Other payables | (19,909) | - | (45,492) | (65,401) |
| Borrowings | - | - | (67,975,823) | (67,975,823) |
| | (19,909) | - | (68,021,315) | (68,041,224) |
| Net financial assets/ (liabilities) | 103,416 | 13,513,169 | (7,657,715) | (5,958,870) |
| Currency exposure of financial liabilities net of those denominated in the Company's functional currency | | | | |
| | 103,416 | 13,513,169 | - | 13,616,585 |
| 31 March 2013 | | | | |
| Financial assets | | | | |
| Cash and cash equivalents | 101,487 | 5,307 | 1,327,808 | 1,434,602 |
| Financial assets, available-for-sale | - | 14,326,087 | - | 14,326,087 |
| Trade and other receivables | 2,762 | 1,467,300 | - | 1,470,062 |
| Other current assets | 37,410 | - | - | 37,410 |
| | 141,659 | 15,798,694 | 1,327,808 | 17,268,161 |
| Financial liabilities | | | | |
| Other payables | (18,487) | - | (126,365) | (144,852) |
| Borrowings | - | - | (10,284,554) | (10,284,554) |
| | (18,487) | - | (10,410,919) | (10,429,406) |
| Net financial assets/ (liabilities) | 123,172 | 15,798,694 | (9,083,111) | (6,838,755) |
| Currency exposure of financial liabilities net of those denominated in the Company's functional currency | | | | |
| | 123,172 | 15,798,694 | - | 15,921,866 |

20 Financial risk management (Cont'd)

(a) Market risk (Cont'd)

(ii) Currency risk (Cont'd)

If the SGD and EGP changes against the USD by 1% (2013: 3%) with all other variables including tax rate being held constant, the effects arising from the net financial liability/asset position to the net profit and equity of the Company will be as follows:

| | ← Increase / (decrease) → | |
|-----------------|---------------------------|------------------|
| | 2014 | 2013 |
| | USD | USD |
| SGD against USD | | |
| - Strengthened | 1,034 | 3,695 |
| - Weakened | (1,034) | (3,695) |
| EGP against USD | | |
| - Strengthened | 135,132 | 473,961 |
| - Weakened | <u>(135,132)</u> | <u>(473,961)</u> |

(iii) Interest rate risk

The Company is exposed to interest rate risk on its borrowings.

For revolving loan, interest is charged on back to back basis from holding corporation. The Company is not exposed to interest rate risk on its short term bank borrowing.

For loan from holding corporation, the interest is charged at the rate of 6-months LIBOR as per Telerate page plus one hundred basis point (bps) on the principle amount. If the interest rate had increased/decreased by 0.5% (2013: 0.5%) with all other variables including tax rate being held constant, the impact on profit after tax as a result of higher/lower interest expense on these borrowings is deemed not to be significant.

(b) Credit risk

Credit risk is the risk that counterparties default in their contractual obligations resulting in financial loss to the Company. The major classes of financial assets of the Company are cash and cash equivalents and trade receivables. For trade receivables, the Company deals only with its holding corporation.

As the Company does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet. The Company places its cash and cash equivalents with reputable banks and financial institutions which are regulated.

(i) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits placed with reputable banks.

(ii) Financial assets that are past due and /or impaired

There is no other class of financial assets that is past due and / or impaired.

20 Financial risk management (Cont'd)

(c) Liquidity risk

The Company manages its liquidity risk by maintaining sufficient cash and bank balances to enable them to meet its normal operational requirements and having an adequate amount of committed credit facilities.

The table below analyses the maturity profile of the financial liabilities of the Company based on contractual undiscounted cash flows.

| | Less than 1 year USD | Between 1 and 5 years USD |
|----------------|----------------------------|---------------------------------|
| 2014 | | |
| Other payables | 65,401 | - |
| Borrowings | 58,483,025 | 9,907,525 |
| | <u>58,548,426</u> | <u>9,907,525</u> |
| 2013 | | |
| Other payables | 144,852 | - |
| Borrowings | - | 10,433,680 |
| | <u>144,852</u> | <u>10,433,680</u> |

(d) Capital risk

The Company objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain an optimal structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Company may adjust the amount of dividend payment, return capital to shareholders, issue new shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital based on a debt-equity ratio. The debt-equity ratio is calculated as non-current liabilities divided by net assets.

| | 2014 USD | 2013 USD |
|---------------------------|-------------|-------------|
| Non-current liabilities | 9,500,000 | 10,284,554 |
| Total equity | 5,988,160 | 6,855,183 |
| Debt equity ratio (times) | <u>1.59</u> | <u>1.50</u> |

The Company does not have any externally imposed capital requirements for the financial year ended 31 March 2014 and 2013.

20 Financial risk management (Cont'd)

(e) Fair value measurement

The following table presents the assets and liabilities measured at fair value classified by level of the following fair value measurement hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- (c) inputs for the assets or liabilities that are not based on observable market data (unobservable inputs) (Level 3).

| As at 31 March 2014 | Level 2 USD |
|--------------------------------------|------------------------|
| Financial assets, available-for-sale | 12,296,976 |
| | |
| As at 31 March 2013 | Level 2 USD |
| Financial assets, available-for-sale | 14,326,087 |

The fair value of unlisted equity securities are based on cash flows discounted at rates based on the market interest rates adjusted for risk premiums specific to the securities (2014: 5.47%, 2013: 9.50%).

The carrying values less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of current borrowings approximates their carrying amount.

(f) Financial instrument by category

The carrying amount of financial instruments other than those disclosed on the face of balance sheet and Note 7 to the financial statements is as follows:

| | 2014 USD | 2013 USD |
|-----------------------------------------|---------------------|---------------------|
| Loans and receivables | 61,703,118 | 2,942,074 |
| Financial liabilities at amortised cost | 68,041,224 | 10,429,406 |

21 New or revised accounting standards and interpretations

Certain new accounting standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1 April 2014 or later periods and which the Company has not early adopted. The Company has assessed that the adoption of these new accounting standards, amendments and interpretations to existing standards will not have a material impact on the financial statements.