

Reliance Marcellus LLC

Independent Auditors' Report

TO THE BOARD OF DIRECTORS OF RELIANCE MARCELLUS LLC.

Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of **RELIANCE MARCELLUS LLC** (hereinafter referred to as 'the Company') which comprises of the Balance Sheet as at 31st December, 2015, the Profit and Loss Statement, and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the financial statements").

Management's Responsibility for the Standalone Financial Statements

The Company's Board of Directors is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India including Accounting Standards specified under Section 133 of the Companies Act 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records, safeguarding the assets of the Company and preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India (ICAI). Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the company's preparation of the standalone 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 whether the company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone financial statements.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st December, 2015, and its loss and its cash flows for the year ended on that date.

Other Reporting Requirements

We further report that:

- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid standalone financial statements.
- (b) The Balance Sheet, the Profit and Loss Statement, and the Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the standalone financial statements.

For DELOITTE HASKINS & SELLS LLP
Chartered Accountants
(Firm Registration No. 117366W / W - 100018)

(Abhijit A. Damle)
(Partner)
(Membership No. 102912)

Mumbai, dated: 31st March, 2016

Balance Sheet as at 31 December 2015

In USD

	Note	As at 31st Dec, 2015	As at 31st Dec, 2014
EQUITY AND LIABILITIES			
Member's Funds			
Member contribution	1	1,413,246,000	351,046,000
Reserves and Surplus	2	(801,438,203)	(233,506,237)
		611,807,797	117,539,763
Non-Current Liabilities			
Long Term Borrowings	3	1,939,109,700	2,384,569,403
Long Term Provisions	4	14,403,565	13,213,598
		1,953,513,265	2,397,783,001
Current Liabilities			
Trade Payables		3,199,036	6,018,172
Other Current Liabilities	5	36,178,200	133,966,253
		39,377,236	139,984,425
TOTAL		2,604,698,298	2,655,307,189
ASSETS			
Non-Current Assets			
Fixed Assets:	6		
Intangible Assets		1,039,996,214	1,259,363,066
Intangible Assets under Development		1,552,731,281	1,377,048,494
		2,592,727,495	2,636,411,560
Current Assets			
Cash and Bank Balances	7	111,322	31,621
Short-Term Loans and Advances	8	131,114	61,245
Other Current Assets	9	11,728,367	18,802,763
		11,970,803	18,895,629
TOTAL		2,604,698,298	2,655,307,189
<i>Corporate information and significant Accounting Policies and Notes to the financial statements.</i>	1-21		

As per our report of even date
For **Deloitte Haskins & Sells LLP**
Chartered Accountants

For and on behalf of the Board

Abhijit A. Damle
Partner
Membership No. 102912

Director Officer

Place: MUMBAI
Date: 31st March, 2016

Place: HOUSTON
Date: March 31, 2016

Profit and Loss Statement for the year ended 31 December 2015

In USD

	Note	2015	2014
INCOME:			
Revenue From Operations (Net)	10	83,470,527	141,265,944
Total Revenue		83,470,527	141,265,944
EXPENDITURE:			
Share of Operating Expenses in Shale Gas Operations	11	45,109,777	59,917,031
Employee Benefits Expense	12	1,172,051	1,256,034
Finance Costs	13	68,796,826	54,660,600
Depletion Expense	14	83,197,762	84,856,201
Other Expenses	15	453,126,077	90,331,028
Total Expenses		651,402,493	291,020,894
(Loss) for the year		(567,931,966)	(149,754,950)

Corporate Information and Significant Accounting Policies and Notes to the financial statements

1-21

As per our report of even date
For **Deloitte Haskins & Sells LLP**
Chartered Accountants

Abhijit A. Damle
Partner
Membership No. 102912

Place: MUMBAI
Date: 31st March, 2016

For and on behalf of the Board

Director Officer

Place: HOUSTON
Date: March 31, 2016

Cash Flow Statement for the year ended 31 December 2015

In USD

	2015	2014
A: CASH FLOW FROM OPERATING ACTIVITIES		
(Loss) for the year as per Profit and Loss Statement	(567,931,966)	(149,754,950)
Adjusted for:		
Depletion Expense	83,197,762	84,856,201
Impairment of Oil & Gas Properties	452,280,958	89,537,756
Finance Costs	68,796,826	54,660,600
	<u>604,275,546</u>	<u>229,054,557</u>
Operating Profit before Working Capital Changes	36,343,580	79,299,607
Adjusted for:		
Short-Term Loans & Advances and Other Current Assets	7,004,527	1,727,527
Trade payables and other current liabilities	(3,432,802)	(4,799,542)
	<u>3,571,725</u>	<u>(3,072,015)</u>
Net Cash from Operating Activities	<u>39,915,305</u>	<u>76,227,592</u>
B: CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(508,968,651)	(529,165,490)
Net Cash (Used in) Investing Activities	<u>(508,968,651)</u>	<u>(529,165,490)</u>
C: CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Long Term Borrowings	899,750,000	494,850,000
Repayment of Long Term Borrowings	(350,000,000)	-
Proceeds from Member's Contribution	62,200,000	66,500,000
Finance Costs	(142,816,953)	(108,636,292)
Net Cash generated from Financing Activities	<u>469,133,047</u>	<u>452,713,708</u>
Net Increase / (Decrease) in Cash and Cash Equivalents	79,701	(224,190)
Opening Balance of Cash and Cash Equivalents	31,621	255,811
Closing Balance of Cash and Cash Equivalents (refer note 7)	<u><u>111,322</u></u>	<u><u>31,621</u></u>

Non Cash Item:

Conversion of loan into member contribution during the year \$ 1,000,000,000 (Previous year \$100,000,000)

Corporate Information and Significant Accounting Policies and Notes to the financial statements

1-21

As per our report of even date
For **Deloitte Haskins & Sells LLP**
Chartered Accountants

For and on behalf of the Board

Abhijit A. Damle
Partner
Membership No. 102912

Director Officer

Place: MUMBAI
Date: 31st March, 2016

Place: HOUSTON
Date: March 31, 2016

Corporate Information and Significant Accounting Policies on Financial Statements for the year ended 31st December, 2015

I. CORPORATE INFORMATION

- A. Reliance Marcellus LLC (the Company) was incorporated as a limited liability company on 30 March 2010, under Delaware Limited Liability Company Act. The registered office of the Company is situated at 1675 S. State Street, Suite B, Dover, Delaware 19901, United States of America. The Company is engaged in the business of exploration and production of natural resources, primarily oil and gas from minerals properties, and related businesses.

The Company is a wholly owned subsidiary of Reliance Holding USA, Inc. (the Holding Company). The Company is an indirectly wholly owned subsidiary of Reliance Industries Limited, an Indian listed company.

- B. On 9 April, 2010, the Company executed definitive agreements to enter into a joint venture with Atlas Energy, Inc. (Atlas) under which the Company acquired a 40% interest in Atlas' core Marcellus Shale acreage position for \$339 million in cash and an additional \$1.36 billion in capital costs under a carry arrangement for 75% of Atlas' capital costs over an anticipated seven-and-one-half-year development program. The outstanding carry amount as on 31 December 2015 and 31 December 2014 was \$24 million and \$286 million respectively. In addition, the Company will have to fund its share of the development plan. The Company became a partner in approximately 329,256 net acres of undeveloped leasehold in the core area of the Marcellus Shale in southwestern Pennsylvania. Atlas was acquired by Chevron Corporation on 17 February 2011. Chevron is the operator, with 60% interest in the joint venture.

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Company have been prepared in accordance with the accounting principles generally accepted in India (Indian GAAP) including Accounting Standards specified under section 133 of the Companies Act 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014. The financial statements are prepared on accrual basis under the Historical cost convention.

The previous year figures have been regrouped / reclassified / restated, wherever necessary to conform to the current year presentation.

III. SIGNIFICANT ACCOUNTING POLICIES

A. Use of Estimates:

The preparation of financial statements in conformity with Indian GAAP requires judgements, estimates and assumptions to be made that affect the reported amount of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognized in the year in which the results are known/ materialized.

B. Revenue Recognition:

Revenue is recognized only when the risk and reward incidental to ownership are transferred to the customer, it can be reliably measured and it is reasonable to expect ultimate collection. Revenue is recorded net of royalties, discounts, and rebates.

Revenue from sale of oil, natural gas and natural gas liquids (NGL) is recognized when the risk and reward of ownership have been transferred, which is when title passes to the customer. This generally occurs when product is physically delivered and the customer has assumed the risks and rewards of ownership. Revenue from the production of oil and gas in which the Company has an interest with other producers is recognized based on the Company's working interest (the entitlement method).

Finance revenue is recognized as the interest accrues.

C. Borrowing Costs:

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as a part of cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to the Profit and Loss Statement in the year in which they are incurred.

Corporate Information and Significant Accounting Policies on Financial Statements for the year ended 31st December, 2015

D. Fixed Assets and Depletion:

Intangible Assets under Development and Intangible Assets - Development Rights (Oil and Gas):

The Company has adopted Full Cost Method of accounting for its Oil and Gas activities and all costs incurred are accumulated considering the country as a cost centre. Costs incurred on acquisition of interest in oil and gas ventures and on exploration and evaluation are accounted for as Intangible Assets under Development. Upon a reserve being either 'proved' or deemed to be 'dry', the costs accumulated in Intangible Assets under Development are ratably capitalized to intangible assets in respect of 'proved' reserves. All costs relating to production are charged to the Profit and Loss Statement.

Intangible Assets - Development Rights (Oil and Gas) are depleted in proportion of oil and gas production achieved vis-à-vis proved reserves considering the estimated future expenditures on developing the reserves as per technical evaluation.

Oil and Gas Joint Ventures are in the nature of Jointly Controlled Assets. Accordingly, assets and liabilities as well as income and expenditure are accounted on the basis of available information on a line-by-line basis with similar items in the Company's financial statements, according to the participating interest of the Company.

E. Impairment:

An asset is treated as impaired when the carrying cost of asset exceeds its recoverable value. Recoverable amount is the higher of net selling price and value in use. For the purpose of calculating the value in use, future cash flows emanating from proved, unproved and contingent reserves are discounted at differential rates calculated based on the weighted average cost of capital of the Holding Company.

An impairment loss is charged to Profit and Loss Statement in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

F. Provisions, Contingent Liabilities and Contingent Assets

Provision is recognized when there is a present obligation as a result of past event(s) and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

Contingent liabilities are not recognized in the financial statements and are disclosed unless the possibility of outflow of resources is remote.

Contingent assets are neither recognized nor disclosed in the financial statements.

G. Income Taxes:

The Company is not a taxpaying entity for federal or state income tax purposes, and, accordingly, it does not recognize any expense for such taxes. The income tax liability resulting from the Company's activities is the responsibility of the Holding Company.

Notes on Financial Statements for the year ended 31 December, 2015

1. MEMBER CONTRIBUTION

	As at 31st Dec, 2015	<i>In USD</i> As at 31st Dec, 2014
Contribution by Reliance Holding USA Inc	1,413,246,000	351,046,000
TOTAL	<u>1,413,246,000</u>	<u>351,046,000</u>

2. RESERVES AND SURPLUS

	As at 31st Dec, 2015	<i>In USD</i> As at 31st Dec, 2014
Profit and Loss Account		
As per last Balance Sheet	(233,506,237)	(83,751,287)
Add : (Loss) for the year	(567,931,966)	(149,754,950)
	<u>(801,438,203)</u>	<u>(233,506,237)</u>
TOTAL	<u>(801,438,203)</u>	<u>(233,506,237)</u>

3. LONG TERM BORROWINGS

	As at 31st Dec, 2015	<i>In USD</i> As at 31st Dec, 2014
Unsecured		
Term Loans from Banks (refer Notes 3.1 & 3.2)	-	345,209,703
Loan from Holding Company (refer Note 3.3 & 16)	1,939,109,700	2,039,359,700
TOTAL	<u>1,939,109,700</u>	<u>2,384,569,403</u>

3.1 On 23 May 2013, the Company executed an unsecured term loan facility with a syndicated bank group (the Chevron Credit Facility) which has a final maturity date of 28 May 2018. The Chevron Credit Facility has a maximum commitment of \$350 million. As on 31 December 2014, the outstanding loan was \$350 million and the accrued interest was Nil. The loan has been repaid and the facility closed on 16 October 2015. Borrowings under the Chevron Credit Facility attracted interest at the applicable interest margin of 260 bps plus LIBOR.

3.2 The costs related to raising of the debt on issuance is amortized over the tenure of the debt. The unamortized portion of Nil as at 31 December 2015 and \$ 5 million as at 31 December 2014 has been netted off against the carrying values of related borrowings. The unamortized portion upon repayment of the loan in 2015 was fully charged off.

3.3 The Company borrows funds from the Holding Company @ 5.5% per annum interest as per loan agreement.

Notes on Financial Statements for the year ended 31 December, 2015

4. LONG TERM PROVISIONS

	As at 31st Dec, 2015	<i>In USD</i> As at 31st Dec, 2014
Decommissioning provision	14,403,565	13,213,598
TOTAL	<u>14,403,565</u>	<u>13,213,598</u>

Disclosure under Accounting Standard - 29 on "Provisions, Contingent Liabilities and Contingent Assets":

Movement in De-commissioning Provision:

	As at 31st Dec, 2015	As at 31st Dec, 2014
Opening Balance	13,213,599	11,172,790
Add: Provision made during the year	1,189,966	2,040,808
	<u>14,403,565</u>	<u>13,213,598</u>

The outflow on this count may arise over a period of 5 to 50 years upon decommissioning of the shale gas wells.

5. OTHER CURRENT LIABILITIES

	As at 31st Dec, 2015	<i>In USD</i> As at 31st Dec, 2014
Interest payable to Related Party (Refer Note 16)	57,694	9,802,381
Guarantee commission payable (Refer Note 16)	5,869	-
Other payables to Related Party (Refer Note 16)	417,314	1,030,980
Creditors for capital expenditure	35,697,323	123,132,892
TOTAL	<u>36,178,200</u>	<u>133,966,253</u>

Notes on Financial Statements for the year ended 31 December, 2015

6. FIXED ASSETS

Description	<i>In USD</i>									
	Gross Block		Depletion			Impairment		Net Block		
	As at 01-01-2015	Additions / Adjustments	As at 31-12-2015	As at 01-01-2015	For the Year	As at 31-12-2015	As at 01-01-2015	For the Year	As at 31-12-2015	As at 31-12-2015
INTANGIBLE ASSETS (Other than internally generated)										
Development Rights (Oil and Gas) (Note 1)	1,540,434,749	316,111,868	1,856,546,617	191,553,926	83,197,762	274,731,688	89,537,757	452,280,958	541,818,715	1,039,996,214
Total	1,540,434,749	316,111,868	1,856,546,617	191,553,926	83,197,762	274,731,688	89,537,757	452,280,958	541,818,715	1,039,996,214
Intangible assets under Development (Note 1)										1,552,731,281
Description	<i>In USD</i>									
	Gross Block		Depletion			Impairment		Net Block		
	As at 01-01-2014	Additions / Adjustments	As at 31-12-2014	As at 01-01-2014	For the Year	As at 31-12-2014	As at 01-01-2014	For the Year	As at 31-12-2014	As at 31-12-2014
INTANGIBLE ASSETS (Other than internally generated)										
Development Rights (Oil and Gas) (Note 1)	1,138,583,139	401,851,610	1,540,434,749	106,677,725	84,856,201	191,533,926	-	89,537,757	89,537,757	1,259,363,066
Total	1,138,583,139	401,851,610	1,540,434,749	106,677,725	84,856,201	191,533,926	-	89,537,757	89,537,757	1,259,363,066
Intangible assets under Development (Note 1)										1,377,048,494

Note: 1. Borrowing costs capitalized during 2015 were \$ 69.1 million(\$ 65.1 million in 2014)

Notes on Financial Statements for the year ended 31 December, 2015

7. CASH AND BANK BALANCES

	As at 31st Dec, 2015	<i>In USD</i> As at 31st Dec, 2014
Balance with bank	111,322	31,621
TOTAL	111,322	31,621

8. SHORT-TERM LOANS AND ADVANCES

(Unsecured and considered good)

	As at 31st Dec, 2015	<i>In USD</i> As at 31st Dec, 2014
Prepaid insurance	131,114	61,245
TOTAL	131,114	61,245

9. OTHER CURRENT ASSETS

	As at 31st Dec, 2015	<i>In USD</i> As at 31st Dec, 2014
Revenue receivable	11,728,367	18,802,763
TOTAL	11,728,367	18,802,763

10. REVENUE FROM OPERATIONS (NET)

	2015	<i>In USD</i> 2014
Sale of Products:		
Gas	83,018,858	140,862,657
Natural Gas Liquids (NGL)	419,142	382,658
Condensate	32,527	20,629
TOTAL	83,470,527	141,265,944

11. SHARE OF OPERATING EXPENSES IN SHALE GAS OPERATIONS

	2015	<i>In USD</i> 2014
Midstream expenses	20,540,294	22,831,988
Operating expenses	7,994,227	17,024,028
Operator's general and administrative expenses	12,137,682	14,713,638
Marketing expenses	1,863,154	1,243,559
Production taxes	2,574,420	4,103,818
TOTAL	45,109,777	59,917,031

Notes on Financial Statements for the year ended 31 December, 2015

12. EMPLOYEE BENEFITS EXPENSE

	<u>2015</u>	<u><i>In USD</i></u> <u>2014</u>
Salaries and wages #	1,172,051	1,256,034
TOTAL	<u>1,172,051</u>	<u>1,256,034</u>

represents allocation of expenses incurred by Holding Company, net of capitalization

13. FINANCE COSTS

	<u>2015</u>	<u><i>In USD</i></u> <u>2014</u>
Interest expenses *	57,126,425	46,483,321
Other borrowing costs *	11,670,401	8,177,279
TOTAL	<u>68,796,826</u>	<u>54,660,600</u>

* includes expenses pertaining to transactions with related parties, net of capitalization

14. DEPLETION EXPENSE

	<u>2015</u>	<u><i>In USD</i></u> <u>2014</u>
Depletion of development rights	83,197,762	84,856,201
TOTAL	<u>83,197,762</u>	<u>84,856,201</u>

15. OTHER EXPENSES

	<u>2015</u>	<u><i>In USD</i></u> <u>2014</u>
Legal and Professional fees @	819,327	768,275
General expenses @	25,792	24,997
Impairment Loss \$	452,280,958	89,537,756
TOTAL	<u>453,126,077</u>	<u>90,331,028</u>

@ includes recharge of expenses incurred by Holding Company

\$ An exceptional item

16. RELATED-PARTY DISCLOSURES

(i) List of related parties where control exists and related parties where transactions have taken place:

Name of the related party	Relationship
Reliance Holding USA Inc	Holding company (control exists)
Reliance Industries Limited	Ultimate holding company (control exists)

Notes on Financial Statements for the year ended 31 December, 2015

(ii) Related-Party Transactions

		<i>In USD</i>	
		As at 31 December	
Name of the related party	Balances as at year end	2015	2014
Reliance Industries Limited	Guarantee given by	39,446,770	286,230,305
Reliance Industries Limited	Guarantee commission payable	5,869	-
Reliance Holding USA Inc	Loan from Holding Company	1,939,109,700	2,039,359,700
Reliance Holding USA Inc	Other payables	417,314	1,030,980
Reliance Holding USA Inc	Interest payable	57,694	9,802,381

		Years ended 31 December	
Name of the related party	Nature of Transactions	2015	2014
Reliance Holding USA Inc	Guarantee commission	6,846,208	6,739,962
Reliance Holding USA Inc	Allocated salaries and wages	2,174,081	2,219,543
Reliance Holding USA Inc	Interest expense	119,111,684	101,781,387
Reliance Holding USA Inc	Other costs	426,657	453,968
Reliance Industries Limited	Guarantee commission	32,743	34,109

17. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

		<i>In USD</i>	
		As at 31 December	
		2015	2014
Capital commitment:			
Drilling carry obligation to Chevron Northeast Upstream LLC		39,446,770	225,449,465

18. COMPANY'S SHARE OF PROVED RESERVES

	Proved Reserves (Million MT)		Proved Developed Reserves (Million MT)	
	2015	2014	2015	2014
OIL:				
Beginning of the year	0.01	0.01	0.01	0.01
Revision of estimates	0.01	-	0.01	-
Production	(0.01)	-	(0.01)	-
Closing Balance for the year	0.01	0.01	0.01	0.01

	Proved Reserves (Million M ³)		Proved Developed Reserves (Million M ³)	
	2015	2014	2015	2014
GAS:				
Beginning of the year	31,189	27,493	9,728	7,992
Revision of estimates	(4,143)	4,895	4,783	2,935
Production	(1,606)	(1,199)	(1,606)	(1,199)
Closing Balance for the year	25,440	31,189	12,905	9,728

1 cubic meter (M³) = 35.315 cubic feet, 1 cubic feet = 1000 BTU and 1 MT = 7.5 bbl

Notes on Financial Statements for the year ended 31 December, 2015

19. SEGMENT REPORTING

The Company is in the business of development and production of oil and gas from shale reservoirs in the United States of America. Consequently, there is a single business and geographical segment.

20. DISCLOSURE OF THE COMPANY'S INTEREST IN OIL AND GAS VENTURES (JOINTLY CONTROLLED ASSETS)

Name of the Unincorporated Joint Venture	Company's % interest	Partners and their Participating Interest	Country
Atlas Reliance Marcellus Joint Venture Partnership	40%	Chevron Upstream Northeast LLC - 60% (Operator)	USA

Previous year's interests are same as current year.

21. IMPAIRMENT OF OIL AND GAS ASSETS

During the year, in view of indicators of impairment being the significant downturn in commodity prices and resultant slowdown in the pace of development, the Company proceeded to determine the recoverable amount. Given the intent to stay invested in the business, recoverable amount was determined basis the value in use, being the net present value of future cash flows emanating from the proved, probable, possible and contingent reserves, discounted at differential rates, calculated based on the weighted average cost of capital of the Holding Company. The impairment loss has accordingly, been recognised in respect of 'Development Rights', an intangible asset of USD 452,280,958. Since the Company follows Full Cost Method of accounting wherein the cost centre is not smaller than the country, value in use has been determined in respect of the Company's share of reserves in Chevron in United States of America. For the purposes of discounting the future net cash-flows, discounting rates of 5% and 7% have been used in respect of 'Proved' reserves and 'Probable, Possible and Contingent Reserves' respectively.