



## BOARD OF DIRECTORS

Hasmukh Shah, *Chairman*  
 Prof. Pradip Khandwalla  
 Jal Patel  
 Ajit Kapadia  
 Bikash C. Bora  
 Rajeev Khanna (Upto 22 July 2010)  
 Walter Simpson (w.e.f. 22 July 2010)  
 Alan Derek Fisher  
 Shaleen Sharma, *Managing Director*  
 Rajeshwari Sharma, *Company Secretary*

## GROUP HEADS

Devendra Katiyar, *Director – HSSE*  
 David Brooks, *Director – Technical*  
 Himanshu K. Upadhyay, *Director – Policy and Corporate Affairs*  
 Manu Verma, *Director – Commercial*  
 Nakul Raheja, *General Manager–Regulations & New Business Development*  
 Priyaranjan Sekhon, *Legal Counsel*  
 Rajeev Singh, *Director – Human Resources*  
 Sadhan Banerjee, *Director – Management Services*  
 Sugata Sircar, *Director – Finance*

## BANKERS

HDFC Bank Limited  
 ICICI Bank Limited  
 State Bank of India  
 Kotak Mahindra Bank Limited

## AUDITORS

PRICE WATERHOUSE  
 Chartered Accountants  
 Building 8, 7<sup>th</sup> & 8<sup>th</sup> Floor, Tower B,  
 DLF Cyber City, Gurgaon – 122 022  
 Haryana

## CORPORATE OFFICE

2, Shanti Sadan Society, Near Parimal Garden,  
 Ellisbridge Ahmedabad – 380 006

## OFFICES

### SURAT

Adajan Gam, Post Box. No. 915,  
 P. O. Navyug College, Surat – 395009

### CNG Office (Surat)

CNG Office, 3<sup>rd</sup> Floor, Swastik House,  
 Kargil Chowk, Piplod, Surat – 395007

### ANKLESHWAR

Surati Bhagol, Umarwada Road,  
 Via Piramal Naka, Ankleshwar – 393001

### BHARUCH

Anand Mangal Society,  
 Son Talavadi, Bharuch – 392001

### VAPI

Chandralok Complex,  
 Near Cinepark Multiplex,  
 Selvas Vapi Main Road, Chanod, Vapi

## 31<sup>st</sup> Annual General Meeting

Date : 28 April 2011  
 Day : Thursday  
 Time : 10.00 a.m.  
 Venue: H. T. Parekh Convention Centre  
 Ahmedabad Management Association  
 ATIRA, Dr. Vikram Sarabhai Marg  
 Vastrapur, Ahmedabad – 380 015

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## NOTICE

NOTICE is hereby given that the Thirty First Annual General Meeting of the Members of Gujarat Gas Company Limited will be held on Thursday, 28 April 2011 at 10.00 a.m. at H. T. Parekh Convention Centre, Ahmedabad Management Association, ATIRA, Dr. Vikram Sarabhai Marg, Vastrapur, Ahmedabad – 380 015, to transact the following business:

### ORDINARY BUSINESS

1. To consider and adopt the Directors' Report, the Audited Profit and Loss Account and Cashflow Statement for the year ended on 31 December 2010, the Balance Sheet as that date and the Auditors' Report thereon.
2. To declare dividend on preference shares.
3. To declare dividend on equity shares.
4. To appoint a Director in place of Mr. Derek Fisher, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. Bikash C. Bora, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint Auditors to hold the office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

### SPECIAL BUSINESS

7. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Walter Simpson, who was appointed as an Additional Director of the Company under Section 260 of the Companies Act, 1956, read with Article 79 of the Articles of Association of the Company and who holds office till conclusion of this Annual General Meeting and in respect of whom the Company has received a notice from a member proposing his candidature for the office of the Director, be and is hereby appointed as Director of the Company, liable to retire by rotation."

8. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT subject to such approvals, as may be necessary, the Chairman and Independent Directors of the Company be paid Commission for the period of three Financial Years effective from the Financial Year ending 31 December 2010, as set out in the Explanatory Statement annexed to this Notice convening the Thirty First Annual General Meeting.

RESOLVED FURTHER THAT the above commission shall not exceed one percent of the net profits of the Company as provided under section 309(4) of the Companies Act, 1956 ("the Act"), and computed in the manner referred to in section 198 of the Act, or any amendment or re-enactment thereof, in addition to the fees for attending

the meetings of the Board of Directors of the Company or any Committee thereof."

### By Order of the Board

GujaratGas Company Limited

Rajeshwari Sharma  
Company Secretary

Date : 15 March 2011

Place : Ahmedabad

### NOTES:

1. The relevant Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, is annexed hereto and forms part of the Notice.
2. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF ON A POLL AND THAT A PROXY NEED NOT BE A MEMBER. Proxies, in order to be effective, must be received at the Registered Office of the Company, not less than forty eight hours before the commencement of the Annual General Meeting.
3. Members/proxies are requested to bring the attendance slip duly filled in for attending the meeting along with copy of the Annual Report for Financial Year 2010.
4. Members desirous of getting any information about the accounts and operations of the Company are requested to address their queries to the Company Secretary, at the Registered Office, so as to reach at least seven days before the date of the meeting to enable the management to keep the required information readily available at the Thirty First Annual General Meeting.
5. Dividend for the Financial Year ended 31 December 2003, which remains unpaid or unclaimed, will be due for transfer to the Investor Education and Protection Fund of the Central Government ('IEPF') later this year, pursuant to the provisions of Section 205A of the Companies Act, 1956.
6. Members who have not encashed their dividend warrants for the Financial Year ended 31 December 2003, or any subsequent financial year(s) are requested to lodge their claim with the Company Secretary. In respect of dividend for the Financial Year ended 31 December 2003, it will not be possible to entertain the claims received by the Company Secretary after 10 June 2011. Members are advised that, in terms of the provisions of section 205C of the Companies Act, 1956, no claim shall lie with respect to unclaimed dividend once it is transferred by the Company to IEPF.
7. Members, holding the shares in physical form and wishing to avail the nomination facility, are requested to send the duly filled nomination form to Karvy Computershare Pvt. Ltd, Hyderabad, the Registrar and Share Transfer Agent. Nomination form may be downloaded from the Company's website [www.gujaratgas.com](http://www.gujaratgas.com) under the investors section.
8. Pursuant to SEBI circular, the shareholders holding shares

in physical form are requested to submit the notarised copy of the PAN in compliance of the KYC norms.

#### **EXPLANATORY STATEMENT**

Annexed to the Notice convening the Thirty First Annual General Meeting to be held on Thursday, 28 April 2011:

#### **ITEM NO. 4**

Mr. Derek Fisher, Director, retires by rotation and being eligible offers himself for re-appointment.

#### **Brief resume and nature of expertise**

Mr. Derek Fisher is the President & Managing Director for BG – Asia. Prior to his current assignment, he was the AGM for BG – India. He graduated from Purdue University, US, with a Bachelor Degree in Science Engineering and with a Master Business Administration Degree from Northeastern University, US.

He has extensive experience in exploration and production, power generation and transmission and distribution. He has been the AGM for BG – Tunisia since April 2004, during which period he led the sanctioning and building of the major Hasdrubal project. He has also functioned as the AGM for BG South East Asia and the AGM for BG Philippines.

Prior to joining BG Group in 1998, Derek held a range of senior management posts in the energy and infrastructure sectors, with experience across Asia including India.

Mr. Fisher does not hold any shares and beneficial interest in any shares of your Company. He holds directorship and Membership of the following companies/ committees:

#### **Directorships**

<b>Sr. No.</b>	<b>Name of the Company</b>	<b>Designation</b>
1	Gujarat Gas Company Limited	Director
2	Mahanagar Gas Limited	Chairman
3	BG India Energy Pvt. Ltd	Managing Director
4	BG India Energy Services Pvt. Ltd	Managing Director
5	BG LNG Regas India Pvt. Ltd	Managing Director

#### **Membership of Committees**

<b>Sr. No.</b>	<b>Name of the Company</b>	<b>Committee</b>	<b>Designation</b>
1	Mahanagar Gas Ltd	IPO Sub Committee	Member
2	Gujarat Gas Company Limited	Pricing Committee	Member
3	Gujarat Gas Company Limited	Remuneration Committee	Member

Your Directors recommend re-appointment of Mr. Derek Fisher as the Director.

The following Promoter-Directors of the Company are deemed to be interested:

- |                       |                       |
|-----------------------|-----------------------|
| a) Mr. Has Mukh Shah  | b) Mr. Derek Fisher   |
| c) Mr. Walter Simpson | d) Mr. Shaleen Sharma |

#### **ITEM NO. 5**

Mr. Bikash C. Bora, Director, retires by rotation and being eligible offers himself for re-appointment.

#### **Brief resume and nature of expertise**

Mr. Bikash C. Bora, aged about 70, Graduate in Mechanical Engineering and a Fellow of the Institution of Engineers (India), has been associated with the Oil and Gas industry for more than four decades.

After superannuation in 2001 from ONGC, of which he was the Chairman & Managing Director from 1995 to 2001, he has been a Consultant and Advisor to a number of companies engaged in the energy sector through his wholly owned consultancy company, Enercon.

Mr. Bora started his career with Oil India Ltd., as a Production Engineer in 1962 and rose to become the Chairman & Managing Director of the company in 1992, a position he held until 1995, when he moved to ONGC. He was actively involved with a number of important committees and task forces of the Government of India, related to the hydrocarbon and energy industries. He was also associated with a number of technical, social and sports organisations in the country as an important office bearer.

Mr. Bora does not hold any shares or beneficial interest in any shares of your Company.

Mr. Bora holds directorships of the following companies/ committees.

#### **Directorships**

<b>Sr. No.</b>	<b>Name of the Company</b>	<b>Designation</b>
1	Gujarat Gas Company Limited	Director
2	Interlink Petroleum Limited	Chairman
3	Assam Hydrocarbon & Energy Company Ltd.	Director

He is the Member of the Audit Committee and the Chairman of Shareholder Grievance Committee of Interlink Petroleum Limited.

Your Directors recommend the re-appointment of Mr. Bikash C. Bora, as the Director of your Company.

No Director other than Mr. Bikash C. Bora is in any way interested or concerned in the said resolution.

#### **ITEM NO. 7**

Mr. Walter Simpson was appointed as an Additional Director of the Company, by the Board of Directors at its meeting held on 22 July 2010. As per the provisions of section 260 of the Companies Act, 1956, and the Articles of Association of the Company, he holds the office of director till the conclusion of this Annual General Meeting. A notice under section 257 of the Companies Act, 1956, alongwith the requisite deposit has been received from a shareholder, signifying the intention to propose his candidature for appointment as the Director of the Company.

### Brief resume and nature of expertise

Mr. Walter Simpson is the President and Managing Director, BG India and is responsible for upstream, midstream and downstream businesses of BG Group in India. He is also Director on the Board of Mahanagar Gas Limited, which is India's largest downstream company by customer base. He holds Masters Degrees in Engineering Science from Oxford University and Petroleum Engineering from Heriot-Watt University, Edinburgh.

Prior to joining the BG India team in 2009, he was the Vice President for Well Engineering and Operations since 2004 at BG Group's head office in Reading, UK.

He joined BG Group in 1999 and worked initially in the UK on BG Group's North Sea Fields before moving to the head office. He has been in the Oil and Gas industry for over 25 years and has extensive international experience, having lived and worked in India, North Africa, the Middle East, South East Asia and Australia.

He does not hold any shares and beneficial interest in any shares of your Company. He holds directorship and Membership of the following companies/ committees:

#### Directorships

Sr. No.	Name of the Company	Designation
1	Gujarat Gas Company Limited	Director
2	Mahanagar Gas Limited	Director
3	BG India Energy Pvt. Ltd	Director
4	BG India Energy Services Pvt. Ltd	Director
5	BG LNG Regas India Pvt. Ltd	Director
6	BG Exploration & Production India Ltd.	Director
7	BG Bolivia Corporation	Director

#### Membership of Committees

Sr. No.	Name of the Company	Committee	Designation
1.	Mahanagar Gas Ltd	Audit Committee	Member
2.	Gujarat Gas Company Limited	Pricing Committee	Member
3.	Gujarat Gas Company Limited	Audit Committee	Member

Your Directors recommend the appointment of Mr. Walter Simpson as the Director of your Company.

The following Promoter-Directors of the Company are deemed to be interested:

- Mr. Hasmukh Shah
- Mr. Derek Fisher
- Mr. Walter Simpson
- Mr. Shaleen Sharma

### ITEM NO. 8

The Chairman (Promoter-Director) and the Independent Directors are being paid sitting fees for attending the meetings

of the Board of Directors and its Committees. Remuneration by way of commission aggregating to Rupees Twenty One lac, for Financial Year 2009 was paid to these Non-Executive Directors, after the approval of the Board and Shareholders.

The remuneration of the Chairman and the Independent Directors has to be commensurate to the contribution made by them. While acknowledging that the rich experience and the expertise of the above mentioned Directors enables them to significantly contribute to the business of the Company, the Board of Directors, at its meeting held on 28 February 2011, in token of appreciation and gratitude to them, has proposed to pay the following remuneration by way of Commission for the period of three Financial Years effective from the Financial Year ending 31 December 2010, subject to the approval of the shareholders and the Central Government, in addition to the sitting fees being paid:

Mr. Hasmukh Shah,	Chairman (Promoter-Director)	Rs 8.0 lakhs
Mr. Jal Patel,	Chairman, Audit Committee	Rs 6.5 lakhs
Prof Pradip Khandwalla,	Independent Director	Rs 6.5 lakhs
Mr. Ajit Kapadia	Independent Director	Rs 5.0 lakhs
Mr. Bikash C. Bora	Independent Director	Rs.5.0 lakhs

The above commission shall not exceed one percent of the net profits of the Company as provided under section 309(4) of the Companies Act, 1956 ("the Act"), and computed in the manner referred to in section 198 of the Act, or any amendment or re-enactment thereof. The Commission is recommended to be paid for their contribution as well as time spent on operational matters other than at the meetings.

Your directors recommend this Special Resolution for your approval. The following Directors of the Company are deemed to be concerned / interested:

- Mr. Hasmukh Shah
- Mr. Jal Patel
- Prof Pradip Khandwalla
- Mr. Ajit Kapadia
- Mr. Bikash C. Bora

### By Order of the Board

Gujarat Gas Company Limited  
Rajeshwari Sharma  
Company Secretary

Date : 15 March 2011  
Place : Ahmedabad

## DIRECTORS' REPORT

### DEAR SHAREHOLDERS,

Your Directors have pleasure in presenting the 31<sup>st</sup> Annual Report and the audited accounts for the year ended on 31 December 2010.

### 1. FINANCIAL RESULTS

(Rs. in Millions)

Particulars	Consolidated Financials		Stand-alone Financials	
	Current Year	Previous Year	Current Year	Previous Year
Total income	18717.25	14463.05	18676.94	14429.59
Gross profit before interest, depreciation and tax	4380.06	3061.51	4346.37	3035.54
Less: Interest	4.62	1.36	4.62	1.36
Depreciation	542.05	473.82	530.66	460.63
Profit before tax	3833.39	2586.33	3811.09	2573.55
Tax expenses	1243.24	836.11	1223.80	822.30
Net Profit	2590.15	1750.22	2587.29	1751.25
Minority Interest	12.69	8.55	-	-
Profit attributable to Group	2577.46	1741.67	-	-
Add: Undistributed profit of earlier years	5462.26	5112.61	5315.26	4949.01
Balance available for Appropriation	8039.72	6854.28	7902.55	6700.26
Less: Appropriations:				
Transfer to general reserve	261.94	176.99	259.00	176.00
Special reserve as stipulated by RBI	8.43	5.68	0.00	0.00
Preference dividend	10.80	10.80	10.80	10.80
Proposed Equity dividend	1539.00	1026.00	1539.00	1026.00
Corporate dividend tax	251.88	172.55	251.42	172.20
Surplus retained	5967.67	5462.26	5842.33	5315.26
Earning per Share (Rs.)	20.00	13.48	20.08	13.56

### 2. DIVIDEND

Your Directors recommend for consideration of the shareholders at the Annual General Meeting, payment of dividend for 2010 of Rs.4/- and Special Dividend of Rs. 8/- per equity share of Rs. 2 each and 7.50% dividend i.e. Rs. 0.75 per Redeemable Cumulative Non-convertible Preference Share of Rs. 10 each, involving total payout of Rs. 1801.22 Million, including corporate dividend tax of Rs. 251.42 Million.

Your directors have made this recommendation after careful consideration of the Company's performance and its reserves and an assessment of the fund requirements of the Company for its capital programme in line with its growth strategy as well as the projected earnings from operations.

### 3. MANAGEMENT ANALYSIS

#### 3.1. Industry Structure and Developments

Natural gas is fast gaining its place in India's large and rapidly growing energy market. Due to the inherent environment friendly nature, ease of handling and greater efficiency, natural gas is proving its utility both as a fuel and feedstock. Natural gas currently constitutes

about 11 % of India's primary energy basket, but with additional availability, including that from the imported route, natural gas is expected to constitute ~23% of the primary energy basket by the year 2020 suggesting a significant growth potential for the natural gas business in India.

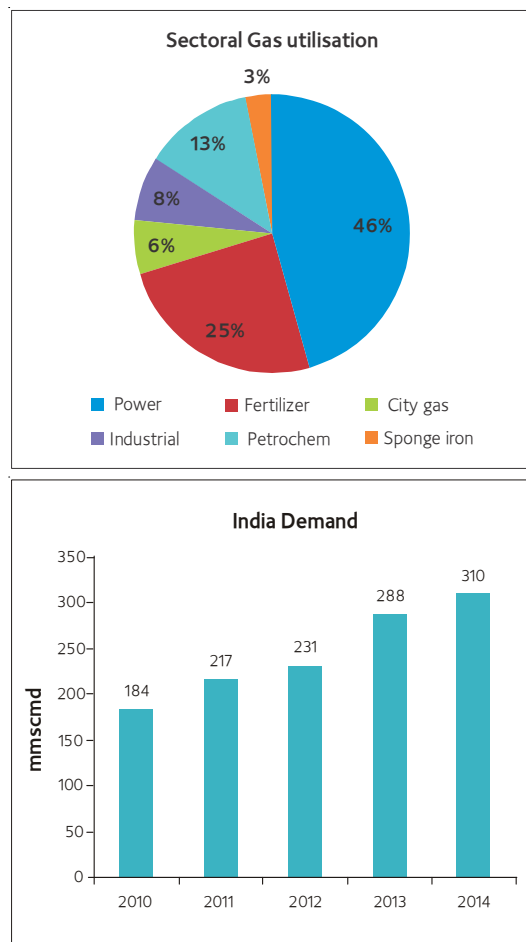
India's gas production has seen a sharp growth during last two years with the commencement of supplies from the D6 fields in the Krishna Godavari basin offshore the Indian east coast. This resulted in balanced demand-supply for a brief period but the second half of the year 2010 saw significant deficit in supplies mainly because of an unexpected reduction in D6 supplies.

The Ministry of Petroleum and Natural Gas (MoPNG), Government of India, under the aegis of the EGOM (Empowered Group of Ministers) allocates gas from the D6 fields as per the Gas Utilisation Policy. Under this policy, preferential allotment is made to units in the core sectors of fertiliser and power. Given that supply from indigenous fields would not be adequate to meet demand over the medium to long term, the country will have to rely significantly on importing Liquefied Natural Gas



(LNG). The consumption of regasified LNG (RLNG) in Indian markets increased through the year, primarily due to the availability of spot cargoes.

Over the medium to long term, Indian gas demand is projected to continue to be far in excess of the availability of gas from indigenous sources, confirming a clear market preference for this environmentally friendly source of energy. While the predominant consumers continued to be the power and fertiliser units, the demand from City Gas Distribution (CGD) customers viz. smaller industrial units, natural gas vehicles, households and commercial establishments, continued to grow. Sectoral gas demand has remained largely consistent over the years, with almost 46% being consumed by power sector followed by the fertiliser sector with a share of 25%. The sector-wise gas demand projections as in the XI – XII Five-Year Plans, together with the projections for all India gas demand in the near to medium term, is illustrated below:



Source: Working Group for P&NG sector for XI plan (2007-12)

### 3.2. Opportunities and Challenges

The robust projection for growth in the demand for natural gas in the CGD market offers significant opportunities to your Company.

Natural gas is used in various applications and replaces different alternate fuels. There is opportunity to focus on high value markets and further increase penetration in them. This would not only help in increasing value but will also help in mitigating the increasing cost of gas in your Company's portfolio.

Compressed Natural Gas (CNG) remains a high value segment in your Company's markets and is a significant driver for growth. Your Company is focused on expanding the infrastructure of CNG stations in its operational areas to sustain the growth momentum in this business.

Opportunity exists to expand in new geographical areas. Your Company is assessing all such opportunities and has bid for a new geographical area in Gujarat under the third round of bidding launched by the Petroleum and Natural Gas Regulatory Board (PNGRB).

The strong industrial growth in the state of Gujarat, and the conducive business, social and political environment attract large investments to the state. Recent announcements indicate plans for huge additional investments in industrial and urban facilities. It is expected that these investments will create an even stronger demand for natural gas in the state.

The shortfall in the supply of indigenous gas will continue to pose a challenge in the way of business growth. The supply shortfall will largely have to be met with RLNG. As the BG Group is a major global player in LNG and is a marketer of RLNG in India, your Company is expected to have a better access to RLNG supplies.

Your Company is aware of the challenges by way of competition in obtaining licenses for new areas, in running its operations at a high level of safety and integrity and in retaining its key talent. Mitigation plans are in place to address these challenges.

### 3.3. Operations and Market Performance

Your Company maintained its status as the largest CGD company in India by volumes, despite the ongoing gas supply deficit situation in the country.

Your Company met the challenges of gas sourcing through the year. Whilst 0.60 mmscmd of D6 gas was allocated on a "fall-back" basis by the MoPNG to your Company, no contract could be signed with the suppliers due to inadequate gas production from the D6 fields during the year. However, the Company was successful in procuring RLNG at competitive prices through medium and short term contracts with various suppliers to meet the gas requirements of its customers, and will continue to make concerted efforts to secure such supplies so as to maintain an efficient balance of medium and short term RLNG in its gas sourcing portfolio. This will ensure supply security for your Company's customers and generate flexibility in managing the variations in gas requirements of our various market segments.

Your Company was able to grow gas sales volumes by 17% over the previous year. About 30,000 new

household customers were connected on natural gas during the year, taking the total number of domestic customers of your Company to over 295,000. More than 130,000 vehicles now ply in your Company's operating areas on CNG. Your Company has around 300,000 customers, including industrial units. Sales volumes grew by 20% in the Industrial segment and 16% in the CNG segment.

The average cost of gas for your Company's portfolio increased over the previous year, primarily due to higher proportion of RLNG in the portfolio which made it necessary to align the gas sales prices in the latter part of the year.

### 3.4. Future Outlook

Demand for natural gas is expected to grow as has been outlined above. It will be critical for your Company to expand its network and CNG station infrastructure in order to meet the growth in demand. Your Company plans to continue extending its network to areas adjacent to its current operations. Opportunities for expansion to new geographical areas will continue to be assessed. Growth in new areas will be through the bidding process set out by the PNGRB.

Your company will endeavour to grow value by identifying and accessing high value market segments.

Your Company will continue to invest in human resources and in systems and processes which strengthen the integrity and safety of your Company's assets. This will be the bedrock for the sustenance and growth of your Company's business.

### 3.5. Internal Control System and Risk Management

Your Company has a strong internal control framework and an elaborate internal control system to ensure protection of value, ensure adherence to operating standards and to eliminate the risk of fraud.

Control measures are embedded in the operating processes of the Company. Control critical processes are identified and it is ensured that a robust system is in place for such processes. A set of Financial Control Assurance processes is in operation to cover all control critical processes which have financial exposure. These processes draw from international best practices and are vetted by the BG Group. Standard Operating Procedures exist for several other processes.

Your Company believes in automating controls to the extent possible. Controls are therefore embedded in the ERP system operated for financial and procurement transactions, as also in the billing system. System based tools are used to ensure that appropriate segregation of duty exists in the processing of transactions, which helps to ensure controls.

While functional heads have the responsibility to ensure that an effective internal control system is in operation in their respective areas, each employee has the

responsibility to adhere to internal control requirements in his particular area of work. Managers periodically validate and test the adherence to controls in their areas and certify compliance to their superiors. This rolls up through the organisation and the CEO and the CFO certify to the Audit Committee and the Board to the effect that an effective internal control system is in place

The internal auditors of your Company verify the adherence to internal controls on a continuous basis under an Annual Audit Plan approved by the Audit Committee. They also verify compliance to laws and regulations listed in a Compliance Matrix. Verification of controls is also carried out by the BG Group Audit Team and by your Company's statutory auditors from time to time. Observations by auditors are discussed at the quarterly Audit Committee meetings and completion of actions arising out of auditors' observations is monitored.

Risk management is considered to be an effective tool in your Company to deliver its business plan and annual objectives. Risks are deliberated around every significant decision and business activity through an elaborate process where representatives from various functions assess the risks around carrying out the activity and grade each risk on a scale to evaluate likelihood and impact. This helps in the prioritisation of risks which then leads to the drawing up of a mitigation plan and allocation of resources to address the same. The Business Risk Register is updated every quarter through discussions with relevant persons. The top risks are reviewed by the Audit Committee at its quarterly meetings, which also reviews the risk management process from time to time.

Your Company follows the Value Assurance Framework (VAF) for assessing and deciding on all major projects. This is a comprehensive system of assessment, designed to address all relevant aspects of a project at the earliest opportunity so as to ensure the most optimal decision and smooth execution. Your Company also has a system of carrying out Post Investment Appraisals for projects above a threshold value.

### 3.6 Health, Safety, Security and Environment (HSSE)

Duty of care for Health, Safety, Security and the Environment (HSSE) is a core value of your Company. The management of your Company aims to protect the health, safety and security of its people, to minimise the environmental impact associated with its business and to assure the integrity and safe operation of its assets.

Your Company believes that outstanding business performance requires outstanding HSSE performance. The safe delivery of projects and operation of its facilities is a critical success factor for your Company's business.

The management of your Company

- believes that all injuries are preventable;
- provides healthy, safe and secure work environments;

- makes a positive contribution to the protection of the environment; and
- goes beyond compliance with local environmental regulation to meet internationally accepted best practice

The management sets HSSE goals, develops improvement plans, monitors implementation of plans and regularly reviews HSSE performance using leading and lagging indicators. Your Company has strong self assurance process as well as independent audit process to ensure that controls are in place to manage HSSE risks effectively. The learning culture in your Company ensures the improvement in the HSSE performance through learning from its own incidents including near miss incidents and significant incidents of other organizations.

Total recordable case frequency (TRCF) for 2010 was 0.73 against target of 1.45 which represents a significant improvement towards goal of "Zero Injury".

Several initiatives were taken up by your Company during the year to further strengthen its HSSE culture. The senior management team led such initiatives, conducted tours of work sites and conducted workshops with employees and contractors of your Company. Your Company has focused on life savers, such as confined space entry, safe systems of work, asset integrity and road safety, Capabilities on handling crisis and disaster management have also been enhanced.

#### Contribution to Environment

Det Norske Veritas (DNV) has carried out "Surveillance audit" for OHSAS-18001-2007 and Environment Management System (ISO 14001-2004) across your Company's installations and offices in November and have validated the certificate.

Your Company is ISO14001: 2004 certified and is committed to ensure minimum impact to environment through its operations.

Your Company has undertaken or contributed indirectly in various initiatives during the year, which include:

- Reduction in vehicular pollution in Surat and Bharuch districts by establishing new 11 CNG stations in the year. The Company dispenses about 400,000 cubic metres of gas per day of this clean fuel to over 130,000 vehicles through its 42 CNG stations.
- Celebration of World Environment Day with tree plantations at the Company's premises, contractor sites and schools.
- Reduction of 9.38 tonnes of CO<sub>2</sub> through various Green House Gas emissions projects.
- No hazardous chemicals were spilled in to the external environment.

### 3.7 Contribution to Society

During the year, your Company continued working on the strategy that was developed in 2009 for carrying out activities for Corporate Social Responsibility (CSR), focusing on environmental education and skill development. The strategy also addresses the need for supporting various sustainable development projects to benefit the communities in which your Company operates.

Your Company continued to support the Skill Development Project at ITI Zhagadia. The programme on gas plumbing aims to equip local unemployed youth with technical and safety skills. A batch of 26 trainees completed this programme in the year.

Your Company supported operation of "Prakriti - the environment bus". This was implemented by Centre for Environmental Education, Ahmedabad (CEE) and aimed to create interest on environmental issues amongst school-going children. The bus covered 86 schools and was visited by 15900 persons. Your company also supported a project on Environmental Education in Municipal Schools of Surat that was implemented by Nature Club, Surat. Your Company continued to support Government of Gujarat initiatives to promote enrolment of children from economically weak backgrounds.

Your Company also supported "Auto Rickshaw Chalak Charitable Trust", (ARCCT), Surat, in rolling out an insurance scheme for all auto-rickshaw drivers in Surat.

## 4. SUBSIDIARIES

### 4.1 Gujaratgas Trading Company Limited (GTCL)

Gujaratgas Trading Company Limited (GTCL), a wholly-owned subsidiary of the Company is engaged in the business of selling natural gas. During the year under review, GTCL achieved sales of Rs. 1730.32 mn as against Rs. 679.51 mn during the previous year. Total income for the year was Rs. 1736.64 mn including other income of Rs. 6.33 mn as against total income of Rs. 687.57 mn including other income of Rs. 8.06 mn in the previous year.

Profit before tax (PBT) was Rs. 7.01 mn during the year as against Rs. 8.03 mn in the previous year.

The accounts for GTCL are a part of this Annual Report.

### 4.2 Gujarat Gas Financial Services Limited (GFSL)

Gujarat Gas Financial Services Limited (GFSL), another subsidiary of your Company, carried out the job of installing gas connections for domestic and commercial customers of the Company. While GFSL had the status of a certified Non Banking Financial Company, it has stopped providing lease finance since April 2007. As it no longer meets the norms prescribed by the Reserve Bank of India (RBI) for Non-Banking Financial Companies, the Company has applied to the RBI for surrender of the RBI Certificate of Registration as NBFC.



During the year under review, the income was Rs. 73.59 mn. as compared to Rs. 50.66 mn. in the year 2009 and the profit after tax was Rs. 42.14 mn. as compared to Rs. 28.39 mn. for the previous year.

The accounts of GFSL are a part of this Annual Report.

## 5. FINANCE

The net cash profits of your Company continued to be strong. A portion of the same was invested in the extension and reinforcement of the Company's pipeline network, expansion of the CNG infrastructure and strengthening of the Information Management systems. Appropriate provisions have been made in the accounts wherever necessary for contingencies, bad debts and diminution in value of investments. During the year under review, your Company has not invited any fixed deposits within the meaning of Section 58A of the Companies Act, 1956.

## 6. STATUTORY INFORMATION

As required under Section 212 of the Companies Act, 1956, the audited accounts for the year ended on 31 December 2010 and Auditors' Report thereon, along with the Directors' Reports of Gujaratgas Trading Company Limited and Gujarat Gas Financial Services Limited, the subsidiaries of GGCL, are attached to GGCL's balance sheet.

### 7.1 Energy, Technology and Foreign Exchange

Since the Company is not a scheduled industry, the details in respect of Form A pursuant to Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are not required to be furnished. However, the details in respect of Form B pursuant to Rule 2 are submitted as Annexure and forms part of this report.

### 7.2 Human Relations and Particulars of Employees

Your Company has been named as one of the 100 Best Companies of India to work for, in a survey conducted by the Great Place To Work Institute in association with The Economic Times covering more than 400 companies and 53000 employees. This feat was possible largely due to the Company's core values of Trust, Commitment, Customer Orientation, Teamwork and Growth. The Company employed 584 employees as on December 31, 2010. Resources were efficiently allocated to key projects while strong emphasis was placed on building a culture of execution. The contributions of your employees have resulted in another year of significant business performance.

Your Company further strengthened its focus on competency development through a strategy of appropriate work exposure and learning and development workshops.

There was no strike or lock-out during the year under review.

Particulars of employees in receipt of remuneration exceeding the limits prescribed under the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, is provided in the Annexure forming part of this Report. In terms of section 219(1) (b) (iv) of the Act, the Report and Accounts are being sent to the Members excluding the aforesaid Annexure. The Annexure is available for inspection by Members at the Registered Office of the Company during business hours on working days up to the date of the ensuing Annual General Meeting, and if any Member is interested in obtaining a copy thereof, such Member may write to the Company Secretary, whereupon a copy would be sent.

### 7.3 Gujarat Gas Company Limited Employee Stock Option Plan 2008 ("the ESOP 2008")

The details of the Options granted up to 31<sup>st</sup> December, 2010 under the Gujarat Gas Company Limited Employee Stock Option Plan 2008 ("the ESOP") and other disclosures as required under Clause 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, are set out in the Annexure to this Report. The Company's Auditors, Price Waterhouse, have certified to the effect that the ESOP has been implemented in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the resolutions passed by the members in this regard.

The Company formed the Gujarat Gas Company Limited Employee Welfare Stock Option Trust ("the Trust") in November 2008, which administers the ESOP of the Company. The Director - Finance and Director - Human Resource are the Trustees of the Trust.

Under the ESOP, Options are granted, which provide the benefit or right but not the obligation for exercising at a future date, equivalent number of equity shares each of the face value of Rs. 2/- each of Gujarat Gas Company Limited against the Options that have vested under the ESOP. The ESOP provides for graded vesting of Options granted over a period of 4 years from the date of grant. The Options are to be exercised within a maximum period of 2 years from the date of Vesting. Within the Exercise Period, the Option holder has the option to either purchase the shares from the Trust at the Exercise Price or to give a Mandate of Sale of the shares ("the Mandate") to the Trust in accordance with the terms and conditions of the ESOP.

As per the terms and conditions of the ESOP, the Trust purchases out of the funds advanced by the Company, shares from the open market at ruling prices, at different points of time, equivalent to the number of options granted to the employees. These shares purchased by the Trustees are held in their capacity as the Trustees till

the Options are exercised upon Vesting by the Option holders as per the terms of ESOP. The Trust had purchased from the secondary market 19,48,000 equity shares of Rs. 2/- each, as of 31 December 2010 and the same are being held jointly by the trustees of the Trust.

Under the ESOP, these Equity Shares are subsequently to be sold following the Mandate from the Option holders or are to be transferred to the Option holders, as the case may be, at the time of the Exercise of the Options upon Vesting. The Trustees are authorized to execute the purchase and sale of shares of the Company, on behalf of the Option holders, in accordance with the ESOP.

The first date of grant was 1 November 2008, on which 13,55,000 Options were granted to the eligible employees. 25% of these Options granted being 3,38,750 in number, Vested on the expiry of two years from the Grant Date i.e. 30 October 2010. The First Vesting Date for these 3,38,750 Options was 1 November 2010 and accordingly, 2,80,000 Options have been exercised and 58,750 Option remain unexercised which can be Exercised within two years. As per the ESOP, the Options holders had given the Mandate, whereby the Trustees had to sell 2,70,000 equity shares in December 2010, through open market and the difference between the sale price and the Exercise Price, net of charges and taxes were given to the Option holders as per the ESOP.

Also, as per the ESOP, one of the Option holders, upon Vesting, had exercised his right by opting to have 10,000 shares transferred in his name instead of giving the Mandate to sell the shares. Therefore, the Trustees had transferred to the concerned Option holder, these 10,000 equity shares at the pre-determined Exercise Price of Rs. 95.00 per share.

Your Company has not passed any resolution for buy-back of shares.

#### 7.4 Directors' Responsibility Statement

Your Directors hereby state:

- that in the preparation of the annual accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- that the directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 31 December 2010 and of the profit of the Company for the year ended on that date;
- that the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of

the Company and for preventing and detecting fraud and other irregularities;

- that the directors have prepared the annual accounts on a going concern basis.

#### 7.5 Report on Corporate Governance

As stipulated by Clause 49 of the Listing Agreement, the Report on Corporate Governance is given separately in this Annual Report and forms part of this Report. The certificate of Price Waterhouse, Statutory Auditors of the Company regarding compliance with the Corporate Governance Code is enclosed.

#### 8. AUDITORS AND AUDITORS' REPORT

Price Waterhouse, Statutory Auditors of the Company, retire at the ensuing Annual General Meeting and are eligible for re-appointment.

The notes to the accounts referred to in the Auditors' Report are self-explanatory and, therefore, do not call for any further comments.

#### 9. DIRECTORS

Mr. Derek Alan Fisher and Mr. Bikash C. Bora , the directors retire by rotation at the ensuing Annual General Meeting. Being eligible, they have offered themselves for re-appointment.

For perusal of the shareholders, a brief resume of the Directors being appointed or re-appointed, nature of their expertise, their shareholding in the Company, the names of the companies in which they hold directorship and the details of membership of the committees of the Board are given in the Explanatory Statement to the Notice convening the Annual General Meeting of the Company. The Board of Directors recommends their appointment / re-appointment.

#### 10. APPRECIATION

Your directors appreciate the continued support received from the customers and wish to acknowledge the support and assistance received from the Central and the State Governments, gas suppliers and CNG franchisees.

Your directors place on record their appreciation for the employees for their dedicated performance. Your directors appreciate the contribution made by the contractors and vendors of the Company.

Your directors express their gratitude to its promoter viz. BG Group for their valuable contribution throughout the year and also thank all the shareholders for their continuing support to the Company.

**For and on behalf of the Board**

HASMUKH SHAH  
CHAIRMAN

Date: 28 February 2011  
Place: Ahmedabad

**ANNEXURE**  
**COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988**  
**FORM – B**

Sr. No.	Particulars	Action taken	
1	Research and Development (R&D)		
A	Specific areas in which R&D carried out by the Company	Nil	
B	Benefits derived as a result of the above R&D	NA	
C	Future plan of action	Nil	
D	Expenditure on R&D		
	a. Capital	Nil	
	b. Recurring	Nil	
	c. Total	Nil	
	d. Total R&D expenditure as a percentage of total turnover	Nil	
2	Technology absorption, adaptation and innovation		
A	Efforts in brief, made towards technology absorption, adaptation and innovation	<ul style="list-style-type: none"><li>Development of RFID Technology to identify spurious CNG tank installations (pilot trial for 500 vehicles for a 3 month period initiated.)</li><li>Implemented "Rodent Repellent PE Pipeline" for all new 20 mm PE pipes</li></ul>	
B	Benefits derived as a result of the above efforts	<ul style="list-style-type: none"><li>Enhance the safety of NGV.</li><li>Reduction in rat bites resulting into<ul style="list-style-type: none"><li>Reduced PE damages,</li><li>Reduction in gas escapes,</li><li>Safer network</li></ul></li></ul>	
C	In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished:	Nil	
	a. Technology imported		
	b. Year of import		
	c. Has technology been fully absorbed?		
	d. If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action		
3	Foreign Exchange Earnings & Outgo		
		Current Year (Rs. in million)	Previous Year (Rs. in million)
	Total Foreign Exchange earned	Nil	Nil
	Total Foreign Exchange outgo	56.04	47.31

**For and on behalf of the Board**

HASMU KH SHAH  
CHAIRMAN

Date : 28 February 2011  
Place : Ahmedabad

## ANNEXURE

### Statement as at 31 December 2010 pursuant to clause 12 (Disclosures in the Directors' Report) of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

a)	Total number of Options granted	Gujarat Gas Company Limited Employee Stock Option Plan – 2008 14,80,000 Options (2008) 3,40,000 Options (2009) 4,03,000 Options (2010)
b)	(i) Pricing Formula	The Pricing Formula as approved by the Shareholders of the Company provides that the Exercise Price for Grants made in November, 2008, shall be calculated at 10% discount of the latest available closing price of the Shares on the Stock Exchange on which there was highest trading volumes on the date of the Board Meeting in which the grant of Options is approved. The Compensation Committee has decided the Exercise Price for all subsequent grants. The Exercise Price has been calculated as rounded off to the nearest integer.
	(ii) Exercise Price	<p>Rs. 95.00, adjusted on allocation of bonus for 13,93,000 Options granted in November, 2008, (Rs. 189.00, calculated at 10% discount of the Rs. 210.00 being the closing price of the Shares on the NSE having highest trading volumes on 23 October 2008).</p> <p>Rs. 115.00, adjusted on allocation of bonus for 2,89,000 Options granted in May 2009, (Rs. 230.00, calculated at 10% discount of the Rs. 255.00 being the closing price of the Shares on the BSE having largest trading volumes on 29th April 2009).</p> <p>Rs. 143.00, adjusted on allocation of bonus for 21,000 Options granted in August 2009, (Rs. 286.00 calculated at 10% discount of the Rs. 317.40 being the closing price of the Shares on the BSE having largest trading volumes on 27 July 2009).</p> <p>Rs. 219.00, for 95,000 Options granted in March 2010, (Rs. 219.00 calculated at 10% discount of the Rs. 242.95 being the closing price of the Shares on the NSE having largest trading volumes on 3 March 2010).</p> <p>Rs. 277.00, for 1,90,000 Options granted in 22 July 2010, (Rs. 277.00 calculated at 10% discount of the Rs. 308.00 being the closing price of the Shares on the NSE, having largest trading volumes on 23 July 2010).</p> <p>Rs. 352.00, for 1,18,000 Options granted in October 2010, (Rs. 352.00 calculated at 10% discount of the Rs. 391.00 being the closing price of the Shares on the NSE having largest trading volumes on 27 October 2010).</p>
c)	Total number of Options vested	3,38,750 numbers
d)	Total number of Options exercised	2,80,000 numbers
e)	The total number of shares arising as a result of exercise of Options	<p>No new equity shares were issued on exercise of options.</p> <p>The first Vesting Date under the ESOP was 1 November 2010 and accordingly, Option holders had exercised their options for the shares Vested in them. As per the ESOP, the Options holders had given the "Mandate of Sale", whereby the Trustees had to sell 2,70,000 equity shares in December 2010, through open market and the difference between the sale price and the exercise price, net of charges and taxes were given to the option holders as per ESOP.</p> <p>Also, as per the ESOP, one of the Option holders, upon vesting, had exercised his right by opting to have 10,000 shares transferred in his name instead of giving the Mandate of Sale. Therefore, the Trustees had transferred to the concerned Option holder, these 10,000 equity shares at the pre-determined Exercise Price of Rs. 95.00 per share (at the time of grant in November 2008, the Exercise Price was fixed at 10% discount to the ruling market price).</p>
f)	Total number of Options lapsed	58,500 (period prior to issuance of bonus shares) 40,000 (period after issuance of bonus shares)
g)	Variation of terms of Options	NA
h)	Money realised by exercise of Options	Money realized by the GGCL ESOP Trust on exercise of options : Rs. 26.60 Mn

i)	Total number of Options in force	1,786,000
j)	Employee wise details of options granted to:-	Himanshu Upadhyay – 65,000 (Vested and Exercised – 12,500)
	(i) senior managerial personnel;	Outstanding as on date – 52,500
	(ii) any other employee who received a grant in any one year of Option amounting to 5% or more of Option granted during that year.	Nil
	(iii) identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant.	Nil
k)	Diluted Earnings Per Share (EPS) pursuant to issue of equity shares on exercise of option calculated in accordance with Accounting Standard (AS) 20 'Earnings Per Share'.	NA
l)	(i) Method of calculation of employee compensation cost	The employee compensation cost has been calculated based on the Fair Value method of accounting using the Black-Scholes Option Pricing Formula.
	(ii) Where the company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed.	NA
	(iii) The impact of this difference on profits and on EPS of the company	NA
m)	Weighted-average exercise prices and weighted-average fair values of options granted for options whose exercise price either equals or exceeds or is less than the market price of the stock	The weighted average exercise price per Option is Rs. 142/- The weighted average fair value per Option at the grant date is Rs 52/-
n)	A description of the method and significant assumptions used during the year to estimate the fair values of options	The fair value of each Option is calculated based on the Fair Value method of accounting using the Black-Scholes Option Pricing Formula. The significant assumptions for estimating the fair value of options :  For stock options granted on March 4, 2010: (i) Risk-free interest rate 6.91% (ii) Expected life 3 years (iii) Expected volatility 37.90% (iv) Expected dividends 1.11% (v) The price of the underlying share in market at the time of Option grant – Rs.242.95 (closing price on NSE on 3 March 2010)



For stock options granted on July 26, 2010:

(i)	Risk-free interest rate	6.81%
(ii)	Expected life	3 years
(iii)	Expected volatility	36.78%
(iv)	Expected dividends	1.11%
(v)	The price of the underlying share in market at the time of Option grant - Rs.308 (closing price on stock exchange on 23 July 2010)	

For stock options granted on October 28, 2010:

(i)	Risk-free interest rate	7.54%
(ii)	Expected life	3 years
(iii)	Expected volatility	35.43%
(iv)	Expected dividends	1.11%
(v)	The price of the underlying share in market at the time of Option grant - Rs.391 (closing price on NSE on 27 October 2010)	

**Note:** On 22 September 2009, Bonus Options were allocated on unvested Options in the same ratio as bonus shares (i.e. in the ratio of 1 bonus share for every one equity share) and the Exercise Price thereof was halved, in accordance with the ESOP 2008 read with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

**For and on behalf of the Board**

HASMUKH SHAH  
CHAIRMAN

Date : 28 February 2011

Place : Ahmedabad

**Auditors' Certificate  
regarding compliance of conditions of  
Corporate Governance**

**To The Members of Gujarat Gas Company Limited**

We have examined the compliance of conditions of Corporate Governance by Gujarat Gas Company Limited, for the year ended December 31, 2010, as stipulated in clause 49 of the Listing Agreement(s) of the said Company with stock exchange(s) in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examinations was carried out in accordance with the Guidance Note on Certifications of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement(s).

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**FOR PRICE WATERHOUSE**  
Firm Registration Number – 301112E  
**CHARTERED ACCOUNTANTS**

**V. Nijhawan**  
Partner  
Membership No. F87228

Date : 28 February 2011  
Place : Ahmedabad

## A REPORT ON CORPORATE GOVERNANCE

The Directors present the Company's Report on Corporate Governance.

### 1. GGCL's philosophy on Corporate Governance

Your Company believes that corporate governance is driven by the core values of the Company. Your Company promotes the values of customer orientation, team work, commitment, growth and trust. These reflect the Company's approach to all its stakeholders in the course of carrying out its business. The Company's values are portrayed in a set of strong Business Principles. These Business Principles are continuously communicated and reinforced with employees and contractors.

Your Company ensures appropriate disclosures to transparently communicate significant events and information regarding the performance of the Company.

A Whistle Blower Policy is in operation under which a person can raise a complaint. A mechanism exists to address any such complaint in an independent and objective manner.

The Company seeks to comply with all applicable legal, regulatory and license requirements and strives to work constructively with regulatory bodies.

### 2. Board of Directors

The Board comprises of eight directors of which seven are non-executive directors. Of these seven non-executive directors, four are independent directors. The composition of the Board is in conformity with the provisions of the Corporate Governance Code of the Listing Agreement.

Details of composition of the Board, category of the directors as well as their directorships and memberships in companies/committees including GGCL, private and foreign companies as on 31 December 2010 are given below:

Names of the Directors	Category	Number of Directorship in Companies	Number of Membership/Chairmanship in Board Committees	
			Membership	Chairmanship
Mr. Hasmukh Shah, Chairman	Promoter & non-executive directors	9	2	6
Mr. Derek Fisher		5	3	-
Mr. Walter Simpson		7	3	-
Prof. Pradip Khandwalla	Non-executive and independent directors	8	4	2
Mr. Jal Patel		8	6	4
Mr. Ajit Kapadia		6	-	1
Mr. B. C. Bora		3	1	1
Mr. Shaleen Sharma, Managing Director	Promoter and executive director	4	2	2

The above details also include membership and chairmanship of the Audit Committees and Shareholders' Grievances Committees. Number of membership/chairmanship of all the directors in the Board Committees are in compliance with the Corporate Governance Code.

During the year, Five Board Meetings were held on 4 March 2010, 22 April 2010, 22 July 2010, 9 September 2010 and 28 October 2010.

Details of attendance of the directors at the Board Meetings held during the Calendar Year 2010 and at the last Annual General Meeting are given as follows:

Names of the directors	Number of Board Meetings held while holding the office	Number of Board Meetings attended while holding the office	Attendance at the last AGM
Mr. Hasmukh Shah	5	4	Yes
Mr. Derek Fisher	5	4	Yes
Mr. Rajeev Khanna	2	2	Yes
Prof. Pradip Khandwalla	5	4	Yes
Mr. Jal Patel	5	5	Yes
Mr. Ajit Kapadia	5	4	Yes
Mr. B. C. Bora	5	4	Yes
Mr. Shaleen Sharma	5	4	Yes
Mr. Walter Simpson	2	1	-

Brief resume of the directors proposed to be appointed or re-appointed are given in the explanatory statement annexed to the Notice convening the Annual General Meeting. None of the directors hold any shares in the Company.

The Board Meetings are generally held in Ahmedabad, where the registered office of the Company is located. The calendar of the Board Meetings is approved in advance for each year. The Board meets at least once a quarter with a gap between two meetings not exceeding four months. It has remained the practice of the Company to place before the Board, all the matters listed in Annexure 1A to Clause 49 of the Listing Agreement. The board agenda papers and other explanatory notes are circulated to the directors in advance. Draft minutes of the meetings of the Board of Directors and its Committees are circulated to the directors for their comments before being recorded in the Minute Books. Similarly, minutes of the subsidiary companies are circulated to the directors as a part of the Board Agenda. The directors also have access to all the information about the Company and are free to recommend inclusion of any matter in the agenda for discussion. Senior Management Personnel are invited to attend the Board Meetings and provide clarifications as and when required.

### 3. Audit Committee

During the year, Mr. Rajeev Khanna ceased to be the member of the Audit Committee and Mr. Walter Simpson was appointed as the member in his place. The present members of the Audit Committee are Mr. Jal Patel, Chairman, Prof. Pradip Khandwalla and Mr. Walter Simpson. All the members of the Committee are non-executive directors. Mr. Patel and Prof. Khandwalla are independent directors. All the members of the Committee are qualified professionals and are financially literate. Mr. Patel and Prof. Khandwalla have accounting or related financial management expertise. Quorum of the Committee is two members, requiring presence of both the independent directors. Mr. Jal Patel, Chairman of the Audit Committee was present at the last Annual General Meeting of the Company.

The terms of reference and powers of the Audit Committee are in compliance with the provisions of the Corporate Governance Code of the Listing Agreements and the Companies Act, 1956. Major terms include overseeing the financial reporting process, review of financial statements, ensuring independence of external auditors, review of internal control systems and overseeing of the internal audit department. The Committee reviews internal audit reports and findings of the statutory auditors. The Committee also reviews the risk register recording the key risks, mitigation plan and responsibility assigned for the risks. Also, all relevant information and reports are placed before the Audit Committee in compliance with the provisions of the Corporate Governance Code.

The Committee invites Senior Management Personnel of GGCL as it considers appropriate, to attend the meetings of the Committee. The internal auditor, head of finance and representative of the statutory auditors are permanent invitees at the meetings. The Company Secretary acts as Secretary to the Committee. Minutes of the Audit Committee Meetings are circulated and discussed at the Board Meetings.

Calendar of the meetings is approved in advance for each year. The Committee met four times during the year under review.

#### Details of meetings of Audit Committee and attendance

Sr.No.	Date of Meeting	Number of Members	Attendance
1	4 March 2010	3	3
2	22 April 2010	3	3
3	22 July 2010	3	2
4	28 October 2010	3	3

### 4. Remuneration of Directors

The Board of Directors has constituted a Remuneration Committee comprising of Mr. Jal Patel (Chairman), Prof. Pradip Khandwalla and Mr. Derek Fisher. The terms of reference include review of, and decision on the remuneration of the Managing Director, based on the performance and defined assessment criteria and to consider such other matters as may be required by the Board of Directors from time to time. The Committee makes recommendations for the consideration and approval of the

Board of Directors. The meeting of this Committee was held on 13 April 2010, which was attended by Mr. Jal Patel and Prof. Pradip Khandwala.

The details of managerial remuneration paid to the Managing Director in the year 2010 are given below.

#### Details of remuneration package of the Managing Director

Elements of remuneration package	Fixed component / Performance linked incentive	C.Y.2010 Amount Rs.
Basic salary	Fixed	7,496,889
Contribution to provident fund and gratuity fund		1,260,231
Perquisites and Allowances	Value of benefits with upper ceiling	
HRA/Rent free accommodation, Medical and other allowance		2,081,750
Gas, electricity and other expenses		93,124
Expenses on cook, sweeper and servant		161,700
Performance bonus	Performance linked incentive	5,931,766
Total		17,025,460

#### Other Details

##### Criteria

Major criteria for performance bonus	<ul style="list-style-type: none"> <li>• Health, safety, security &amp; environment.</li> <li>• Profit before tax.</li> <li>• Return on average capital employed.</li> <li>• Volume throughput.</li> <li>• Opex / volume.</li> <li>• Investment (Capex)</li> </ul>
--------------------------------------	--

Service contract	For a period of five years commencing from 1 July 2007
Notice period	3 months
Severance fees	Nil
Stock option & pension	Nil

#### Details of sitting fees paid during the year

Sitting fees are paid to the Chairman and independent directors for attending meetings of the Board of Directors and its Committees. An amount of Rs.20,000 per meeting was paid as sitting fees for attending Board Meetings and Rs.18,000 per meeting for attending Committee Meetings. The Managing Director is not paid sitting fees for attending the meetings of the Board of Directors or its Committees. Total sitting fees paid during the year 2010 amounted to Rs. 8,88,000/-.

#### Details of commission paid to Directors

In order to bring the remuneration of the Chairman and the independent directors in line with current trends and ensuring that the remuneration is commensurate to the time devoted and the contribution made by them, remuneration by way of following commission for CY 2009 was paid to these non-executive directors, after the approval of the Board and shareholders:

Mr. Hasmukh Shah,	Chairman	Rs 6.0 lakhs
Mr. Jal Patel,	Chairman, Audit Committee	Rs 4.5 lakhs
Prof Khandwala,	Independent director	Rs 4.5 lakhs
Mr. Ajit Kapadia	Independent director	Rs 3.0 lakhs
Mr. Bikash C. Bora	Independent director	Rs. 3.0 lakhs

The above commission was within one percent of the net profits for CY 2009 and calculated in accordance with the provisions of the applicable laws. The Commission was paid for their contribution at the Board and its Committee Meetings as well as time spent on operational matters other than at the meetings.

#### 5. Shareholders' Grievances Committee

GGCL has a Shareholders' Grievances Committee to approve share transfers, transmissions, consolidation, sub-division, etc. and for redressal of complaints / requests received from the shareholders. The present members of the Committee are Prof.



Pradip Khandwalla, the Chairman, Mr. Jal Patel and Mr. Shaleen Sharma. Ms. Rajeshwari Sharma, Company Secretary is the Compliance Officer.

The Committee has sub-delegated powers to the Managing Director to approve share transfers upto 10,000 shares per folio, name deletions and share transmissions. As the shares of the Company are under compulsory demat trading for all investors, this delegation is considered adequate. To facilitate smooth redressal of the shareholders' requests and complaints, the Committee has prescribed time limits for redressing various types of shareholders' requests and complaints. Share transfers and related requests are placed for approval of the Managing Director on a weekly basis. Details of the share transfer requests approved by the Managing Director are placed to the Shareholders' Grievances Committee.

The Company received 115 complaints during the year 2010. All the complaints were resolved to the satisfaction of the shareholders.

## 6. Compensation Committee

The Compensation Committee of the Board comprises of Prof. Pradip Khandwalla, Chairman, Mr. Jal Patel and Mr. Shaleen Sharma. The Compensation Committee administers and superintends the GGCL – Employee Stock Option Plan 2008 ("the ESOP 2008" or "the Plan"), inter alia including the formulation of the following detailed terms and conditions:

- Eligibility and Quantum of options to be granted under the ESOP 2008 per employee and in aggregate;
- the conditions under which option vested in employees may lapse in case of termination of employment for misconduct;
- the exercise period within which the employee should exercise the option and that option would lapse on failure to exercise the option within the exercise period;
- the specified time period within which the employee shall exercise the vested options in the event of termination or resignation of an employee.
- the right of an employee to exercise all the options vested in him at one time or at various points of time within the exercise period;
- the procedure for making a fair and reasonable adjustment to the number of options and to the exercise price in case of corporate actions such as rights issues, bonus issues, merger, sale of division and others.
- the grant, vest and exercise of option in case of employees who are on long leave;
- Determine the procedure for cash less exercise of Options
- Constitution of the Gujarat Gas Company Limited Employee Welfare Stock Option Trust ("the Trust"), to administer the ESOP 2008, through the allocation of the equity shares to be purchased from the market either by the transfer of shares to the employees or by execution of the mandate of sale given by the employee for the sale of equity shares in accordance with the Deed of Gujarat Gas Company Limited Employee Welfare Stock Option Trust ("the Deed of Trust").
- direct the trustee(s) of the trust to administer the provisions of the Plan, as and when required, as per the applicable laws and resolve any issue that arises in the administration of the Plan through the Trust;
- Any other related or incidental matter.

During the year under review four meetings of the Compensation Committee were held on 4 March 2010, 22 April 2010, 22 July 2010 and 28 October 2010.

## 7. General Body Meetings

*Location and time of last three AGMs / EGMs*

Date	Time	Venue
22 April 2010 (AGM)	10.00 a.m.	
30 April 2009 (AGM)	10.00 a.m.	H.T. Parekh Convention Centre, Ahmedabad Management Association, ATIRA, Vastrapur, Ahmedabad-380 015
23 October 2008 (Extraordinary General Meeting)	9.30 a.m.	
2 May 2008 (AGM)	10.00 a.m.	

In the last three Annual General Meetings and one Extraordinary General Meeting, the following special resolutions were passed as per details as follows:

#### **Annual General Meeting held on 22 April 2010**

A resolution for grant of approval to the payment of commission for the financial year 2009 to the Chairman and Independent Directors of the Company.

#### **Annual General Meeting held on 30 April 2009**

A resolution for grant of approval to the payment of commission for the financial year 2008 to the Chairman and Independent Directors of the Company.

#### **Annual General Meeting held on 2 May 2008**

No special resolution was passed at the Annual General Meeting held on 2 May 2008.

#### **Extraordinary General Meeting held on 23 October 2008**

1. A resolution for introduction and implementation of Gujarat Gas Company Limited – Employee Stock Option Plan 2008 for the employees of Gujarat Gas Company Limited.
2. A resolution for introduction and implementation of Gujarat Gas Company Limited – Employee Stock Option Plan 2008 for the employees of subsidiaries of Gujarat Gas Company Limited.

#### **Postal Ballot**

No special resolution was passed through Postal Ballot in the year 2010 under the provisions of section 192A of the Companies Act, 1956 and the Companies (Passing of the Resolutions by Postal Ballot) Rules, 2001.

### **8. Disclosures**

#### **Related Party Transactions**

Related Party Transactions are disclosed in the Notes to Accounts forming part of this Annual Report. Transactions entered into by the Company with the related parties during the year were placed to the Audit Committee for review. There are no pecuniary relationships or transactions with the non-executive directors. A procedure is in place for disclosure of interest by the senior management team.

#### **Whistle Blower policy**

GGCL has implemented a Whistle Blower policy covering the contractors and suppliers besides its employees. The policy provides access to the Managing Director and the Chairman of Audit Committee. Persons covered under the policy can lodge their complaints through anonymous e-mails besides usual means of communication like written complaints or over telephone. None of the persons covered under the policy has been denied access to the Audit Committee.

#### **Code of Conduct**

GGCL has implemented a Code of Conduct based on its business principles along with implementation framework for its directors and senior management of the Company. The Code of Conduct has also been posted on GGCL website. In compliance with the Code, the Board of Directors and Senior Management Personnel of the Company have affirmed compliance with the Code for the year ended 31 December 2010. A declaration to this effect signed by the Managing Director forms part of this Annual Report.

#### **Other disclosures**

1. There are no non-compliances by the Company on any matter related to capital markets, during the last three years. Similarly, there are no penalties or strictures imposed by the stock exchanges, SEBI or any statutory authority on any matter related to capital markets during the last three years.
2. The Company has a detailed Business Risk Management Process which is periodically reviewed by the Board of Directors for determining its effectiveness.
3. The Board of Directors and the Audit Committee periodically review the status of compliances in respect of applicable laws and report thereon by the Internal Audit team.

### **9. Means of Communication**

The Company regularly brings out its Quarterly Results for information of its Shareholders through publications thereof in one English language newspaper, having nation wide circulation and in one regional language newspaper. The Company has its own web site – <http://www.gujaratgas.com>, on which the Quarterly Results, Releases to the stock exchanges and Presentations made to the institutional investors and analysts are displayed.

The Directors' Report deals with all the matters stipulated under the Management Discussion and Analysis Report.

GGCL has not mailed half-yearly results to the shareholders in view of the above-mentioned means of communication adopted by the Company.

The documents referred to but not sent to the persons entitled to received notice of the Annual General Meeting, will be made available for inspection of Shareholders at the Registered Office of the Company during working hours for a period of 21 days before the date of AGM.

**10. General Shareholder Information**

All the required information has been furnished under the head "Information for Investors".

**11. Compliance**

GGCL has complied with the mandatory requirements of the Corporate Governance Code. The Board would review implementation of the non-mandatory requirements of the Corporate Governance Code in due course of time. Auditors' certificate regarding compliance with the Corporate Governance Code for the year 2010 is annexed to this report.

**For and on behalf of the Board**

HASMUKH SHAH  
CHAIRMAN

Date: 28 February 2011  
Place: Ahmedabad



### Certificate of Compliance with the Code of Conduct

**To,**

The Shareholders,  
Gujarat Gas Company Limited

Gujarat Gas Company Limited has in place a Code of Conduct ("the Code") for its Board of Directors and Senior Management Personnel. I report that the Code has been complied with by the Board of Directors and senior management of the Company for the year under review.

**For Gujarat Gas Company Limited**

Shaleen Sharma  
Managing Director

Date : 17 February 2011  
Place : Ahmedabad

## INFORMATION FOR INVESTORS

### 1. Annual General Meeting details

At 10.00 a.m. on Thursday, 28 April 2011 at H. T. Parekh Convention Centre, Ahmedabad Management Association, ATIRA, Dr. Vikram Sarabhai Marg, Vastrapur, Ahmedabad – 380 015.

### 2. Financial Year

The Company follows Calendar Year as its financial year. Meetings of the Board of Directors of the Company are scheduled on the following dates during the year 2011:

19 January 2011 (already held)	28 February 2011 (already held)
28 April 2011	11 August 2011
3 November 2011	22 December 2011

### 3. Book Closure Date

The Register of Members and Share Transfer Book of the Company shall remain closed from 23 March 2011 to 25 March 2011 (both days inclusive), for determining the eligibility of the shareholders for dividend on Equity Shares, if declared at the Annual General Meeting.

Shareholders are requested to update their addresses, bank account details and ECS details with the depositories if shares are held in demat form and with the Registrar and Share Transfer Agent if shares are held in physical mode.

### 4. Dividend Payment

On 5 May 2011

### 5. Listing on Stock Exchanges and Stock Code

Details of listing of equity shares of your Company are given below alongwith stock codes:

Ahmedabad Stock Exchange Limited	20860
Bombay Stock Exchange Limited	523477
National Stock Exchange of India Limited	GUJRATGAS
Vadodara Stock Exchange Limited	23477

Listing fees have been paid for the year 2010-11 and will be paid for the year 2011-12 as per the Listing Agreement with the respective Stock Exchanges.

### 6. Market Price Data

Market price data on the Bombay Stock Exchange Limited, Mumbai for the year 2010 is given below:

Month	Highest (Rs.)	Lowest (Rs.)
January	264.00	224.00
February	277.70	228.20
March	292.90	239.15
April	298.00	270.00
May	301.70	260.00
June	316.95	280.10
July	318.50	289.00
August	359.10	297.65
September	454.00	339.00
October	421.50	380.00
November	410.00	315.00
December	411.50	357.65

### 7. Performance in Comparison to BSE Sensex

Performance of share price of your Company in comparison to BSE Sensex for the year 2010 is given on the inside cover page.

### 8. Registrar and Share Transfer Agents and Share Transfer System

Your Company has appointed Karvy Computershare Private Limited ("Karvy") as the Share Transfer Agent for physical segment. Karvy also acts as the depository registrar for establishing connectivity with NSDL and CDSL for demat segment. Karvy uses computerised share transfer system for processing transfer of equity shares.

Shareholders are requested to send their share transfer and all other requests and complaints to Karvy Computershare Private Limited at the following address:

Karvy Computershare Private Limited, **Unit: GUJARAT GAS COMPANY LIMITED**, Plot no. 17 to 24, Vittalrao Nagar, Madhapur, Hyderabad 500 081. Phone Number: 040-4465500, Fax Number: 040-23420814



## 9. Distribution of shareholding

Distribution of Shareholding as on 31 December 2010 is given below:

Category	No. of Shareholders	Shares held in physical form	Shares held in dematerialised form	Total no. of shares held	% to capital
Resident Individuals	21,016	1,957,650	10,148,102	12,105,752	9.44
Foreign Institutional Investors (FIIs)	33	0	20,358,479	20,358,479	15.87
Non-resident Indians (NRIs)	404	7000	232,679	239,679	0.19
Indian Companies	556	11,010	2,129,175	2,140,185	1.67
Mutual Funds & UTI	31	1000	5,691,202	5,692,202	4.44
Public Financial Institutions, Government Companies and Banks	4	0	141,167	141,167	0.11
Foreign Promoters	1	83,518,750	-	83,518,750	65.12
Others	486	16,000	4,037,786	4,053,786	3.16
<b>Total</b>	<b>22,531</b>	<b>85,511,410</b>	<b>42,738,590</b>	<b>128,250,000</b>	<b>100.00</b>

## 10. Dematerialisation of shares and liquidity

Equity shares of your Company can be traded in electronic form only by all the investors. Your Company has established connectivity with both the depositories viz. NSDL and CDSL through its Share Transfer Agent.

Equity shares of your Company are regularly traded on the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited. 34.878% equity shares of the Company are held by non-promoter shareholders.

11. Your Company does not have any GDRs/ADRs/Warrants or any other convertible instruments.

## 12. Gas receiving locations

Ankleshwar  
Surati Bhagol, Umarwada Road,  
Near Piraman Naka,  
Ankleshwar  
District -Bharuch

Amboli  
Plot no. 70-71,  
Amboli,  
Taluka: Ankleshwar  
District -Bharuch

Vadoli  
Block No. 546/1,  
Village-Vadoli,  
Olpad – Kim State Highway  
Taluka-Olpad,  
District-Surat

Sachin  
Block No. 248,  
GIDC Sachin, Village – Unn,  
Magdalla-Sachin Road,  
Surat

Palsana  
Survey No. 168 & 168/P,  
Village-Lingad,  
Taluka-Palsana,  
District-Surat

Atodara  
R. S. No. 64/1, & 64/2,  
Village-Atodara,  
Olpad- Sayan Road,  
Taluka-Olpad,  
District-Surat

Rahadpore  
Survey no. 75 / 123,  
At and Post Rahadpore,  
Palej-Tankaria Road,  
Bharuch

Surat  
Plot No. 87-88,  
Mayavanshi Mohallo,  
Adajan Gam,  
Surat

Jhagadia  
Plot No-773/A & 773/B,  
GIDC Jhagadia,  
District-Bharuch

Mora (Surat)  
Survey No. 150,  
Opp. Reliance Gate No 3-B,  
Surat-Hazira Road,  
Mora, Surat

Valia  
Block No. 192,  
Kosamdi Village,  
Taluka-Ankleshwar,  
District-Bharuch

Hazira  
Plot No : 364  
Opp. GSPL Guest House,  
Hazira Village,  
Taluka: Choryasi,  
District: Surat

## 13. Correspondence with the Company

Shareholders are requested to correspond with the Company through e-mail to get faster response. Address for correspondence is:

Gujarat Gas Company Limited, 2, Shantisadan Society, Nr. Parimal Garden, Ellis Bridge, Ahmedabad – 380006, India. Telephone Numbers: (079) 26462980, 26460095, Fax: (079) 26466249.

E-mail address of the Company Secretary and Compliance officer is: [rajeshwari.sharma@gujaratgas.com](mailto:rajeshwari.sharma@gujaratgas.com) Shareholders may lodge their complaints on this email address.

#### 14. Nomination facility

The Companies Act, 1956 provides for nomination facility to the investors. As a shareholder, you have an option to nominate any person as your nominee to whom your shares shall vest in the unfortunate event of your death. It is advisable to avail of this facility especially by the shareholders who currently hold shares in their single name.

Nomination can avoid the process of acquiring right in shares through transmission by law. In case of nomination by the joint holders, such nomination will be effective only on the death of all the holders. Shareholders may write to the Company at the registered office for obtaining the nomination form. The nomination form is also available on the Company's website viz. [www.gujaratgas.com](http://www.gujaratgas.com). In case the shares held in demat form, you may contact your depository participant for nomination.

#### 15. Unclaimed dividend

The Company has transferred unclaimed dividend for the financial years 1991-92 to 1994-95 to the General Revenue Account of the Central Government. Shareholders, who have not encashed their dividend warrants for the above years, are requested to lodge their claims with the Registrar of Companies, Gujarat, Ahmedabad. Your Company has also transferred unclaimed dividend for the financial years 1995-96 to 1998-99, financial period of April-December 1999 and interim including final dividend for the year 2001 and 2002 to the Investor Education and Protection Fund in compliance with the provisions of the Investor Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001.

Your Company would be transferring the unclaimed amount of dividend for the calendar year 2003 to the Investor Education and Protection Fund on or after 10 June 2011 in terms of the provisions of the Investor Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001.

#### 16. Folio Merging

Members who hold shares in the same order of names in more than one folio are requested to send their requests for merging all their shareholdings into one folio, along with the share certificates, in case of physical shares.

#### 17. Permanent Account Number (PAN) for Security Transactions

The shareholders, who are holding shares in the physical form, are requested to furnish the attested copies of their PAN to Karvy Computershare Private Limited, the Registrar and Share Transfer Agent. This is in view of the direction of SEBI, making PAN as the sole identification number for all security transactions in line with the KYC norms. Based on the said directive, the shareholders, holding physical shares are requested to produce the PAN document as stated above, which shall form a part of the details of shareholders of the Company.

**For and on behalf of the Board**

HASMUKH SHAH  
 CHAIRMAN

Date : 28 February 2011  
 Place : Ahmedabad

## Auditors' Report To the Board of Directors of Gujarat Gas Company Limited

1. We have audited the attached consolidated balance sheet of Gujarat Gas Company Limited and its subsidiaries (the Group) as at December 31, 2010, the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date, annexed thereto, which we have signed under reference to this report. These consolidated financial statements are the responsibility of Gujarat Gas Company Limited's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We report that the consolidated financial statements have been prepared by the company in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements, notified under section 211(3C) of the Companies Act, 1956 and on the basis of the separate audited financial statements of Gujarat Gas Company Limited and its subsidiaries included in the consolidated financial statements.
4. On the basis of the information and explanations given to us and on consideration of the separate audit reports on individual audited financial statements of Gujarat Gas Company Limited and its aforesaid subsidiaries, in our opinion, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (a) in the case of the consolidated balance sheet, of the consolidated state of affairs of the Group as at December 31, 2010;
  - (b) in the case of the consolidated profit and loss account, of the consolidated results of operations of the Group for the year ended on that date; and
  - (c) in the case of the consolidated cash flow statement, of the consolidated cash flows of the Group for the year ended on that date.

For Price Waterhouse  
Firm Registration No. – 301112E  
Chartered Accountants

Place : Ahmedabad  
Date : February 28, 2011

V. Nijhawan  
Partner  
Membership Number: F87228

### BALANCE SHEET AS AT DECEMBER 31, 2010

	Schedule	Rs. in million	As at 31-12-2010 Rs. in million	As at 31-12-2009 Rs. in million
<b><u>SOURCES OF FUNDS</u></b>				
<b>SHAREHOLDER'S FUNDS</b>				
Share Capital	1	400.50		400.50
Stock Options outstanding Account	2	37.96		21.29
Reserves and Surplus	3	8,152.92		7,375.23
			8,591.38	7,797.02
<b>Minority Interest</b>			63.00	51.72
(Refer Note 26 on Schedule 20)				
<b>Deferred Tax Liability (Net)</b>			669.08	560.26
(Refer Note 14 and 34 on Schedule 20)				
<b>DEPOSITS</b>				
(Refer Note 24 on Schedule 20)				
From Customers		2,034.81		1,514.81
From GAIL (India) Limited		38.69		38.69
			2,073.50	1,553.50
<b>TOTAL</b>			<b>11,396.96</b>	<b>9,962.50</b>
<b><u>APPLICATION OF FUNDS</u></b>				
<b>FIXED ASSETS</b>				
Gross Block	4	10,191.28		9,139.87
Less : Depreciation		3,547.33		3,040.98
Less : Impairment Loss		29.37		34.63
		6,614.58		6,064.26
Less : Lease Terminal Adjustment Account		255.45		255.45
Net Block		6,359.13		5,808.81
Capital work in progress		780.23		865.74
Capital Inventory		517.68		489.96
			7,657.04	7,164.51
<b>INVESTMENTS</b>	5		5,487.74	4,237.57
<b>AMOUNT RECOVERABLE FROM ESOP TRUST</b>			343.02	243.00
(Refer Note 31 on Schedule 20)				
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>				
Inventories	6	188.95		211.27
Lease Receivable	7	72.97		99.45
Sundry Debtors	8	1,411.17		1,138.98
Cash and Bank Balances	9	93.62		79.14
Loans and Advances	10	193.14		263.95
Other Current Assets	11	0.07		0.01
		1,959.92		1,792.80
<b>LESS: CURRENT LIABILITIES AND PROVISIONS</b>	12			
Current Liabilities		2,141.42		2,152.21
Provisions		1,909.34		1,324.06
		4,050.76		3,476.27
<b>NET CURRENT ASSETS</b>			(2,090.84)	(1,683.47)
<b>MISCELLANEOUS EXPENDITURE</b>	13		-	0.89
(To the extent not written off or adjusted)				
<b>TOTAL</b>			<b>11,396.96</b>	<b>9,962.50</b>
<b>Significant Accounting Policies and Notes to the Consolidated Financial Statements</b>				
	20			

This is the Consolidated Balance Sheet referred to in our report of even date

**For Price Waterhouse**  
Firm Registration Number-301112E  
Chartered Accountants

**V. Nijhawan**  
Partner  
Membership No. F87228  
Place : Ahmedabad  
Date : February 28, 2011

The Schedules referred to above form an integral part of the Consolidated Balance Sheet

For and on behalf of the Board

Hasmukh Shah  
Chairman

Shaleen Sharma  
Managing Director

Jal Patel      Sugata Sircar  
Director      Finance Director  
Place : Ahmedabad  
Date : February 28, 2011

Rajeshwari Sharma  
Company Secretary

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2010

	Schedule	Rs. in million	Year ended 31-12-2010 Rs. in million	Year ended 31-12-2009 Rs. in million
<b>INCOME:</b>				
Income from Operations	14	18,493.26		14,196.73
Other Income	15	223.99		266.32
			18,717.25	14,463.05
<b>EXPENDITURE:</b>				
Material consumed/processed (Refer Note 22 on Schedule 20)		12,864.56		10,031.21
Personnel Expenses	16	498.48		451.06
Operating and Other Expenses	17	973.26		915.60
Depreciation		542.05		473.82
Finance Charges	18	4.62		1.36
Deferred Revenue Expenditure Written off		0.89		3.67
			14,883.86	11,876.72
<b>Profit before Taxes</b>			3,833.39	2,586.33
Tax Expense	19		1,243.24	836.11
<b>Profit after Taxes</b>			2,590.15	1,750.22
Minority Shareholders Interest			12.69	8.55
<b>Profit attributable to the Group</b>			2,577.46	1,741.67
Profit brought forward			5,462.26	5,112.61
<b>Profit available for Appropriations</b>			8,039.72	6,854.28
<b>APPROPRIATIONS:</b>				
Proposed Dividend				
- Preference Shares			10.80	10.80
- Equity Shares			1,539.00	1,026.00
Corporate Dividend Tax on Proposed Dividend			251.88	172.55
Special Reserve (As stipulated by RBI)			8.43	5.68
General Reserve			261.94	176.99
<b>Profit Carried Forward</b>			5,967.67	5,462.26
			8,039.72	6,854.28
<b>Basic/ Diluted Earnings per Share of Rs. 2/- each (Rs.)</b>			20.00	13.48
(Refer Note 13 and 27 on Schedule 20)				
<b>Significant Accounting Policies and Notes to the Consolidated Financial Statements</b>	20			

This is the Consolidated Profit and Loss Account referred to in our report of even date

**For Price Waterhouse**

Firm Registration Number-301112E  
Chartered Accountants

**V. Nijhawan**

Partner  
Membership No. F87228

Place : Ahmedabad

Date : February 28, 2011

The Schedules referred to above form an integral part of the Consolidated Profit and Loss Account

For and on behalf of the Board

Hasmukh Shah  
Chairman

Shaleen Sharma  
Managing Director

Jal Patel      Sugata Sircar  
Director      Finance Director

Rajeshwari Sharma  
Company Secretary

Place : Ahmedabad

Date : February 28, 2011



## CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2010

### A. CASH FLOW FROM OPERATING ACTIVITIES

	Year ended 31-12-2010 Rs. in million	Year ended 31-12-2009 Rs. in million
Net Profit before Tax	3,833.39	2,586.33
<b>Adjustments for:</b>		
Depreciation for the year	542.05	473.82
Provision for Gratuity	9.58	5.33
Provision for Leave Encashment	7.94	6.63
(Profit)/Loss on sale of Fixed Assets (Net)	21.21	9.55
Provision for doubtful debts	2.00	1.09
Provision for Stock Options Account	25.91	18.41
Other Provision	2.18	1.82
Provision for Wealth Tax	0.40	0.40
Provision for Diminution in value of Fixed Assets / Capital Work in Progress	10.03	28.79
Bad Debts written off	-	0.20
Fixed Assets written off	-	5.36
Inventory written off	2.46	9.52
Deferred Revenue Expenditure written off	0.89	3.67
Interest Expense	4.62	1.36
Profit on sale of investment (Net)	(18.12)	(35.30)
Liabilities no longer required Written Back	(1.01)	(13.14)
Reversal of Impairment provision	(15.29)	-
Dividend Income	(157.04)	(156.51)
Unrealised Foreign Exchange Gain (Net)	-	(0.36)
Interest Income	(21.38)	(22.78)
<b>Operating Profit before working capital changes</b>	<b>4,249.82</b>	<b>2,924.19</b>
<b>Adjustments for changes in working capital</b>		
(Increase)/Decrease in Sundry Debtors	(324.05)	(637.05)
(Increase)/Decrease in Amount Recoverable from ESOP trust	(107.34)	(232.50)
(Increase)/Decrease in Loan and Advances	183.17	(37.78)
(Increase)/Decrease in Other Current Assets	(0.06)	1.59
(Increase)/Decrease in Inventories	19.86	(34.31)
Increase/(Decrease) in Current Liabilities	88.45	549.75
<b>Cash generated from operations</b>	<b>4,109.85</b>	<b>2,533.89</b>
Taxes paid (Net of refunds)	(1,236.24)	(773.40)
<b>Net Cash from Operating Activities</b>	<b>2,873.61</b>	<b>1,760.49</b>

### B. CASH FLOW FROM INVESTING ACTIVITIES

Purchase of Fixed Assets	(1,151.47)	(1,537.30)
Sale of Fixed Assets	14.50	41.90
Purchase of Investments	(19,561.05)	(14,224.71)
Sale of Investments	18,329.01	13,568.06
Net investment in Finance Lease (Net of Capital Recovery)	26.48	27.87
Interest received	21.38	22.78
Dividends received	157.04	156.51
<b>Net Cash used in Investing Activities</b>	<b>(2,164.11)</b>	<b>(1,944.89)</b>

**C. CASH FLOW FROM FINANCING ACTIVITIES**

Deposits accepted during the year (Net)  
Interest Paid  
Dividend Paid (including Corporate Dividend Tax)  
**Net Cash generated from/(used in) Financing Activities**

**NET INCREASE IN CASH AND CASH EQUIVALENTS**

**Cash and Cash Equivalents at the beginning of the year**

**Cash and Cash Equivalents at the end of the year**

Cash and Cash Equivalents comprise

Cash in hand

Cheques in hand

Balances with Scheduled Banks :

- In Current accounts

- In Dividend Accounts

(Refer note C below)

- In Fixed Deposits Account

**Total Cash and Cash Equivalents as per Cash Flow statement**

<b>Year ended 31-12-2010 Rs. in million</b>	<b>Year ended 31-12-2009 Rs. in million</b>
<b>520.00</b>	279.81
<b>(4.62)</b>	(1.36)
<b>(1,210.40)</b>	(239.59)
<b>(695.02)</b>	38.86
<b>14.48</b>	(145.54)
<b>79.14</b>	224.68
<b>93.62</b>	79.14
<b>0.22</b>	0.20
<b>-</b>	9.89
<b>47.61</b>	62.28
<b>9.99</b>	6.27
<b>35.80</b>	0.50
<b>93.62</b>	79.14

**Notes to Cash Flow Statement**

- The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Accounting Standard-3 on Cash Flow Statements.
- Purchases of fixed assets, stated inclusive of movements of capital work in progress and capital inventory, are treated as part of investing activities.
- The balance with the bank for unpaid dividend is not available for use by the company and the money remaining unpaid will be deposited in Investor Protection and Education Fund after the expiry of seven years from the date of declaration of dividend.
- Figures in brackets indicate cash outflows.
- Previous year figures have been reclassified/regrouped wherever considered necessary to conform to the current year figures.

This is the consolidated cash flow referred to in our report of even date

**For Price Waterhouse**

Firm Registration Number-301112E  
Chartered Accountants

**V. Nijhawan**

Partner  
Membership No. F87228

Place : Ahmedabad

Date : February 28, 2011

For and on behalf of the Board

Hasmukh Shah  
Chairman

Shaleen Sharma  
Managing Director

Jal Patel      Sugata Sircar  
Director      Finance Director

Rajeshwari Sharma  
Company Secretary

Place : Ahmedabad

Date : February 28, 2011

## SCHEDULES FORMING PART OF BALANCE SHEET (CONSOLIDATED)

	Rs. in million	As at 31-12-2010 Rs. in million	As at 31-12-2009 Rs. in million
<b>SCHEDULE - 1</b>			
<b>SHARE CAPITAL</b>			
<b>Authorised</b>			
140,000,000 (Previous year 140,000,000) Equity Shares of Rs. 2/- each		280.00	280.00
17,000,000 (Previous year 17,000,000) 7.5% Redeemable Preference Shares of Rs.10/- each		170.00	170.00
<b>TOTAL</b>		<b>450.00</b>	<b>450.00</b>
<b>Issued, Subscribed and Paid up</b>			
128,250,000 (Previous year 128,250,000) Equity Shares of Rs. 2/- each fully paid-up		256.50	256.50
[Out of the above 83,518,750 (Previous year 83,518,750) equity shares are held by holding company BG Asia Pacific Holdings Pte. Limited, the ultimate holding company being BG Group plc.]			
[Out of the above during the Previous year 64,125,000 equity shares allotted as fully paid-up by way of bonus shares out of General Reserve]			
14,400,000 (Previous year 14,400,000) 7.5% Redeemable Cumulative Non Convertible Preference Shares of Rs.10/- each fully paid up, issued to holding company BG Asia Pacific Holdings Pte. Limited		144.00	144.00
[Redeemable at par at any time after five years from the date of allotment (May 18, 2006) but prior to the expiry of twenty years from the date of such allotment; earliest possible date of redemption May 18, 2011]			
<b>TOTAL</b>		<b>400.50</b>	<b>400.50</b>
<b>SCHEDULE - 2</b>			
<b>STOCK OPTIONS OUTSTANDING ACCOUNT</b>			
(Refer Note 31 on Schedule 20)			
Stock Options Outstanding Account		92.90	57.62
Less : Deferred Stock Option Outstanding Account		54.94	36.33
<b>TOTAL</b>		<b>37.96</b>	<b>21.29</b>
<b>SCHEDULE - 3</b>			
<b>RESERVES AND SURPLUS</b>			
<b>GENERAL RESERVE</b>			
As per last Balance Sheet	1,833.54		1,784.80
Add : Transferred from Profit and Loss Account	261.94		176.99
Less : Transfer to Share Capital on issuance of Bonus shares (Refer Note 27 on Schedule 20)	-		128.25
Add : Adjustment to Amount recoverable from ESOP Trust (Refer Note 31 on Schedule 20)	1.91	2,097.39	1,833.54
<b>SPECIAL RESERVE (AS REQUIRED BY RBI)</b>		87.86	79.43
<b>PROFIT AND LOSS ACCOUNT</b>		5,967.67	5,462.26
<b>TOTAL</b>		<b>8,152.92</b>	<b>7,375.23</b>

GUJARAT GAS COMPANY LIMITED (CONSOLIDATED)

SCHEDULES FORMING PART OF BALANCE SHEET (CONSOLIDATED)

SCHEDULE - 4

FIXED ASSETS

(Refer Notes 3, 4, 5, 11, 15, 20, 21, 35 (ii) & 40 on Schedule 20)

(Rs. in million)

Particulars	GROSS BLOCK			DEPRECIATION			IMPAIRMENT LOSS			NET BLOCK	
	As at 01-01-2010	Additions For the year	Deduction/ Adjustments For the year	As at 31-12-2010	For the year	Deduction/ Adjustments For the year	As at 31-12-2010	For the year	Adjustments/ Reversals	As at 31-12-2010	As at 31-12-2009
<b>TANGIBLE ASSETS</b>											
Land (Refer Note 1 below)	343.14	-	-	343.14	-	-	-	-	-	343.14	343.14
Buildings	321.40	13.99	-	335.39	7.67	-	58.63	-	-	276.76	270.44
Plant and Machinery	7,132.06	1,027.19	61.91	8,097.34	472.60	33.88	2,826.12	15.29	15.29	5,271.22	4,729.37
(Refer Note 6 below)											
Furniture, Fixtures and Fittings	64.66	4.27	0.54	68.39	4.40	0.49	29.81	-	-	38.58	38.76
Vehicles	93.85	20.95	2.41	112.39	10.70	1.33	40.53	-	-	71.86	62.69
<b>Assets given on Finance lease</b> (Prior to April 1, 2001)											
Plant and Machinery	855.50	-	-	855.50	13.52	-	449.41	-	-	406.09	419.61
<b>Assets given on Operating lease</b> (After April 1, 2001)											
Plant and Machinery	130.87	-	-	130.87	7.02	-	46.57	19.34	10.03	54.93	71.98
<b>INTANGIBLE ASSETS</b>											
Goodwill	1.22	-	-	1.22	-	-	1.22	-	-	-	-
Right of Use of Land	37.70	23.64	-	61.34	-	-	-	-	-	61.34	37.70
Software/Licences	159.47	26.23	-	185.70	26.14	-	95.04	-	-	90.66	90.57
	<b>9,139.87</b>	<b>1,116.27</b>	<b>64.86</b>	<b>10,191.28</b>	<b>542.05</b>	<b>35.70</b>	<b>3,547.33</b>	<b>10.03</b>	<b>15.29</b>	<b>6,614.58</b>	<b>6,064.26</b>
(Less)/Add:											
Lease Terminal Adjustment	-	-	-	-	-	-	255.45	-	-	(255.45)	(255.45)
<b>TOTAL</b>	<b>9,139.87</b>	<b>1,116.27</b>	<b>64.86</b>	<b>10,191.28</b>	<b>542.05</b>	<b>35.70</b>	<b>3,802.78</b>	<b>10.03</b>	<b>15.29</b>	<b>6,359.13</b>	<b>5,808.81</b>
<b>Capital Work in Progress</b> (Refer Note 3 and 4 below)											
<b>Capital Inventory</b> (Refer Note 5 below)											
Net of provision for obsolescence											
Rs. 5.00 million (previous year)											
Rs. 8.55 million											
<b>TOTAL</b>	<b>9,139.87</b>	<b>1,116.27</b>	<b>64.86</b>	<b>10,191.28</b>	<b>542.05</b>	<b>35.70</b>	<b>3,802.78</b>	<b>10.03</b>	<b>15.29</b>	<b>7,657.04</b>	<b>7,164.51</b>
Previous Year	7,665.60	1,503.77	29.50	9,139.87	473.82	15.04	3,296.43	24.75	-	5,808.81	

NOTES:

- Land includes Leasehold Land Rs.0.18 million (Previous year Rs.0.18 million).
- Assets given on Operating lease includes Natural gas fired cogeneration unit at its net realisable value of Rs. 18.51 million (Previous year Rs. 28.54 million) for which agreement to lease has been terminated.
- Capital Work in Progress includes Capital Advances Rs. 137.21 million (Previous year Rs. 49.51 million)
- Capital Work in Progress includes Natural gas fired cogeneration units reclassified from finance lease receivables amounting to Nil (Previous year Rs. 11.91 million) for which agreement to lease has been terminated.
- Capital Inventory includes material in transit amounting to Rs. 63.69 million (Previous year Rs. 34.92 million).
- Plant and Machinery includes certain assets at its net realisable value of Nil (Previous year Rs. 1.92 million) which are held for disposal.

## SCHEDULES FORMING PART OF BALANCE SHEET (CONSOLIDATED)

	Rs. in million	As at 31-12-2010 Rs. in million	As at 31-12-2009 Rs. in million
<b>SCHEDULE - 5</b>			
<b>INVESTMENTS</b>			
(Refer Note 6 and 28 on Schedule 20)			
<b>A Long Term Investments (At Cost) :</b>			
Equity Shares			
Trade -Unquoted	85.00		124.09
Less : Provision	<u>75.00</u>		<u>104.34</u>
		10.00	19.75
<b>Other than Trade (Quoted)</b>			
11,600 Equity Shares of Rs.10/- each fully paid up (Previous Year 11,600			
Equity Shares of Rs.10/- each)	0.12		0.12
Less: Provision for diminution in value of Investment	<u>0.12</u>		<u>0.12</u>
		-	-
<b>Long Term Investments (A)</b>		<u>10.00</u>	<u>19.75</u>
<b>B Current Investments :</b>			
<b>(At Cost and fair market Value whichever is lower, determined categorywise)</b>			
Other than Trade (Unquoted)			
Units of Mutual Funds		5,477.74	4,217.82
<b>Current Investment (B)</b>		<u>5,477.74</u>	<u>4,217.82</u>
<b>Total Investment (A+B)</b>		<u>5,487.74</u>	<u>4,237.57</u>
<b>Aggregate cost of Unquoted Investments</b>		<u>5,562.85</u>	<u>4,342.03</u>
<b>SCHEDULE - 6</b>			
<b>INVENTORIES</b>			
(Refer Note 7 on Schedule 20)			
Stores and Pipe Fittings		188.95	211.27
<b>TOTAL</b>		<u>188.95</u>	<u>211.27</u>
<b>SCHEDULE - 7</b>			
<b>LEASE RECEIVABLE</b>			
(Refer Note 35 (i) on Schedule 20)			
(Unsecured - considered good, unless otherwise stated)			
Lease Receivable			
- Considered Good		72.97	99.45
<b>TOTAL</b>		<u>72.97</u>	<u>99.45</u>

### SCHEDULES FORMING PART OF BALANCE SHEET (CONSOLIDATED)

	Rs. in million	As at 31-12-2010 Rs. in million	As at 31-12-2009 Rs. in million
<b>SCHEDULE - 8</b>			
<b>SUNDRY DEBTORS</b>			
Secured - Considered Good			
Exceeding Six Months		3.73	3.58
Others		1,061.79	917.34
Unsecured - Considered Good			
Exceeding Six Months		0.77	53.15
[includes Nil (Previous year Rs. 45.00 million ) secured by bank guarantees]			
Others		344.88	164.91
[includes Rs. 269.57 million (Previous year Rs. 105.65 million) secured by bank guarantees]			
Unsecured - Considered Doubtful			
Exceeding Six Months	23.26		21.37
Less: Provision for Doubtful Debt	23.26		21.37
		-	-
<b>TOTAL</b>		<b>1,411.17</b>	<b>1,138.98</b>
<b>SCHEDULE - 9</b>			
<b>CASH AND BANK BALANCES</b>			
Cash in hand		0.22	0.20
Cheques in hand		-	9.89
Balances with Scheduled Banks:			
- In Current Accounts		47.61	62.28
- In Dividend Accounts		9.99	6.27
- In Fixed Deposit Account*		35.80	0.50
<b>TOTAL</b>		<b>93.62</b>	<b>79.14</b>
* Includes Term Deposit in an Escrow account as stipulated by RBI Rs. 0.50 million (Previous year Rs. 0.50 million)			
<b>SCHEDULE - 10</b>			
<b>LOANS AND ADVANCES</b>			
(Unsecured - considered good, unless otherwise stated)			
Advances recoverable in Cash or in kind or for value to be received		81.99	40.78
Deposit recoverable		18.63	179.06
Balance due with statutory authorities		40.49	44.11
Advance payment of tax and tax deducted at source	6,490.06		-
Less: Taxation Provision	6,438.03		-
		52.03	-
<b>TOTAL</b>		<b>193.14</b>	<b>263.95</b>
<b>SCHEDULE - 11</b>			
<b>OTHER CURRENT ASSETS</b>			
(Unsecured - considered good, unless otherwise stated)			
Interest Accrued on Term Deposit with Scheduled Bank		0.07	0.01
<b>TOTAL</b>		<b>0.07</b>	<b>0.01</b>

## SCHEDULES FORMING PART OF BALANCE SHEET (CONSOLIDATED)

	Rs. in million	As at 31-12-2010 Rs. in million	As at 31-12-2009 Rs. in million
<b>SCHEDULE -12</b>			
<b>CURRENT LIABILITIES AND PROVISIONS</b>			
<b>(A) CURRENT LIABILITIES</b>			
Sundry Creditors			
- Dues to Micro and Small Enterprises (Refer Note 39 on Schedule 20)	14.03		13.87
- Others Creditors	<u>1,657.04</u>		<u>1,799.32</u>
		1,671.07	1,813.19
Deferred Revenue (Refer Note 10 (c) on Schedule 20)		13.64	59.90
Deposit From Collection Centres and CNG Franchisees		22.55	19.49
Advance From Customers		128.09	71.58
Payable to Retrenched Employees (Refer Note 19 (e) on Schedule 20)		0.68	0.68
Investor Education and Protection Fund			
- Unpaid Dividend		9.99	6.27
Other Liabilities		<u>295.40</u>	<u>181.10</u>
		2,141.42	2,152.21
<b>(B) PROVISIONS</b>			
Proposed Dividend		1,803.08	1,210.40
Gratuity and Leave Encashment (Refer Note 32 on Schedule 20) [Includes Short term benefits Rs. 1.42 million (Previous year Rs. 0.42 million)]		51.86	43.74
Other Provisions (Refer Note 36 on Schedule 20)		53.34	51.16
Provision for Taxation	-		5,303.21
Less: Advance Payment of Tax	<u>-</u>		<u>5,285.51</u>
		-	17.70
Provision for Fringe Benefit Tax	33.67		33.67
Less: Advance Payment of Tax	<u>32.61</u>		<u>32.61</u>
		1.06	1.06
		1,909.34	1,324.06
<b>TOTAL</b>		<u><u>4,050.76</u></u>	<u><u>3,476.27</u></u>
<b>SCHEDULE -13</b>			
<b>MISCELLANEOUS EXPENDITURE</b>			
(Refer Note 16 on Schedule 20)			
Deferred Revenue Expenditure			
Voluntary Retirement Scheme:			
Opening Balance:	0.89		4.56
Less: Written Off during the year	<u>0.89</u>		<u>3.67</u>
		-	0.89
<b>TOTAL</b>		<u><u>-</u></u>	<u><u>0.89</u></u>



## SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT (CONSOLIDATED)

	Rs. in million	Year ended 31-12-2010 Rs. in million	Year ended 31-12-2009 Rs. in million
<b>SCHEDULE -14</b>			
<b>INCOME FROM OPERATIONS</b>			
(Refer Note 10 on Schedule 20)			
<b>Sales of Natural Gas</b>			
Sales of Natural Gas (Gross)	18,421.70		14,086.18
Less: Excise Duty	285.35		217.23
Sales of Natural Gas (Net)		18,136.35	13,868.95
Service and Fitting Income (Net)		143.72	114.32
Gas Transmission Income		174.39	169.46
Lease Income		24.20	24.40
Income from Finance Leases		14.60	19.60
<b>TOTAL</b>		<b>18,493.26</b>	<b>14,196.73</b>
<b>SCHEDULE -15</b>			
<b>OTHER INCOME</b>			
Income from Investments			
(Refer Note 10 (g) on Schedule 20)			
<b>Long Term Investments</b>			
Dividend from Trade Investment		6.14	2.00
<b>Current Investments</b>			
Dividend from Mutual Funds		150.91	154.51
Interest on Bank Fixed Deposits		0.85	3.10
[Gross, Tax deducted at source Rs. 0.08 million (Previous year Rs. 0.97 million)]			
Interest on Others (Customer & Staff Advances)		21.38	18.30
(Refer Note 10 (h) on Schedule 20)			
[Gross, Tax deducted at source Rs. 0.02 million (Previous year Rs. 0.01 million)]			
Interest on Income Tax Refund		0.71	4.50
Profit on Sale of Current Investments	32.45		35.43
Less : Loss on Sale of Current Investments	14.33		0.13
		18.12	35.30
Liabilities no longer required Written Back		1.01	13.14
Foreign Exchange Fluctuations Gain (Net)		1.48	0.50
Miscellaneous Income		23.39	34.97
<b>TOTAL</b>		<b>223.99</b>	<b>266.32</b>
<b>SCHEDULE -16</b>			
<b>PERSONNEL EXPENSES</b>			
(Refer Note 9 on Schedule 20)			
Salaries, Wages and Bonus		418.61	383.12
(Refer Note 32 (iii) on Schedule 20)			
Contribution to Provident and Other Funds		30.43	22.98
(Refer Note 32 (i) & (ii) on Schedule 20)			
Welfare Expenses		49.44	44.96
(Refer Note 31 on Schedule 20)			
<b>TOTAL</b>		<b>498.48</b>	<b>451.06</b>

**SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNTS (CONSOLIDATED)**

	Rs. in million	Year ended 31-12-2010 Rs. in million	Year ended 31-12-2009 Rs. in million
<b>SCHEDULE - 17</b>			
<b>OPERATING AND OTHER EXPENSES</b>			
Stores and Chemicals consumed		39.95	26.39
Power and Fuel		174.87	175.27
Rent		30.02	25.73
Rates and Taxes		5.44	8.32
Repairs:			
- To Buildings	6.41		4.52
- To Plant and Machinery	147.11		157.02
- To Others	92.30		72.24
		245.82	233.78
Insurance		15.10	12.60
Stationery and Printing		9.05	9.23
Advertisement Expenses		13.88	14.10
Communication Expenses		17.79	18.33
Vehicle Hire Charges		45.81	33.24
Travelling Expenses		25.32	23.55
Donation		2.39	1.03
Legal, Professional and Consultancy		129.62	104.27
Loss on Sale of Fixed assets (Net)		5.92	9.55
Bad debts / Advances written off		-	0.20
Wealth Tax		0.40	0.40
Other Provision (Refer Note 36 on Schedule 20)		2.18	1.82
Provision for Doubtful Debts		2.00	1.09
Provision for Diminution in the value of Fixed Assets / Capital Work in Progress (Refer Note 40 on Schedule 20)		10.03	28.79
Assets written off		-	5.36
Provision / write off for inventory obsolescence		2.46	9.52
Service Charges		88.51	73.10
Agency & Contract Staff Expenses (including security service charges)		45.22	35.57
Miscellaneous Expenses		61.48	64.36
<b>TOTAL</b>		<b>973.26</b>	<b>915.60</b>
<b>SCHEDULE - 18</b>			
<b>FINANCE CHARGES</b>			
Interest-Others		4.62	1.36
<b>TOTAL</b>		<b>4.62</b>	<b>1.36</b>
<b>SCHEDULE - 19</b>			
<b>TAX EXPENSE</b>			
(Refer Notes 14, 34 and 38 on Schedule 20)			
Current Income Tax		1,176.28	773.23
Deferred Income Tax		66.96	61.87
Fringe Benefit Tax		-	1.01
<b>TOTAL</b>		<b>1,243.24</b>	<b>836.11</b>

## SCHEDULE - 20

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### Significant Accounting Policies:

##### 1. Accounting Convention:

The Financial statements have been prepared to comply in all material respects with all applicable accounting principles in India, the applicable Accounting Standards notified under Section 211(3C) of the Companies Act, 1956 and the relevant provisions of the Companies Act, 1956.

##### 2. Consolidation of Financial Statements:

These financial statements comprise a consolidation of the financial statements of Gujarat Gas Company Limited and its subsidiary undertakings (collectively referred to as 'the Group').

The results of the undertakings acquired/disposed off are consolidated from/to the date when effective control passes to/from the group.

The financial statements have been prepared in accordance with the principles and procedures laid down in the Accounting Standard 21 'Consolidated Financial Statements'.

##### 3. Goodwill:

On the acquisition of an undertaking, the difference between the purchase consideration and the value of the net assets acquired is recognised as Goodwill.

Goodwill which has a limited useful economic life is amortised over a period of five years on a straight line basis from the year of creation.

##### 4. Fixed Assets:

(a) Fixed Assets including assets given on lease are stated at their original cost including freight, duties, customs and other incidental expenses relating to acquisition or construction.

(b) Expenditure incurred during the period of construction including all direct and indirect expenses, incidental to construction are carried forward and on completion, the costs are allocated to the respective fixed assets.

(c) Capital inventory represents items of capital nature lying in the store valued at cost on First In First Out method.

(d) Capital spares are capitalised with the cost of the plant and machinery and depreciated over the useful life of the asset.

(e) In respect of assets leased before April 1, 2001, the company follows the recommendation of the Institute of Chartered Accountants of India contained in the Guidance Note on Accounting for Leases. Accordingly lease rentals accounted as income on finance leases are adjusted by creating lease terminal adjustment account so as to recover the capital cost of the leased asset within the tenure of lease agreements or earlier as ascertained by the management.

##### 5. Depreciation / Amortisation:

(a) Depreciation on assets including assets given on lease is provided on Straight Line Method (SLM) at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956. Assets costing Rs. 5,000 or less are fully depreciated in the year of purchase.

(b) Depreciation on assets purchased / acquired during the year is charged from the beginning of the month of the purchase of the asset. Similarly depreciation on assets sold/discarded during the year is charged upto the end of the month preceding the month of sale of asset.

(c) No depreciation is being charged on Right of Use of Land being perpetual in nature.

(d) Licenses/Software are amortized over a period of six years from the date of its availability for use by the Company.

(e) Depreciation on assets given on finance lease prior to April 1, 2001 is provided over the period of lease.

##### 6. Investments:

Long term Investments are valued at cost and any decline in value other than temporary is appropriately provided.

Current investments are stated at lower of cost and fair market value determined category wise. Cost is determined as per weighted average cost formula.

##### 7. Inventories:

Stores and Pipes fittings are valued at lower of cost and net realisable value. Cost is determined on First In First Out method.

## 8. Foreign currency transactions:

Foreign currency transactions are accounted for at the exchange rate prevailing on the transaction date. Year-end monetary assets and liabilities in foreign currency are translated at the applicable year-end exchange rates and the resultant difference is recognised as gain / loss for the year.

The premium or discount arising on forward exchange contracts including those entered into to hedge the foreign currency risks of a firm commitment or highly probable forecast transaction is amortized as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the reporting period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such a forward exchange contracts is recognised as income or as expense for the year.

## 9. Employee Benefits:

### (a) Post-employment benefit plans

- i. Defined Contribution Plan – Contributions to provident fund are accrued in accordance with applicable statutes and deposited with the Regional Provident Fund Commissioner.
- ii. Defined Benefit Plan – The liability in respect of gratuity and leave encashment is determined using Projected Unit Credit Method with actuarial valuation carried out as at Balance Sheet date. Actuarial gains and losses are recognized in full in the Profit and Loss Account for the period in which they occur.

Contributions in respect of gratuity are made to the approved Gratuity Fund of the Group. The gratuity obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost and as reduced by the fair value of gratuity fund.

### (b) Short term employment benefits

The undiscounted amount of short term employee benefits expected to be paid in exchange for services rendered by employees is recognized during the period when the employee renders the services.

### (c) Employee Stock Option Plan

Stock Option grants to the employees who accept the grant under the Company's Stock Option Plan are accounted in accordance with Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 and Guidance Note on Accounting for Employee Share-based Payments issued by Institute of Chartered Accountants of India. The Company follows the fair value method for option pricing and accordingly the fair value of the option as of the date of the grant of the option is recognised as employee compensation cost and amortised on straight line basis over the vesting period.

## 10. Revenue Recognition:

- (a) Revenue on sale of natural gas is recognised on transfer of title to customers at delivery point. Sales are billed bi-monthly for domestic customers, monthly for commercial and non-commercial customers and fortnightly for industrial customers. Spot sales of gas to industrial customers are billed as per the terms mutually agreed between the parties. Revenue on sale of Compressed Natural Gas (CNG) are recognised on sale of gas to customers from retail outlets.
- (b) Gas Transmission income is recognized in the same period in which the related volumes of gas are delivered to the customers.
- (c) Commitment income from customers for gas sales and gas transmission is recognized on establishment of certainty of receipt of consideration.
- (d) Asset given on lease on or after April 1, 2001:
  - i. Income from Finance Leases
 

In accordance with the provisions of Accounting Standard 19 on Leases, the aggregate of minimum lease payments less unearned finance income is recognized as a receivable. Unearned finance income is arrived at, as the difference between the aggregate of minimum lease payments and its present value based on the rate of return implicit as per the terms of the agreement. Finance Income is recognized over the term of the lease using net investment method, which reflects a constant periodic rate of return.
  - ii. Income from Operating Leases
 

Lease Income from Operating Leases have been recognised in the Profit & Loss Account on a straight line basis over the lease term, as required by AS – 19 on Leases.
  - iii. Initial direct costs incurred for negotiating and arranging a lease agreements are recognised immediately in the profit and loss account.

- (e) The difference between the amounts charged from customers for gas connections and actual consumptions of material and labour charges is disclosed as Service and Fitting Income (Net) under Income from operations.
- (f) In respect of the financial services business, the Group follows the prudential norms for income recognition and provides for / writes off Non-performing Assets as per the prudential norms prescribed by the Reserve Bank of India or earlier as ascertained by the management.
- (g) Dividend income is recognised when the right to receive dividend is established.
- (h) Delayed payment charges are recognized on the basis of certainty of collection.

#### 11. Borrowing Costs:

Borrowing costs attributable to the acquisition or construction of a qualifying asset is capitalised as part of the cost of the asset. Other borrowing costs are recognised as an expense in the period in which they are incurred.

#### 12. Operating Leases:

Lease rentals are recognised as an expense on straight line basis over the term of the lease.

#### 13. Earning Per Share (EPS):

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

#### 14. Taxation:

Tax expense for the year, comprising current tax, deferred tax and fringe benefit tax is included in determining the net profit for the year.

A provision is made for the current tax and fringe benefit tax based on tax liability computed in accordance with relevant tax rates and tax laws. A provision is made for deferred tax for all timing differences arising between taxable income and accounting income at current or substantively enacted tax rates.

Deferred tax assets are recognised only if there is reasonable certainty that they will be realised and are reviewed for the appropriateness of their respective carrying values at each balance sheet date.

#### 15. Impairment of Assets:

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the assets' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the assets' net selling price and its value in use.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

#### 16. Miscellaneous Expenditure:

Expenditure on Voluntary Retirement Scheme (VRS) of employees is amortised in equal installments from the year in which the same is incurred till periods ended December 31, 2010 in accordance with the transitional provision of Accounting Standard - 15, Employee Benefits.

#### 17. Provision and Contingencies:

The Group creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that probably will not require an outflow of resources or where a reliable estimate of the obligation can not be made.

#### 18. Segment Reporting:

The accounting policies applicable to the reportable segments are the same as those used in the preparation of the consolidated financial statements as set out above.

Segment revenue and expenses include amounts which can be directly identifiable to the segment or allocable on a reasonable basis.

Segment assets and liabilities include all operating assets and liabilities related to the respective segment.

Inter segment transfers are accounted for at cost plus a reasonable mark-up.

## NOTES TO ACCOUNTS:

### 19. Contingent Liabilities:

- (a) Claims against the group not acknowledged as debts Rs. 13.57 million (Previous year Rs. 11.15 million).
- (b) Claims of Rs. 27.92 million (Previous year Rs. 25.86 million) against the Group have been disputed by the Group. The Group is, however, indemnified by an insurance policy.
- (c) Income tax exposures of Rs. 376.92 million (Previous year Rs. 320.04 million)

#### In respect of holding company, Gujarat Gas Company Limited:

- (i) Includes income tax demand of Rs. 53.46 million (Previous year Rs. 53.46 million) relating to Assessment Years 1998-99, 1999-00 and 2000-01 due to disallowance of interest on debentures issued for the Hazira Ankleshwar pipeline and incurred during its construction, claimed as revenue expenditure. The amount of Rs. 53.46 million (Previous year Rs. 53.46 million) has been paid under protest.

CIT (Appeals) has ruled in favour of the company and deleted the demand of Rs. 6.87 million pertaining to A.Y. 2000-01. The Income-tax department has preferred an appeal in ITAT against the said order of CIT (Appeals) but ITAT allowed the claim for A.Y. 2000-2001. The appeal for the other two years is pending with the ITAT.

- (ii) Includes income tax demand of Rs. 123.41 million (Previous year Rs. 122.38 million) including interest on tax, relating to Assessment Years 1995-96 to 2007-08 due to disallowance of depreciation claimed on leased assets. The total amount paid by company / adjusted by tax authorities on account of above demand aggregates to Rs. 122.41 million (Previous year Rs. 121.67 million). The total tax exposure (though actually paid), net of interest on tax, on account of the above for all the years aggregates to Rs. 115.32 million (Previous year Rs. 115.04 million). The company's appeals against the above demands are pending with ITAT for Assessment years 1996-97, 1997-98, 1998-99 and 1999-00, 2001-02 and 2002-03. The company's appeal for A.Y. 2005-06, 2006-07 and 2007-08 is pending with CIT (A). For A.Y. 2000-01, 2003-04 and 2004-05 the matter has been decided in the company's favour by the ITAT. The High Court of Gujarat has allowed the company's claim on the same issue for A.Y. 1995-96 and this is likely to have a positive consequential effect on all the subsequent years.

- (iii) Includes income tax demand for Rs. 11.68 million (Previous year Rs. 7.99 million) for disallowances under Section 14A on account of expenditure incurred for earning exempt income for A.Y. 2004-05, 2005-06, 2006-07 and 2007-08. The total amount paid by company / adjusted by tax authorities on account of above demand aggregates to Rs. 7.99 million (Previous Year Rs. 1.39 million). The Appeal for A.Y. 2005-06, 2006-07 and 2007-08 is pending with CIT (A) and for A.Y. 2004-05 with ITAT.

For A.Y. 2000-01 the Tribunal has disallowed the similar expenses under Section 14A and has asked the Assessing Officer to re-examine the tax levy as per Rule 8D of the Income Tax Rules, 1962 and hence the amount can not be quantified at this stage. The Company has preferred an appeal with the High Court against the above order of the Tribunal.

- (iv) Includes income tax demand for Rs. 12.42 million (Previous year Rs. 12.42 million) for certain disallowances for A.Y. 2003-04 to 2006-07. The demand is towards disallowances on account of bad debts written off, inventory written off, deposits written off and treatment of Cenvat credit balance as income. The total amount paid by company / adjusted by tax authorities on account of above demand aggregates to Rs. 8.67 million (Previous year Rs. 8.67 million). The appeal for A.Y. 2005-06 and 2006-07 is pending with CIT (A) and for A.Y. 2003-04 and 2004-05 with ITAT.

#### In respect of subsidiary company, Gujarat Gas Financial Services Limited:

- i. Includes income tax demand of Rs. 12.56 million (Previous year Rs. 12.56 million) including interest on tax, relating to A.Y. 1996-97 due to disallowance of depreciation claimed on leased assets. The total amount paid by company / adjusted by tax authorities towards above demand aggregates to Rs. 12.56 million (Previous year Rs. 12.56 million). Income tax demand for the years A.Y. 1997-98 to A.Y. 2000-01, on the same issue, amounts to Rs. 4.93 million.

The total tax exposure, net of interest on tax, on account of the above for all the years aggregates to Rs. 17.49 million (Previous year Rs. 17.49 million). The appeals for all the above years are pending with the ITAT.

The Assessing Officer has also levied a penalty under section 271(1)(c) for A.Y. 1996-97, amounting Rs. 6.77 million (Previous year Rs. 6.77 million). The penalty demand has been reduced by Rs. 4.14 million after adjusting the refund of various years. The appeal against this is pending with the ITAT.

- ii. Includes income tax demand of Rs. 5.46 million (Previous year Rs. 5.46 million) for the A.Y. 1996-97 on account of disallowance of loss on sale of securities as business loss. The Company preferred an appeal against the above demand and CIT (A) has quashed the demand. However, the Income Tax Department has filed an appeal against the above order.

iii. Includes income tax demand of Rs. 14.42 million (Previous year Rs. 14.42 million) for the A.Y. 2001-02 on account of disallowance of claim for bad debts. The Company has paid an amount of Rs. 7.60 million (Previous year Rs. 7.60 million) out of the above demand. The ITAT had ruled partly in favour of the company by allowing bad debts towards bill discounting transactions. An appeal has been preferred with the High Court against the ITAT order. The High Court has restored back the matter to the ITAT and matter is pending with ITAT. Further the Assessing Officer has also levied a penalty under section 271(1)(c) of the Income Tax Act 1961, amounting Rs.10.01 million. The Company's appeal was decided by the ITAT in its favour.

iv. Includes income tax demand of Rs. 14.81 million (Previous year Rs. 14.81 million) for the A.Y. 2002-03 on account of disallowance of claim for bad debts (Rs. 14.00 million) and professional expenses (Rs. 0.81 million). The total amount paid by company / adjusted by tax authorities towards above demand aggregates to Rs. 8.83 million (Previous year Rs. 8.83 million). Recently the ITAT has ruled partly in favour of the company by allowing bad debts towards bill discounting transactions. An appeal has been preferred with the High Court against the ITAT order. Recently the High Court has restored back the matter to the ITAT and matter is pending with ITAT.

Includes income tax demand of Rs. 2.86 million (Previous year Rs. 2.86 million) for the A.Y. 2003-04 on account of disallowance of claim for bad debts. Recently the ITAT has ruled in favour of the Company and has allowed claim of bad debts. Department may prefer an appeal against the ITAT's order.

Includes income tax demand of Rs. 0.23 million (Previous year Rs. 0.23 million) for A.Y. 2004-05 on account of disallowance of claim for bad debts. The appeal for A.Y. 2004-05 is pending with the ITAT.

v. Includes income tax demand of Rs. 20.14 million (Previous year Rs. 20.14 million) for A.Y. 2006-07 on account of disallowance of service charges paid to GGCL and inventory written off during the year. The total amount paid by company / adjusted by tax authorities towards above demand aggregates to Rs.18.28 million (Previous year Rs.18.28 million). The CIT (A) has decided the appeal partly in our favour by allowing the service charges as deductible business expenditure. The appeal is pending with the ITAT.

vi. Includes income tax demand of Rs. 25.35 million (Previous year Rs. 25.35 million) for the A.Y. 2007-08 on account of disallowance of service charges paid to GGCL. The total amount paid by company / adjusted by tax authorities towards above demand aggregates to Rs.18.96 million (Previous year Nil). The Company has preferred an appeal before the CIT (A) against the said order.

vii. Includes income tax demand of Rs. 34.77 million (Previous year Nil) for the A.Y. 2008-09 on account of disallowance of service charges paid to GGCL. The Company has preferred an appeal before the CIT (A) against the said order.

**In respect of holding company, GujaratGas Trading Company Limited:**

i. Includes demand of Rs. 11.20 million (Previous year Rs. 11.20 million) for the A.Y. 2007-08 on account of disallowance of commission on purchase paid to BG Energy Holdings Limited and disallowance of expenditure u/s 14A as per Rule 8D of the Income tax Rules 1962. The total amount paid or adjusted by tax authorities towards above demand aggregates to Rs. 5.25 million (Previous year Nil). The Company has preferred an appeal before the CIT (A) against the said order.

ii. Includes demand of Rs.12.45 million (Previous year Nil) for the A.Y. 2008-09 on account of disallowance of commission paid to BG Energy Holdings Limited, disallowance of expenditure u/s 14A as per Rule 8D of the Income tax Rules 1962 and treatment of VAT refund as taxable income. The Company has preferred an appeal before the CIT (A) against the said order.

(d) Interest tax exposures of Rs. 4.15 million (Previous year Rs. 4.15 million). The interest tax authorities in the assessment contented that the activities of the Company are chargeable to interest tax and raised a total demand of Rs. 56.40 million (Previous year Rs. 56.40 million) for the Assessment Years 1995-96 to 2000-01. The Company had filed an appeal against the above demands and CIT (A) ruled in favour of the Company for the Assessment Years 1995-96, 1996-97, 1997-98, 1998-99 and 2000-01 and quashed the demands for these years aggregating to Rs. 50.27 million (Previous year Rs. 50.27 million). However for A.Y.1999-2000, CIT (A) ruled against the company and raised a demand of Rs. 4.15 million (Previous year Rs. 4.15 million). The Company has paid an amount of Rs.1.25 million (Previous year Rs.1.25 million) out of the above demand. ITAT had ruled partly against the Company and had asked the Assessing Officer to re-examine the levy. The Company had preferred an appeal before the High Court against the ITAT order. Recently the High Court has restored back the matter to the ITAT and matter is pending with ITAT.

Further, the Assessing Officer has levied a penalty in A.Y.1999-2000 under section 13 of the Interest Tax Act 1974, amounting Rs. 1.98 million (Previous year Rs. 1.98 million). The Company preferred an appeal against the above demand and CIT (A) ruled in favour of the Company and quashed the penalty demand. The appeal is pending with the ITAT.



(e) The Company had retrenched 8 employees in the year 2002 under the provisions of The Industrial Disputes Act, 1949. The employees had filed an appeal against the above retrenchment in a labour court. The Company had reached a settlement with two of the above employees and had provided for Rs. 0.68 million (Previous year Rs. 0.68 million), being the compensation payable to the remaining employees under The Industrial Disputes Act, 1949. Any additional amount due to the employees will be determined based on decision by the labour court and hence amount payable ultimately cannot be ascertained at this stage.

**20.** Estimated amount of contracts net of advances remaining to be executed on capital account and not provided for Rs. 285.86 million (Previous year Rs. 125.48 million).

**21.** The Group had constructed a civil structure aggregating to Rs.19.04 million (Previous year Rs. 19.04 million) on land which is not yet owned by the Group. The management is confident of obtaining the requisite approvals of the Government Authorities for transfer of ownership of land.

**22. Material consumed includes:**

(a) Rs. 30.25 million (Previous year Rs. 30.30 million) towards Internal consumption of Gas.

(b) Gain of Rs. 19.47 million (Previous year Rs. 21.82 million) as foreign exchange fluctuations.

**23. Obligations on Operating Leases:**

The group has taken premises for office and residential use for its employees under cancellable operating lease agreements. The total lease rentals recognized as an expense during the year under the above lease agreements aggregates to Rs. 12.39 million (Previous year Rs. 7.69 million). The lease agreement typically ranges from 1 to 5 years.

**24.** Deposits from customers have been considered as a source of long term funds since the same are refundable only on termination/modification of the gas sale agreement.

**25.** The undertakings which have been consolidated in these financial statements are as follows:

Name of the Undertaking	Relationship	Country of Incorporation	Proportionate beneficial ownership interest/ voting power
Gujarat Gas Financial Services Limited	Subsidiary	India	69.88%
Gujaratgas Trading Company Limited	Subsidiary	India	100%

**26. Minority Interest:**

Minority Interest of Rs. 63.00 million as at December 31, 2010 represents the interest of minority shareholders with an aggregate shareholding of 30.12% in the subsidiary company Gujarat Gas Financial Services Limited. Reconciliation of Minority Interest is given below:

	Year ended December 31, 2010 (Rs. in million)	Year ended December 31, 2009 (Rs. in million)
Opening balance	51.72	44.22
Add: Share in Current Year Profit	12.69	8.56
Less: Share in Proposed Dividend and Corporate Dividend Tax	1.41	1.06
Closing Balance	63.00	51.72

**27. Earnings per share:**

	Year ended December 31, 2010 (Rs. in million)	Year ended December 31, 2009 (Rs. in million)
Net Profit after tax attributable to the Group (Rs. in million)	<b>2,577.46</b>	1,741.67
Less: Preference Dividend and corporate dividend tax on preference dividend (Rs. in million)	<b>12.55</b>	12.59
Net Profit attributable to Equity Shareholders (Rs. in million)	<b>2,564.91</b>	1,729.08
Weighted average number of equity shares outstanding during the year (No. in million)	<b>128.25</b>	128.25
Basic earnings per share of Rs 2/- each (in Rs.)	<b>20.00</b>	13.48

The Group does not have any outstanding dilutive potential equity shares. Consequently the basic and diluted earning per share of the Group remain the same.

**28. Accounting for Joint Venture:**

The Company's joint ventures "Petroleum Infrastructure Limited"(incorporated in India with 50% stake being held by the Company) and "Sensus Metering Systems India Limited" (incorporated in India with 49% stake being held by the Company) are under liquidation. Therefore, the Company's interest in the joint ventures has been accounted for in accordance with Accounting Standard 13 "Accounting for Investments" and has not been disclosed as per Accounting Standard 27 "Financial Reporting of Interest in Joint Ventures".

In case of Sensus Metering Systems India Limited, the assets of the joint venture has been liquidated and all liabilities have been paid off. The resultant proceeds of joint venture has been distributed to Company which is higher than the carrying value of Investment (net of provision made in earlier years for diminution in the value of investments). Company does not expect to receive any further amount from joint venture and hence remaining carrying value of investments in joint venture and related provision has been adjusted in the books of accounts.

In case of Petroleum Infrastructure Limited, the investments have been written down to the realizable value.

- 29.** The Company is procuring natural gas from one of the suppliers on the basis of a Term Sheet agreed with the supplier effective April 1, 2008. Under the terms of the agreement with the supplier, the Term Sheet shall be superseded by a Gas Sales and Transmission Contract (GSTC) as and when the same is finalised. The GSTC would be effective from April 1, 2008. Pending the finalisation of the GSTC, the gas procurement cost is being recorded in the books of account on the basis of the terms provided in the Term Sheet.

**30. Segmental Reporting:**

The group is primarily in the business of distribution of Natural gas through pipelines from sources of supply to centers of demand and to the end customers. The group also builds pipelines required to make the gas available to the end customer. The other activity of the group comprises leasing of natural gas fired Cogeneration units, the income from which is not material in financial terms.

Further, the group is operating in a single geographical segment. Accordingly, disclosures relating to primary and secondary business segments under the Accounting Standard on Segment Reporting (AS - 17) are not relevant to the Company.

**31. Employee Stock Option Plan 2008:**

The group implemented an Employee Stock Option Plan 2008 ('ESOP 2008') which provides for the allotment of equity shares of Rs. 2/- each to eligible employees of the group. The Scheme is administered by an ESOP Trust (Gujarat Gas Company Limited Employee Stock Option Welfare Trust) which purchases, out of the funds advanced by the group, the shares equivalent to the number of options granted, for allotment to the grantees. The Finance Director and Human Resource Director are the trustees of the said trust. The trustees can purchase or sell the shares from the market as per the approved scheme.

Pursuant to the above scheme the group has granted options as mentioned here below convertible into equity shares of Rs. 2/- each to employees of the group. The exercise price is calculated at 10% discount to the closing price of the shares on record date, being the date on which the grant of options were approved by board of directors and shareholders. The Scheme provides for graded vesting of options granted over a period of 4 years from the date of grant

% of Option Vested	Cumulative	Vesting Date
25%	25%	on expiry of two years from their Grant date ("First Vesting Date")
50%	75%	on expiry of three years from their Grant date ("Second Vesting Date")
25%	100%	on expiry of four years from their Grant date ("Third Vesting Date")

The options are to be exercised within a maximum period of 2 years from the date of vesting. Within the exercise period, the employee would have the option to either purchase the shares from the trust at the exercise price or to give a mandate of sale to the trust at the best available market price, in which event the difference between the net price realized on sale after taxes and charges and the Exercise Price will accrue as gains to the employee.

Details of movement under the Stock option plan for the year ended December 31, 2010 is as follows:

	Year ended December 31, 2010		Year ended December 31, 2009	
	Number of options	Weighted average exercise price (in Rs.)	Number of options	Weighted average exercise price (in Rs.)
Options outstanding at the beginning of the year	<b>1,663,000</b>	<b>99</b>	740,000	189
Options granted during the year	-	-	170,000	233
Less: Options forfeited during the period prior to issuance of bonus shares (refer note below)	-	-	58,500	198
Less: Options expired during the period	-	-	-	-
Less: Options exercised during the period	-	-	-	-
Options outstanding before issuance of bonus shares (refer note below)	-	-	851,500	197
Add: Increase in options on account of bonus issue	-	-	851,500	-
Options granted during the year	<b>403,000</b>	<b>285</b>	-	-
Less: Options exercised during the year	<b>280,000</b>	<b>95</b>	-	-
Less: Options forfeited during the period after issuance of bonus shares	-	-	40,000	97
Options outstanding at end of the year	<b>1,786,000</b>	<b>142</b>	1,663,000	99

**Note:**

In accordance with the approval granted by the members of the Company, to the issue of Bonus Shares in the ratio of one equity share of the Company of Rs. 2/- each for every one equity share of the Company held by the Shareholders of the Company as on September 19, 2009, being the Record Date, the Compensation Committee of the Board of Directors of the Company, on September 22, 2009, had approved adjustments to the Options granted and unvested as on September 19, 2009, under the Gujarat Gas Company Ltd - Employee Stock Option Plan 2008, whereby each option had been doubled and the Exercise Price thereof been halved with effect from September 22, 2009.

The employee share based payment plans have been accounted based on the Fair value method of accounting using the Black-Scholes Option Pricing Formula. The weighted average fair value of options granted on 4 March 2010, 26 July 2010 and 28 October 2010 is Rs. 86.10, Rs. 106.64 and Rs.136.19 per option respectively. The weighted average remaining contractual life of options outstanding as on December 31, 2010 is 3.46 years (Previous year 3.93 years).

In accordance with Guidance Note on Accounting for Employee Share-based Payments issued by Institute of Chartered Accountants of India and SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 issued by Securities Exchange Board of India, an amount of Rs. 25.91 million (Previous year Rs. 18.41 million) has been recognised as an expense in Welfare Expenses (Schedule 16) and corresponding liability has been disclosed as Stock Options Outstanding Account (Schedule 2). The balance of Rs. 37.96 million (Previous year Rs. 21.29 million) in Stock Options Outstanding Account (Schedule 2) represents the amortised cost of stock options outstanding. Further the group has made a partial advance of Rs. 343.02 million (Previous year Rs. 243.00 million) on an estimated basis for the purchase of shares equivalent to the number of options granted which is utilized for the purpose.

The Company has adjusted Rs. 1.91 million (Previous year Nil) to General Reserve as the difference between the cost incurred by the ESOP Trust for the purchase of shares and the exercise price of those shares which have been exercised by the employees during the current year, in accordance with Guidance Note on accounting for Employee share based payment, issued by the ICAI.

### 32. Disclosures as per AS - 15 (Revised) 'Employee Benefits' for year ended December 31, 2010:

	Year ended December 31, 2010	Year ended December 31, 2009
(Rs. in million)		
(i) <b>Disclosures for Defined Contribution Plans</b>		
Employer's contribution to Provident Fund	20.85	17.65
(ii) <b>Disclosures for Defined Benefit Plans - Gratuity (Funded)</b>		
<b><u>Change in the defined benefit obligations</u></b>		
Defined benefit obligation as at beginning of the year	65.50	52.87
Service cost	6.93	5.92
Interest cost	5.51	4.36
Actuarial loss/(gain)	2.72	3.50
Benefits paid	(0.64)	(1.15)
<b>Defined benefit obligation as at year end</b>	<b>80.02</b>	<b>65.50</b>
<b><u>Change in plan assets</u></b>		
Fair value of plan assets as at beginning of the year	55.13	37.29
Expected return on plan assets	5.62	4.16
Contributions by employer	9.72	10.53
Actuarial (loss)/gain	(0.04)	4.30
Benefits paid	(0.64)	(1.15)
<b>Fair value of plan assets as at year end</b>	<b>69.79</b>	<b>55.13</b>
<b>Present value of unfunded obligations</b>	<b>10.23</b>	<b>10.37</b>
<b>The Net amount recognized in the statement of Profit &amp; Loss is as follows</b>		
Current Service cost	6.93	5.92
Interest cost	5.51	4.36
Expected return on plan assets	(5.62)	(4.16)
Net actuarial loss/(gain) recognised	2.76	(0.79)
<b>Net amount recognised</b>	<b>9.58</b>	<b>5.33</b>
<b>Actual return on Plan Assets</b>	<b>5.58</b>	<b>8.46</b>
<b>The major categories of plan assets as a percentage of total plan assets as at year end are as follows:</b>		
Government of India Securities	-	2%
Insurer Managed Funds	100%	98%
<b>The principal actuarial assumptions used are as follows</b>		
Discount Rate	8.40%	8.25%
Expected rate of return on Plan Assets	9.00%	9.00%
Rate of increase in Compensation Levels (Refer Note below)	7.00%	7.00%

Note: The estimates of future salary increase, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

	(Rs. in million)	
	Year ended December 31, 2010	Year ended December 31, 2009
<b>(iii) Disclosures for Defined Benefit Plans - Leave Encashment (Unfunded)</b>		
<b><u>Change in the defined benefit obligations</u></b>		
Defined benefit obligation as at beginning of the year	32.96	27.27
Service cost	3.71	2.27
Interest cost	2.77	2.25
Actuarial loss/(gain)	1.46	2.11
Benefits paid	(0.66)	(0.94)
Defined benefit obligation as at year end	40.24	32.96
<b>The Net amount recognized in the statement of Profit &amp; Loss is as follows</b>		
Current Service cost	3.71	2.27
Interest cost	2.77	2.25
Net actuarial loss/(gain) recognised	1.46	2.11
Net amount recognised	7.94	6.63
<b>The principal actuarial assumptions used are as follows</b>		
Discount Rate	8.40%	8.25%
Rate of increase in Compensation Levels (Refer Note below)	7.00%	7.00%

Note: The estimates of future salary increase, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

**(iv) Additional Disclosures as per AS- 15**

**Change in the defined benefit obligations - Gratuity (Funded)**

	(Rs. in million)			
	Year ended December 31, 2010	Year ended December 31, 2009	Year ended December 31, 2008	Year ended December 31, 2007
Present Value of defined benefit obligation as at beginning of the year	65.50	52.87	38.54	35.45
Current Service cost	6.93	5.92	5.33	4.11
Interest Cost	5.51	4.36	2.89	2.89
Actuarial (gain)/loss	2.72	3.50	8.14	(0.51)
Benefits Paid	(0.64)	(1.15)	(2.03)	(3.40)
Present Value of defined benefit obligation as at end of the year	80.02	65.50	52.87	38.54

**Change in plan assets - Gratuity (Funded)**

	(Rs. in million)			
	Year ended December 31, 2010	Year ended December 31, 2009	Year ended December 31, 2008	Year ended December 31, 2007
Fair value of plan assets as at beginning of the year	55.13	37.29	32.65	24.21
Expected return on plan assets	5.62	4.16	3.32	2.70
Contributions by employer	9.72	10.53	8.96	6.80
Actuarial (loss)/gain	(0.04)	4.30	(5.60)	2.04
Benefits paid	(0.64)	(1.15)	(2.04)	(3.10)
Fair value of plan assets as at year end	69.79	55.13	37.29	32.65
Present value of unfunded obligations	10.23	10.37	15.58	5.89

**Change in the defined benefit obligations - Leave Encashment (Unfunded)**

(Rs. in million)

	Year ended December 31, 2010	Year ended December 31, 2009	Year ended December 31, 2008	Year ended December 31, 2007
Present Value of defined benefit obligation as at beginning of the year	32.96	27.27	22.66	17.39
Current Service cost	3.71	2.27	2.05	4.87
Interest Cost	2.77	2.25	1.70	1.42
Actuarial (gain)/loss	1.46	2.11	2.43	1.62
Benefits Paid	(0.66)	(0.94)	(1.57)	(2.64)
Present Value of defined benefit obligation as at end of the year	40.24	32.96	27.27	22.66

- (v) Expected contributions to be paid to the Gratuity plan during the year ending December 31, 2011 can not be ascertained at this stage.

### 33. Related Party Transactions :

The Company is controlled by BG Asia Pacific Holdings Pte. Limited which owns 65.12% of the Company's shares. The ultimate parent of the group is BG Group plc.

The following related party transactions were carried out during the year in the ordinary course of business:

(Rs. in million)				
Name of the Related Party	Nature of Relationship	Nature of Transaction	Year ended December 31, 2010	Year ended December 31, 2009
BG International Limited	Under common control	Reimbursement of salary for seconded personnel (Paid) (including Tax Deducted at Source)	14.63	34.57
		Reimbursement of Software License	6.62	35.34
		Amount payable at the year end	128.55	114.21
BG Asia Pacific Holdings Pte. Limited	Holding company	Dividend paid		
		- Equity	668.09	125.27
		- Preference	10.80	10.80
		- Issuance of bonus shares	-	83.52
		Share Capital held		
Sensus Metering Systems India Limited	Joint Venture	- Equity	167.03	167.03
		- Preference	144.00	144.00
		Provision no logner required written back	0.86	-
		Investment at year end	-	39.09
		Provision for diminution in value of investment	-	29.34
BG Energy Holding Limited	Under common control	Commission on purchases	2.34	4.00
		Commission on corporate guarantee given to supplier	6.06	6.14
		Amount payable at year end	16.13	7.74
Petroleum Infrastructure Limited	Joint Venture	Bad debts recovered	0.50	1.80
		Investment at year end	75.00	75.00
		Provision for diminution in value of investment	75.00	75.00
Mahanagar Gas Limited	Under common control	Provision no longer required written back	-	1.71
BG India Energy Private Limited	Under common	Expense:		
		Legal and Professional	-	1.74
		Reimbursement of Expenses (Paid)	-	0.34
		Amount payable at the year end	-	1.31
BG India Energy Solutions Pvt. Limited	Under common control	Purchase of Natural Gas (Net of VAT)	4,399.18	176.99
		Amount payable at the year end	410.95	-





(Rs. in million)

Name of the Related Party	Nature of Relationship	Nature of Transaction	Year ended December 31, 2010	Year ended December 31, 2009
BG Exploration and Production India Limited	Under common control	Income:		
		Service charges for secondment of employees	10.50	3.47
		Reimbursement of Expenses (Received)	3.57	2.03
		Expenses:		
		Legal and Professional	61.70	53.12
		Reimbursement of Expenses (Paid)	6.46	1.85
Shaleen Sharma	Key Management Personnel	Amount payable at the year end	54.41	50.90
		Remuneration as Managing Director	17.03	15.27
Nirja Sharma	Relative of Key Management Personnel	Lease Rent paid	0.09	0.39
Gujarat Gas Company Limited Employee Stock Option Welfare Trust	Enterprise controlled by the Company	Advance paid for purchase of shares (Net) (Excluding adjustment of Rs. 7.32 million on account of exercise of options during the year)	107.34	232.50
		Amount Receivable at the year end	343.02	243.00
Gujarat Gas Company Limited Employees Gratuity Trust Fund	Enterprise controlled by the Company	Contribution paid	9.72	10.54

**34. Deferred Tax :**

(A) The movement in deferred tax account is as follows:

	Year ended December 31, 2010 (Rs. in million)	Year ended December 31, 2009 (Rs. in million)
Opening Balance	560.26	498.39
Provision for current year deferred tax liability (Net)	66.96	61.87
Adjustment for prior year (with provision for taxation)	41.86	-
Closing Balance	<u>669.08</u>	<u>560.26</u>

(B) Deferred tax assets and liabilities are being offset as they relate to taxes on income levied by the same governing taxation laws. The following amounts are shown in the balance sheet:

Deferred Tax Liabilities	773.53	687.66
Deferred Tax Assets	<u>(104.45)</u>	<u>(127.40)</u>
	<u>669.08</u>	<u>560.26</u>

(C) Break up of deferred tax assets/liabilities:

**Deferred Tax Liabilities:**

Tax impact of difference between carrying amount of fixed assets in the financial statements and the income tax return

**TOTAL (A)**

	773.53	687.66
	<u>773.53</u>	<u>687.66</u>

**Deferred Tax Assets:**

Tax impact of expenses charged in the financial statements but allowable as deductions in future years under income tax:

Provision for doubtful debts	7.72	7.27
Provision for diminution of investment	-	6.37
Provision for diminution in the value of		
Fixed assets / Capital Work in Progress	44.65	58.13
Expenditure under section 43B of the Income Tax Act	52.08	55.63

**TOTAL (B)**

	<u>104.45</u>	<u>127.40</u>
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**Net Deferred Tax Liability**

**TOTAL (A-B)**

	<u>669.08</u>	<u>560.26</u>
--	---------------	---------------

### 35. Assets given on lease:

Leasing operations of the Group mainly involves leasing of gas based generator sets under Operating and Finance lease arrangements.

#### i) Assets given on finance lease on or after April 1, 2001:

Under finance lease arrangements, the lease agreements have been entered for a fixed period of 6 years, at the end of which the ownership of assets will be transferred to the lessee on payment of consideration specified in the Lease Agreements.

	Year ended December 31, 2010				Year ended December 31, 2009			
	Gross Investment in the lease	Unearned Finance Income	Service Tax	Present Value of Minimum Lease Payments receivable	Gross Investment in the lease	Unearned Finance Income	Service Tax	Present Value of Minimum Lease Payments receivable
<b>Total</b>	<b>92.08</b>	<b>16.26</b>	<b>2.85</b>	<b>72.97</b>	<b>134.70</b>	<b>30.85</b>	<b>4.40</b>	<b>99.45</b>
Out of the above, receivable:								
Not Later than 1 year	42.64	-	-	30.67	42.62	-	-	26.48
Later than 1 year and not later than 5 years	49.44	-	-	42.30	92.08	-	-	72.97
Later than 5 years	-	-	-	-	-	-	-	-

#### ii) Asset given on operating lease on or after April 1, 2001:

The ownership of the gas based generators sets remains with the Group throughout the life of these generators. The lease agreement typically ranges from 6 to 12 years.

	Year ended December 31, 2010 Rs. in million	Year ended December 31, 2009 Rs. in million
<b>36. Pursuant to AS 29 – The Disclosure relating to Provisions are given below:</b>		
Opening Balance	<b>51.16</b>	49.34
Additions during the Year	<b>2.18</b>	1.82
Closing Balance	<b>53.34</b>	51.16

The provision relates to estimated outflow of cash expected to be paid in relation to sale of gas pipelines.

Due to its very nature it is not possible to estimate the timing of resulting cash flows.

### 37. Managerial Remuneration

i) Managing Director		
- Salary and Bonus	<b>13.67</b>	11.88
- Allowances	<b>1.16</b>	1.03
- Perquisites	<b>0.94</b>	1.17
- P.F. and Gratuity	<b>1.26</b>	1.19
	<b>17.03</b>	15.27
ii) Commission to Non Whole Time Directors	<b>3.10</b>	2.10
iii) Directors' Sitting Fees	<b>0.96</b>	1.13

**38.** The provision for income tax has been calculated based on income earned during the year ended December 31, 2010 in accordance with Guidance Note on measurement of Income Tax expense for Interim Financial Reporting. However, the tax year end of the Company being March 31, 2011 the ultimate liability for the Assessment Year 2011-12 will be determined based on the total income of the Company for the year ending March 31, 2011. The provision for wealth tax has been made based on the net wealth as on December 31, 2010. However the ultimate liability for the Assessment Year 2011-12 will be determined based on the net wealth as on March 31, 2011.

**39.** Disclosures as required by the Micro, Small and medium Enterprises development Act, 2006 are as under.

	<b>(Rs. in million)</b>	
Particulars	Year ended December 31, 2010	Year ended December 31, 2009
The principal amount remaining unpaid as at the end of accounting year [including Interest due thereon - Nil (Previous year - Nil)]	<b>14.11</b>	13.90
Interest paid by the company in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during accounting year	-	-
Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006	-	-
Interest accrued and remaining unpaid at the end of accounting year	<b>0.05</b>	0.03
Further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006	-	0.02

\*Note: No interest has been paid by the Group to the enterprises covered under Micro, Small and Medium Enterprises Development Act, 2006 according to the terms agreed with the enterprises.

40. Capital Work in Progress includes investment of Rs. 254.90 million (Previous year Rs. 254.90 million) for setting up a City Gas Distribution (CGD) network in Valsad and Navsari district, Union Territories of Silvassa and Daman which has not yet commenced operations. The Company is exploring options of utilising this investment. However, considering the uncertainty involved in the utilisation of this network, the Company, based on engineering estimates, has made a provision of Rs. 105.04 million (Previous year Rs. 105.04 million) to bring the carrying value of the investment to its expected recoverable amount.
41. In view of the general clarification issued by the Institute of Chartered Accountants of India on Accounting Standard 21 "Consolidated Financial Statements", the consolidated financial statements do not include notes such as quantitative information, forex earnings/expense etc. which are not necessary to present true and fair view of the financial statements.
42. Previous year figures have been reclassified/regrouped wherever considered necessary to conform to the current year figures.

**For Price Waterhouse**

Firm Registration Number – 301112E  
Chartered Accountants

**V. Nijhawan**

Partner  
Membership No. F87228

Place : Ahmedabad  
Date : February 28, 2011

For and on behalf of the Board

Hasmukh Shah  
Chairman

Shaleen Sharma  
Managing Director

Jal Patel      Sugata Sircar  
Director      Finance Director

Rajeshwari Sharma  
Company Secretary

Place : Ahmedabad  
Date : February 28, 2011

## Auditors' Report To the Members of Gujarat Gas Company Limited

1. We have audited the attached Balance Sheet of Gujarat Gas Company Limited, as at December 31, 2010, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - a) We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purpose of our audit;
  - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act;
  - e) On the basis of written representations received from the directors, and taken on record by the Board of Directors, none of the directors is disqualified as on December 31, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act;
  - f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - i) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2010;
    - ii) in case of the Profit and Loss Account, of the profit for the year ended on that date; and
    - iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For Price Waterhouse  
Firm Registration No. – 301112E  
Chartered Accountants

**V. Nijhawan**  
Partner  
Membership Number: F87228

Place : Ahmedabad  
Date : February 28, 2011

## Annexure to Auditors' Report

[Referred to in paragraph 3 of the Auditors' report of even date to the members of Gujarat Gas Company Limited on the financial statements for the year ended December 31, 2010]

- i) a) The Company is maintaining proper records showing full particulars including quantitative details and situation of its fixed assets.
- b) The fixed assets are physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed.
- c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.
- ii) a) The inventory (excluding stocks with third parties) has been physically verified by the management during the year. In respect of inventory lying with third parties, these have been confirmed by them. In our opinion, the frequency of verification is reasonable.
- b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
- iii) a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act.
- b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act.
- iv) In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system;
- v) a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
- b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees Five Lakhs in respect of any party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi) The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
- vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- viii) The Central Government of India, under clause (d) of sub-section (1) of Section 209 of the Act, has prescribed the maintenance of cost records. The company is in the process of preparing the cost records and accounts for the year.
- ix) a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities.
- b) According to the information and explanations given to us and the records of the company examined by us, the particulars of income tax as at December 31, 2010 which have not been deposited on account of dispute as follows:

Name of the statute	Nature of Dues	Amount (Rs. in million)	Period to which the amount relates	Forum where the dispute is pending
Income Tax Act, 1961	Corporate Tax	4.08	Assessment Year 2007-08	Commissioner of Income Tax (Appeals)

There are no dues of wealth tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute.



- x) The Company does not have accumulated losses as at December 31, 2010 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
- xi) According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
- xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) The provision of any special statute applicable to chit fund/ nidhi/ mutual benefit fund/ societies are not applicable to the Company.
- xiv) In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
- xv) In our opinion and according to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
- xvi) During the year, the company has not obtained any term loans.
- xvii) On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
- xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
- xix) The Company has not issued any debentures during the year and there are no debentures outstanding as at the year end.
- xx) The Company has not raised any money by public issues during the year.
- xxi) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

For Price Waterhouse  
Firm Registration No. – 301112E  
Chartered Accountants

**V. Nijhawan**  
Partner  
Membership Number: F87228

Place : Ahmedabad  
Date : February 28, 2011

### BALANCE SHEET AS AT DECEMBER 31, 2010

	Schedule	Rs. in million	As at 31-12-2010 Rs. in million	As at 31-12-2009 Rs. in million
<b><u>SOURCES OF FUNDS</u></b>				
<b>SHAREHOLDER'S FUNDS</b>				
Share Capital	1	400.50		400.50
Stock Options Outstanding Account	2	37.96		21.29
Reserves and Surplus	3	<u>7,911.61</u>		<u>7,123.63</u>
			<b>8,350.07</b>	<b>7,545.42</b>
			<b>718.52</b>	<b>604.86</b>
<b>DEFERRED TAX LIABILITY (Net)</b>				
(Refer Notes 12 and 29 on Schedule 19)				
<b>DEPOSITS</b>				
(Refer Note 20 on Schedule 19)				
From Customers		2,034.81		1,514.81
From GAIL (India) Limited		<u>38.69</u>		<u>38.69</u>
			<b>2,073.50</b>	<b>1,553.50</b>
<b>TOTAL</b>			<b><u>11,142.09</u></b>	<b><u>9,703.78</u></b>
<b><u>APPLICATION OF FUNDS</u></b>				
<b>FIXED ASSETS</b>				
	4			
Gross Block		9,669.54		8,580.93
Less : Depreciation		3,181.42		2,686.46
Less : Impairment Loss		<u>29.37</u>		<u>34.63</u>
		<b>6,458.75</b>		<b>5,859.84</b>
Less : Lease Terminal Adjustment Account		<u>118.86</u>		<u>118.86</u>
Net Block		<b>6,339.89</b>		<b>5,740.98</b>
Capital work in progress		780.23		865.73
Capital Inventory		<u>517.68</u>		<u>489.96</u>
			<b>7,637.80</b>	<b>7,096.67</b>
<b>INVESTMENTS</b>	5		<b>5,348.74</b>	<b>4,121.54</b>
<b>AMOUNT RECOVERABLE FROM ESOP TRUST</b>			<b>343.02</b>	<b>243.00</b>
(Refer Note 26 on Schedule 19)				
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>				
Inventories	6	105.91		110.92
Lease Receivables	7	72.97		99.45
Sundry Debtors	8	1,411.17		1,138.98
Cash and Bank Balances	9	48.59		72.16
Loans and Advances	10	<u>156.89</u>		<u>266.22</u>
		<b>1,795.53</b>		<b>1,687.73</b>
<b>LESS: CURRENT LIABILITIES AND PROVISIONS</b>	11			
Current Liabilities		2,076.67		2,116.65
Provisions		<u>1,906.33</u>		<u>1,329.40</u>
		<b>3,983.00</b>		<b>3,446.05</b>
<b>NET CURRENT ASSETS</b>			<b>(2,187.47)</b>	<b>(1,758.32)</b>
<b>MISCELLANEOUS EXPENDITURE</b>	12		<b>-</b>	<b>0.89</b>
(To the extent not written off or adjusted)				
<b>TOTAL</b>			<b><u>11,142.09</u></b>	<b><u>9,703.78</u></b>
<b>Significant Accounting Policies and Notes to Accounts</b>				
	19			

This is the Balance Sheet referred to in our report of even date

**For Price Waterhouse**

Firm Registration Number – 301112E  
Chartered Accountants

**V. Nijhawan**

Partner  
Membership No. F87228

Place : Ahmedabad

Date : February 28, 2011

The Schedules referred to above form an integral part of the Balance Sheet

For and on behalf of the Board

Hasmukh Shah  
Chairman

Shaleen Sharma  
Managing Director

Jal Patel      Sugata Sircar  
Director      Finance Director

Rajeshwari Sharma  
Company Secretary

Place : Ahmedabad

Date : February 28, 2011

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2010

	Schedule	Rs. in million	Year ended 31-12-2010 Rs. in million	Year ended 31-12-2009 Rs. in million
<b>INCOME:</b>				
Income from Operations (Gross)	13	<b>18,745.69</b>		14,393.61
Less: Excise Duty on Gas Sales		<b>285.35</b>		217.22
Income from Operations (Net)		<b>18,460.34</b>		14,176.39
Other Income	14	<b>216.60</b>		253.20
			<b>18,676.94</b>	14,429.59
<b>EXPENDITURE:</b>				
Material consumed / processed (Refer Note 19 and 25 on Schedule 19)		<b>12,866.44</b>		10,032.06
Personnel Expenses	15	<b>495.23</b>		447.97
Operating and Other Expenses	16	<b>968.01</b>		910.35
Depreciation		<b>530.66</b>		460.63
Finance Charges	17	<b>4.62</b>		1.36
Deferred Revenue Expenditure Written off		<b>0.89</b>		3.67
			<b>14,865.85</b>	11,856.04
<b>Profit before Taxes</b>			<b>3,811.09</b>	2,573.55
Tax Expense	18		<b>1,223.80</b>	822.30
<b>Profit after Taxes</b>			<b>2,587.29</b>	1,751.25
Profit brought forward			<b>5,315.26</b>	4,949.01
<b>Profit available for Appropriations</b>			<b>7,902.55</b>	6,700.26
<b>APPROPRIATIONS:</b>				
Proposed Dividend				
- Preference Shares			<b>10.80</b>	10.80
- Equity Shares			<b>1,539.00</b>	1,026.00
Corporate Dividend Tax			<b>251.42</b>	172.20
Transfer to General Reserve			<b>259.00</b>	176.00
<b>Profit Carried Forward</b>			<b>5,842.33</b>	5,315.26
			<b>7,902.55</b>	6,700.26
<b>Basic/ Diluted Earnings per Share of Rs. 2/- each (Rs.)</b> (Refer Notes 11 and 22 on Schedule 19)			<b>20.08</b>	13.56
<b>Significant Accounting Policies and Notes to Accounts</b>	19			

This is the Profit and Loss Account referred to in our report of even date

**For Price Waterhouse**

Firm Registration Number – 301112E  
Chartered Accountants

**V. Nijhawan**

Partner  
Membership No. F87228

Place : Ahmedabad

Date : February 28, 2011

The Schedules referred to above form an integral part of the Profit and Loss Account

For and on behalf of the Board

Hasmukh Shah  
Chairman

Shaleen Sharma  
Managing Director

Jal Patel  
Director

Sugata Sircar  
Finance Director

Rajeshwari Sharma  
Company Secretary

Place : Ahmedabad

Date : February 28, 2011

## CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2010

	Year ended 31-12-2010 Rs. in million	Year ended 31-12-2009 Rs. in million
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before Tax	3,811.09	2,573.55
<b>Adjustments for:</b>		
Depreciation for the year	530.66	460.63
Provision for Gratuity	9.47	5.20
Provision for Leave Encashment	7.88	6.65
Provision for Diminution in the value of Fixed Assets / Capital Work in Progress	10.03	28.79
(Profit)/ Loss on sale of Fixed Assets (Net)	21.21	9.55
Provision for Doubtful Debts	2.00	1.09
Provision for Stock Options Account	25.91	18.41
Provision for Wealth Tax	0.40	0.40
Other Provisions	2.18	1.82
Bad Debts written off	-	0.20
Fixed assets written off	-	5.36
Inventory written off	2.46	9.51
Deferred Revenue Expenditure written off	0.89	3.67
Interest Expense	4.62	1.36
(Profit)/Loss on sale of investment (Net)	(18.12)	(35.30)
Liabilities no longer required Written Back	(0.91)	(13.03)
Reversal of Impairment Provision	(15.29)	-
Dividend Income	(152.82)	(154.18)
Interest Income	(21.37)	(19.85)
<b>Operating Profit before working capital changes</b>	<b>4,220.29</b>	<b>2,903.83</b>
<b>Adjustments for changes in working capital</b>		
(Increase)/Decrease in Sundry Debtors	(274.20)	(180.60)
(Increase)/Decrease in Amount Recoverable from ESOP trust	(107.34)	(232.50)
(Increase)/Decrease in Loan and Advances	183.17	(5.17)
(Increase)/Decrease in Inventories	2.54	(10.58)
Increase/(Decrease) in Current Liabilities	38.00	200.43
<b>Cash generated from operations</b>	<b>4,062.46</b>	<b>2,675.41</b>
Taxes paid (Net of refunds)	(1,209.82)	(766.78)
<b>Net Cash from Operating Activities</b>	<b>2,852.64</b>	<b>1,908.63</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(1,188.68)	(1,559.46)
Sale of Fixed Assets	14.50	41.90
Purchase of Investments	(19,499.09)	(14,177.08)
Sale of Investments	18,290.01	13,547.04
Net investment in Finance Lease (Net of Capital Recovery)	26.48	27.90
Interest received	21.37	19.85
Dividends received	152.82	154.18
<b>Net Cash used in Investing Activities</b>	<b>(2,182.59)</b>	<b>(1,945.67)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Deposits accepted during the year (Net)	520.00	279.81
Interest Paid	(4.62)	(1.36)
Dividend Paid (including Corporate Dividend Tax)	(1,209.00)	(237.71)
<b>Net Cash generated from/(used in) Financing Activities</b>	<b>(693.62)</b>	<b>40.74</b>

**NET INCREASE IN CASH AND CASH EQUIVALENTS**
**Cash and Cash Equivalents at the beginning of the year**
**Cash and Cash Equivalents at the end of the year**
**Closing Cash and Cash Equivalents comprise:**

Cash in hand

Cheques in hand

Balances with Scheduled Banks :

- In Current Accounts

- In Dividend Accounts

(Refer note C below)

**Total Cash and Cash Equivalents as per Cash Flow statement**

<b>Year ended 31-12-2010 Rs. in million</b>	<b>Year ended 31-12-2009 Rs. in million</b>
<b>(23.57)</b>	3.70
<b>72.16</b>	68.46
<b>48.59</b>	72.16
<b>0.20</b>	0.18
<b>-</b>	9.89
<b>38.88</b>	56.24
<b>9.51</b>	5.85
<b>48.59</b>	72.16

**Notes to Cash Flow Statement:**

- The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Accounting Standard-3 on Cash Flow Statements.
- Purchases of fixed assets, stated inclusive of movements of capital work in progress and capital inventory, are treated as part of investing activities.
- The balance with the bank for unpaid dividend is not available for use by the company and the money remaining unpaid will be deposited in Investor Protection and Education Fund after the expiry of seven years from the date of declaration of dividend.
- Previous Year figures have been regrouped and reclassified wherever considered necessary to conform to current year's figures.
- Figures in brackets indicate Cash outflow.

This is the Cash Flow Statement referred to in our report of event date

**For Price Waterhouse**

Firm Registration Number – 301112E

Chartered Accountants

For and on behalf of the Board

Hasmukh Shah  
Chairman

Shaleen Sharma  
Managing Director

**V. Nijhawan**

Partner

Membership No. F87228

Jal Patel      Sugata Sircar  
Director      Finance Director

Rajeshwari Sharma  
Company Secretary

Place : Ahmedabad

Date : February 28, 2011

Place : Ahmedabad

Date : February 28, 2011

### SCHEDULES FORMING PART OF BALANCE SHEET

	As at 31-12-2010 Rs. in million	As at 31-12-2009 Rs. in million
<b>SCHEDULE - 1</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
140,000,000 (Previous year 140,000,000) Equity Shares of Rs. 2/- each	280.00	280.00
17,000,000 (Previous year 17,000,000) 7.5% Redeemable Preference Shares of Rs.10/- each	170.00	170.00
<b>TOTAL</b>	<b>450.00</b>	<b>450.00</b>
<b>Issued, Subscribed and Paid up</b>		
128,250,000 ( Previous year 128,250,000 ) Equity Shares of Rs. 2/- each fully paid-up [Out of the above 83,518,750 (Previous year 83,518,750) equity shares are held by holding company BG Asia Pacific Holdings Pte. Limited , the ultimate holding company being BG Group plc.] [Out of the above during the Previous year 64,125,000 equity shares allotted as fully paid-up by way of bonus shares out of General Reserve]	256.50	256.50
14,400,000 (Previous year 14,400,000) 7.5% Redeemable Cumulative Non Convertible Preference Shares of Rs.10/- each fully paid up, issued to holding company BG Asia Pacific Holdings Pte. Limited [redeemable at par at any time after five years from the date of allotment (May 18, 2006) but prior to the expiry of twenty years from the date of such allotment; earliest possible date of redemption May 18, 2011]	144.00	144.00
<b>TOTAL</b>	<b>400.50</b>	<b>400.50</b>
<b>SCHEDULE - 2</b>		
<b>STOCK OPTIONS OUTSTANDING ACCOUNT</b> (Refer Note 26 on Schedule 19)		
Stock Options Outstanding Account	92.90	57.62
Less : Deferred Stock Option Outstanding Account	54.94	36.33
<b>TOTAL</b>	<b>37.96</b>	<b>21.29</b>
<b>SCHEDULE - 3</b>		
<b>RESERVES AND SURPLUS</b>		
<b>GENERAL RESERVE</b>		
As per last Balance Sheet	1,808.37	1,760.62
Add : Transferred from Profit and Loss Account	259.00	176.00
Add : Adjustment to Amount recoverable from ESOP Trust (Refer Note 26 on Schedule 19)	1.91	-
Less : Transfer to Share Capital on issuance of Bonus shares (Refer Note 22 on Schedule 19)	-	128.25
	<b>2,069.28</b>	<b>1,808.37</b>
<b>PROFIT AND LOSS ACCOUNT</b>	<b>5,842.33</b>	<b>5,315.26</b>
<b>TOTAL</b>	<b>7,911.61</b>	<b>7,123.63</b>

**GUJARAT GAS COMPANY LIMITED**
**SCHEDULES FORMING PART OF BALANCE SHEET**
**SCHEDULE - 4**
**FIXED ASSETS**

(Refer Notes 2,3,9,13,17,18,31 (ii) and 45 on Schedule 19 )

(Rs. in million)

Particulars	GROSS BLOCK			DEPRECIATION			IMPAIRMENT LOSS			NET BLOCK		
	As at 01-01-2010	Additions For the year	Deduction/ Adjustments For the year	As at 31-12-2010	For the year	Deduction/ Adjustments For the year	As at 31-12-2010	As at 01-01-2010	For the year	Adjustments/ Reversals	As at 31-12-2010	As at 31-12-2009
<b>Tangible Assets:</b>												
Land (Refer Note 1 below)	343.14	-	-	343.14	-	-	-	-	-	-	-	343.14
Buildings	321.40	13.99	-	335.39	50.96	7.67	58.63	-	-	-	-	270.44
Plant and Machinery	7,151.57	1,064.39	61.91	8,154.05	2,385.41	474.77	2,826.30	15.29	-	15.29	-	4,750.87
(Refer Note 6 below)												
Furniture, Fixtures and Fittings	63.68	4.27	0.54	67.41	25.03	4.36	28.90	-	-	-	-	38.65
Vehicles	93.47	20.95	2.41	112.01	30.78	10.70	40.15	-	-	-	-	62.69
<b>Assets given on Finance Lease</b>												
(Prior to April 1, 2001)												
Plant and Machinery	279.63	-	-	279.63	85.83	-	85.83	-	-	-	-	193.80
<b>Asset given on Operating Lease</b>												
(After April 1, 2001)												
Plant and Machinery	130.87	-	-	130.87	39.55	7.02	46.57	19.34	10.03	-	29.37	71.98
(Refer Note 2 below)												
<b>Intangible Assets:</b>												
Software/License	159.47	26.23	-	185.70	68.90	26.14	95.04	-	-	-	-	90.57
Right of use of Land	37.70	23.64	-	61.34	-	-	-	-	-	-	-	37.70
<b>8,580.93</b>	<b>1,153.47</b>	<b>64.86</b>	<b>9,669.54</b>	<b>2,686.46</b>	<b>530.66</b>	<b>35.70</b>	<b>3,181.42</b>	<b>34.63</b>	<b>10.03</b>	<b>15.29</b>	<b>29.37</b>	<b>5,859.84</b>
(Less)/Add:												
<b>Lease Terminal Adjustment</b>	-	-	-	-	118.86	-	118.86	-	-	-	-	(118.86)
<b>TOTAL</b>	<b>8,580.93</b>	<b>1,153.47</b>	<b>64.86</b>	<b>9,669.54</b>	<b>2,805.32</b>	<b>530.66</b>	<b>3,300.28</b>	<b>34.63</b>	<b>10.03</b>	<b>15.29</b>	<b>29.37</b>	<b>5,740.98</b>
<b>Capital Work in Progress</b>												
(Refer Notes 3 and 4 below)												
<b>Capital Inventory</b>												
(Net of provision for obsolescence												
Rs. 5.00 million (previous year												
Rs. 8.55 million)												
(Refer Note 5 below)												
<b>TOTAL</b>	<b>8,580.93</b>	<b>1,153.47</b>	<b>64.86</b>	<b>9,669.54</b>	<b>2,805.32</b>	<b>530.66</b>	<b>3,300.28</b>	<b>34.63</b>	<b>10.03</b>	<b>15.29</b>	<b>29.37</b>	<b>7,096.67</b>
Previous Year	7,084.50	1,525.93	29.50	8,580.93	2,359.74	460.63	2,805.32	9.88	24.75	-	34.63	5,740.98

**NOTES :**

- Land includes Leasehold Land Rs. 0.18 million (Previous year Rs. 0.18 million).
- Assets given on Operating lease includes Natural gas fired cogeneration unit at its net realisable value of Rs. 18.51 million (Previous year Rs. 28.54 million) for which agreement to lease has been terminated.
- Capital Work in Progress includes Capital Advances Rs. 137.21 million (Previous year Rs. 49.51 million)
- Capital Work in Progress includes Natural gas fired cogeneration units reclassified from finance lease receivables amounting to Nil (Previous year Rs. 11.91 million) for which agreement to lease has been terminated.
- Capital Inventory includes material in transit amounting to Rs. 63.69 million (Previous year Rs. 34.92 million).
- Plant and Machinery includes certain assets at its net realisable value of Nil (Previous year Rs. 1.92 million) which are held for disposal.



## SCHEDULES FORMING PART OF BALANCE SHEET

	Rs. in million	As at 31-12-2010 Rs. in million	As at 31-12-2009 Rs. in million
<b>SCHEDULE - 5</b>			
<b>INVESTMENTS</b>			
(Refer Notes 4, 24 and 30 on Schedule 19)			
<b>A Long Term Investments :</b>			
<b>(At Cost)</b>			
<b>Equity Shares</b>			
Trade -Unquoted	100.27		139.36
Less: Provision	75.00		104.34
<b>Long Term Investments (A)</b>		25.27	35.02
<b>B Current Investments :</b>			
<b>(At Cost and Fair market value whichever is lower,     determined categorywise)</b>			
Other than Trade (Unquoted)			
Units of Mutual Funds		5,323.47	4,086.52
<b>Current Investment (B)</b>		5,323.47	4,086.52
<b>Total Investment (A+B)</b>		5,348.74	4,121.54
<b>Aggregate cost of Unquoted Investments</b>		5,423.74	4,225.88
<b>SCHEDULE - 6</b>			
<b>INVENTORIES</b>			
(Refer Note 5 on Schedule 19)			
Stores and Pipe Fittings		105.91	110.92
<b>TOTAL</b>		105.91	110.92
<b>SCHEDULE - 7</b>			
<b>LEASE RECEIVABLES</b>			
(Refer Note 31 (i) on Schedule 19)			
(Unsecured - considered good, unless otherwise stated)			
Lease Receivables		72.97	99.45
<b>TOTAL</b>		72.97	99.45
<b>SCHEDULE - 8</b>			
<b>SUNDRY DEBTORS</b>			
<b>For Sales and Service Charges</b>			
Secured - Considered Good			
Exceeding Six Months		3.73	3.58
Others		1,061.79	917.34
Unsecured - Considered Good			
Exceeding Six Months		0.77	53.15
[includes Nil (Previous year Rs. 45.00 million) secured by bank guarantees]			
Others		344.88	164.91
[includes Rs. 269.57 million (Previous year Rs. 105.65 million) secured by bank guarantees]			
Unsecured - Considered Doubtful			
Exceeding Six Months	23.26		21.26
Less: Provision for Doubtful Debt	23.26		21.26
<b>TOTAL</b>		1,411.17	1,138.98

### SCHEDULES FORMING PART OF BALANCE SHEET

	Rs. in million	As at 31-12-2010 Rs. in million	As at 31-12-2009 Rs. in million
<b>SCHEDULE - 9</b>			
<b>CASH AND BANK BALANCES</b>			
Cash in hand		0.20	0.18
Cheques in hand		-	9.89
Balances with Scheduled Banks :			
- In Current Accounts		38.88	56.24
- In Dividend Accounts		9.51	5.85
<b>TOTAL</b>		<b>48.59</b>	<b>72.16</b>
<b>SCHEDULE - 10</b>			
<b>LOANS AND ADVANCES</b>			
(Unsecured - considered good, unless otherwise stated)			
Advances recoverable in Cash or in kind or for value to be received		73.20	59.92
Deposit recoverable		18.63	179.05
Balance due with Government Authorities		27.92	27.25
Advance payment of tax and tax deducted at source	6,073.56		-
Less: Provision for Taxation	6,036.42		-
<b>TOTAL</b>		<b>37.14</b>	<b>-</b>
<b>SCHEDULE - 11</b>			
<b>CURRENT LIABILITIES AND PROVISIONS</b>			
<b>(A) CURRENT LIABILITIES</b>			
Sundry Creditors			9.77
- Dues to Micro and Small Enterprises	13.83		
(Refer Note 44 on Schedule 19)			
- Other Creditors	1,475.58		1,537.09
		1,489.41	1,546.86
Deferred Revenue		13.64	59.90
(Refer Note 8(c) on Schedule 19)			
Deposit From Collection Centres and CNG Franchisees		22.55	19.50
Advance From Customers		93.12	38.57
Due to Subsidiaries		161.91	273.90
Investor Education and Protection Fund			
- Unpaid Dividend		9.51	5.85
Other Liabilities		286.53	172.07
		2,076.67	2,116.65
<b>(B) PROVISIONS</b>			
Proposed Dividend		1,801.22	1,209.00
[Including Corporate Dividend tax Rs. 251.42 million			
(Previous Year Rs. 172.20 million)]			
Gratuity and Leave encashment		50.73	42.76
[Includes short term employee benefit Rs. 1.42 million			
(Previous Year Rs. 0.42 million)]			
(Refer Note 27 on Schedule 19)			
Other Provisions		53.34	51.16
(Refer Note 32 on Schedule 19)			
Provision for Taxation	-		4,925.88
Less: Advance payment of tax and tax deducted at source	-		4,900.44
		-	25.44
Provision for Fringe Benefit Tax	33.60		33.60
Less: Advance Payment of Tax	32.56		32.56
<b>TOTAL</b>		<b>1.04</b>	<b>1.04</b>
		<b>1,906.33</b>	<b>1,329.40</b>
		<b>3,983.00</b>	<b>3,446.05</b>

### SCHEDULES FORMING PART OF BALANCE SHEET

	Rs. in million	As at 31-12-2010 Rs. in million	As at 31-12-2009 Rs. in million
<b>SCHEDULE - 12</b>			
<b>MISCELLANEOUS EXPENDITURE</b>			
(Refer Note 14 on Schedule 19)			
Deferred Revenue Expenditure			
Voluntary Retirement Scheme:			
Opening Balance	0.89		4.56
Less: Written Off during the year	0.89		3.67
		-	0.89
<b>TOTAL</b>		-	0.89

### SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

	Rs. in million	Year ended 31-12-2010 Rs. in million	Year ended 31-12-2009 Rs. in million
<b>SCHEDULE - 13</b>			
<b>INCOME FROM OPERATIONS</b>			
(Refer Note 8 on Schedule 19)			
Natural Gas Sales (Gross)		18,421.70	14,086.18
Gas Transmission Income		174.39	169.46
Service and Fitting Income (Net)		110.80	93.98
Lease Income		24.20	24.40
Income from Finance Leases		14.60	19.59
<b>TOTAL</b>		18,745.69	14,393.61
<b>SCHEDULE - 14</b>			
<b>OTHER INCOME</b>			
Income from Investments			
(Refer Note 8(f) on Schedule 19)			
<b>Long Term</b>			
Dividend from Subsidiary Company		2.10	2.80
Dividend from Trade Investment		6.14	2.00
<b>Current</b>			
Dividend from Mutual Funds		144.58	149.38
Interest on Others (Customers and Staff advances)		21.37	15.35
[Gross, Tax deducted at source Rs. 0.02 million (Previous year Rs. 0.01 million)]			
(Refer note 8 (g) on Schedule 19)			
Interest on Income Tax Refund		-	4.50
Profit on Sale of Current Investments	32.45		35.43
Less: Loss on Sale of Current Investments	(14.33)		(0.13)
		18.12	35.30
Liabilities no longer required Written Back		0.91	13.03
Foreign Exchange Fluctuations Gain (Net)		1.14	0.30
Miscellaneous Income		22.24	30.54
<b>TOTAL</b>		216.60	253.20

### SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

	Rs. in million	Year ended 31-12-2010 Rs. in million	Year ended 31-12-2009 Rs. in million
<b>SCHEDULE - 15</b>			
<b>PERSONNEL EXPENSES</b>			
(Refer Note 7 on Schedule 19)			
Salaries, Wages and Bonus		415.75	380.43
(Refer Note 27 (iii) on Schedule 19)			
Contribution to Provident and Other Funds		30.19	22.74
(Refer note 27 (i) & (ii) on Schedule 19)			
Welfare Expenses		49.29	44.80
(Refer note 26 on Schedule 19)			
<b>TOTAL</b>		<b>495.23</b>	<b>447.97</b>
<b>SCHEDULE - 16</b>			
<b>OPERATING AND OTHER EXPENSES</b>			
Stores and Chemicals consumed		39.95	26.39
Power and Fuel		174.87	175.27
Rent		30.02	25.73
Rates and Taxes		2.61	4.81
Repairs:			
- To Buildings	6.41		4.52
- To Plant and Machinery	147.11		157.02
- To Others	92.30		72.24
		<b>245.82</b>	233.78
Insurance		15.07	12.60
Stationery and Printing		9.05	9.23
Advertisement Expenses		13.88	14.10
Communication Expenses		17.79	18.33
Vehicle Hire Charges		45.81	33.24
Travelling Expenses		25.32	23.55
Donation		2.39	1.03
Legal, Professional and Consultancy		127.62	102.76
Loss on Sale of Fixed assets (Net)		5.92	9.55
Bad debts / Advances written off		-	0.20
Wealth Tax		0.40	0.40
Other Provision		2.18	1.82
(Refer Note 32 on Schedule 19)			
Provision for Doubtful Debts		2.00	1.09
Provision for Diminution in the value of Fixed Assets / Capital Work in Progress		10.03	28.79
(Refer Note 45 on Schedule 19)			
Assets written off		-	5.36
Provision / write off for inventory obsolescence		2.46	9.51
Service Charges		88.51	73.10
Agency & Contract Staff Expenses (including security service charges)		45.22	35.57
Miscellaneous Expenses		61.09	64.14
<b>TOTAL</b>		<b>968.01</b>	<b>910.35</b>

**SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT**

		Year ended 31-12-2010 Rs. in million	Year ended 31-12-2009 Rs. in million
<b>SCHEDULE - 17</b>			
<b>FINANCE CHARGES</b>			
Interest - Others		4.62	1.36
<b>TOTAL</b>		<u>4.62</u>	<u>1.36</u>
<b>SCHEDULE - 18</b>			
<b>TAX EXPENSE</b>			
(Refer Notes 12, 29 and 43 on Schedule 19 )			
Current Income tax		1,152.00	746.50
Deferred Income tax		71.80	74.80
Fringe benefit tax		-	1.00
<b>TOTAL</b>		<u>1,223.80</u>	<u>822.30</u>

## SCHEDULE -19

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

#### SIGNIFICANT ACCOUNTING POLICIES:

##### 1. Accounting Convention :

The Financial statements have been prepared to comply in all material respects with all applicable accounting principles in India, the applicable Accounting Standards notified under Section 211(3C) of the Companies Act, 1956 and the relevant provisions of the Companies Act, 1956.

##### 2. Fixed Assets :

- (a) Fixed Assets including assets given on lease are stated at their original cost including freight, duties, customs and other incidental expenses relating to acquisition or construction.
- (b) Expenditure incurred during the period of construction including all direct and indirect expenses, incidental to construction are carried forward and on completion, the costs are allocated to the respective fixed assets.
- (c) Capital inventory represents items of capital nature lying in the store valued at cost on First In First Out method.
- (d) Capital spares are capitalised with the cost of the plant and machinery and depreciated over the useful life of the asset.
- (e) In respect of assets leased before April 1, 2001, the company follows the recommendation of the Institute of Chartered Accountants of India contained in the Guidance Note on Accounting for Leases. Accordingly lease rentals accounted as income on finance leases are adjusted by creating lease terminal adjustment account so as to recover the capital cost of the leased asset within the tenure of lease agreements or earlier as ascertained by the management.

##### 3. Depreciation/Amortisation:

- (a) Depreciation on assets including assets given on lease is provided on Straight Line Method (SLM) at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956. Assets costing Rs. 5,000 or less are fully depreciated in the year of purchase.
- (b) Depreciation on assets purchased/acquired during the year is charged from the beginning of the month of the purchase of the asset. Similarly depreciation on assets sold / discarded during the year is charged upto the end of the month preceding the month of sale of asset.
- (c) No depreciation is being charged on Right of Use of Land being perpetual in nature.
- (d) Licenses/Software are amortized over a period of six years from the date of its availability for use by the Company.

##### 4. Investments:

Long term Investments are valued at cost and any decline in value other than temporary is appropriately provided.

Current investments are stated at lower of cost and fair market value determined categorywise. Cost is determined as per weighted average cost formula.

##### 5. Inventories:

Stores and Pipes fittings are valued at lower of cost and net realisable value.. Cost is determined on First In First Out method.

##### 6. Foreign currency transactions:

Foreign currency transactions are accounted for at the exchange rate prevailing on the transaction date. Year-end monetary assets and liabilities in foreign currency are translated at the applicable year-end exchange rates and the resultant difference is recognised as gain / loss for the year.

The premium or discount arising on forward exchange contracts including those entered into to hedge the foreign currency risks of a firm commitment or highly probable forecast transaction is amortized as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the reporting period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such forward exchange contracts is recognised as income or as expense for the year.

##### 7. Employee Benefits:

- (a) Post-employment benefit plans
  - i. Defined Contribution Plan - Contributions to provident fund are accrued in accordance with applicable statutes and deposited with the Regional Provident Fund Commissioner.
  - ii. Defined Benefit Plan -.The liability in respect of gratuity and leave encashment is determined using Projected Unit Credit Method with actuarial valuation carried out as at Balance Sheet date. Actuarial gains and losses are recognized in full in the Profit and Loss Account for the period in which they occur.

Contributions in respect of gratuity are made to the approved Gratuity Fund of the Company. The gratuity obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost and as reduced by the fair value of gratuity fund.

(b) Short term employment benefits

The undiscounted amount of short term employee benefits expected to be paid in exchange for services rendered by employees is recognized during the period when the employee renders the services.

(c) Employee Stock Option Plan

Stock Option grants to the employees who accept the grant under the Company's Stock Option Plan are accounted in accordance with Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 and Guidance Note on Accounting for Employee Share-based Payments issued by Institute of Chartered Accountants of India. The Company follows the fair value method for option pricing and accordingly the fair value of the option as of the date of the grant of the option is recognised as employee compensation cost and amortised on straight line basis over the vesting period.

**8. Revenue Recognition :**

(a) Revenue on sale of natural gas is recognised on transfer of title to customers at delivery point. Sales are billed bi-monthly for domestic customers, monthly for commercial and non-commercial customers and fortnightly for industrial customers. Spot sales of gas to industrial customers are billed as per the terms mutually agreed between the parties. Revenue on sale of Compressed Natural Gas (CNG) are recognised on sale of gas to customers from retail outlets.

(b) Gas Transmission income is recognized in the same period in which the related volumes of gas are delivered to the customers.

(c) Commitment income from customers for gas sales and gas transmission is recognized on establishment of certainty of receipt of consideration.

(d) Assets given on lease after April 1, 2001:

i. Income from Finance Leases

In accordance with the provisions of Accounting Standard 19 on Leases, the aggregate of minimum lease payments less unearned finance income is recognized as a receivable. Unearned finance income is arrived at, as the difference between the aggregate of minimum lease payments and its present value based on the rate of return implicit as per the terms of the agreement. Finance Income is recognized over the term of the lease using net investment method, which reflects a constant periodic rate of return.

ii. Income from Operating Leases

Lease Income from Operating Leases has been recognised in the Profit & Loss Account on a straight line basis over the lease term, as required by AS – 19 on Leases.

iii. Initial direct costs incurred for negotiating and arranging lease agreements are recognised immediately in the profit and loss account.

(e) The difference between the amounts charged from customers for gas connections and actual consumption of material and labour charges is disclosed as Service and Fitting Income (Net) under Income from operations.

(f) Dividend income is recognised when the right to receive dividend is established.

(g) Delayed payment charges are recognized on the basis of certainty of collection.

**9. Borrowing Costs:**

Borrowing costs attributable to the acquisition or construction of a qualifying asset is capitalized as part of the cost of the asset. Other borrowing costs are recognised as an expense in the period in which they are incurred.

**10. Operating Leases:**

Lease rentals are recognised as an expense on straight line basis over the term of the lease.

**11. Earnings Per Share (EPS):**

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

**12. Taxation:**

Tax expense for the year, comprising current tax, deferred tax and fringe benefit tax, is included in determining the net profit for the year.



A provision is made for the current tax and fringe benefit tax based on tax liability computed in accordance with relevant tax rates and tax laws. A provision is made for deferred tax for all timing differences arising between taxable income and accounting income at current or substantively enacted tax rates.

Deferred tax assets are recognised only if there is reasonable certainty that they will be realised and are reviewed for the appropriateness of their respective carrying values at each balance sheet date.

### 13. Impairment of Assets:

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the assets' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the assets' net selling price and its value in use.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

### 14. Miscellaneous Expenditure:

Expenditure on Voluntary Retirement Scheme (VRS) of employees is amortised in equal installments from the year in which the same is incurred till periods ended December 31, 2010 in accordance with the transitional provision of Accounting Standard - 15, Employee Benefits.

### 15. Provision and Contingencies:

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that probably will not require an outflow of resources or where a reliable estimate of the obligation can not be made.

## NOTES TO ACCOUNTS:

### 16. Contingent Liabilities:

- (a) Claims against the company not acknowledged as debts Rs.13.57 million (Previous year Rs.11.15 million).
- (b) Claims of Rs. 27.92 million (Previous year Rs. 25.86 million) against the Company have been disputed by the Company. The Company is, however, indemnified by an insurance policy.
- (c) Income tax related exposures Rs. 200.97 million (Previous year Rs. 196.24 million)
  - (i) Includes income tax demand of Rs. 53.46 million (Previous year Rs. 53.46 million) relating to Assessment Years 1998-99, 1999-00 and 2000-01 due to disallowance of interest on debentures issued for the Hazira Ankleshwar pipeline and incurred during its construction, claimed as revenue expenditure. The amount of Rs. 53.46 million (Previous year Rs. 53.46 million) has been paid under protest.  
CIT (Appeals) has ruled in favour of the company and deleted the demand of Rs.6.87 million pertaining to A.Y. 2000-01. The Income-tax department has preferred an appeal in ITAT against the said order of CIT (Appeals) but ITAT allowed the claim for A.Y. 2000-2001. The appeal for the other two years is pending with the ITAT.
  - (ii) Includes income tax demand of Rs.123.41 million (Previous year Rs. 122.38 million) including interest on tax, relating to Assessment Years 1995-96 to 2007-08 due to disallowance of depreciation claimed on leased assets. The total amount paid by company / adjusted by tax authorities on account of above demand aggregates to Rs.122.41 million (Previous year Rs.121.67 million). The total tax exposure (though actually paid), net of interest on tax, on account of the above for all the years aggregates to Rs.115.32 million (Previous year Rs. 115.04 million). The company's appeals against the above demands are pending with ITAT for Assessment years 1996-97, 1997-98, 1998-99, 1999-00, 2001-02 and 2002-03. The company's appeal for A.Y. 2005-06, 2006-07 and 2007-08 is pending with CIT (A). For A.Y. 2000-01, 2003-04 and 2004-05 the matter has been decided in the company's favour by the ITAT. The High Court of Gujarat has allowed the company's claim on the same issue for A.Y. 1995-96 and this is likely to have a positive consequential effect on all the subsequent years.
  - (iii) Includes income tax demand for Rs.11.68 million (Previous year Rs.7.99 million) for disallowances under Section 14A on account of expenditure incurred for earning exempt income for A.Y. 2004-05, 2005-06, 2006-07 and 2007-08. The total amount paid by company / adjusted by tax authorities on account of above demand aggregates to Rs.7.99 million (Previous Year Rs.1.39 million). The Appeal for A.Y. 2005-06, 2006-07 and 2007-08 is pending with CIT (A) and for A.Y. 2004-05 with ITAT.

For A.Y. 2000-01 the Tribunal has disallowed the similar expenses under Section 14A and has asked the Assessing Officer to re-examine the tax levy as per Rule 8D of the Income Tax Rules, 1962 and hence the amount can not be quantified at this stage. The Company has preferred an appeal with the High Court against the above order of the Tribunal.

(iv) Includes income tax demand for Rs.12.42 million (Previous year Rs.12.42 million) for certain disallowances for A.Y. 2003-04 to 2006-07. The demand is towards disallowances on account of bad debts written off, inventory written off, deposits written off and treatment of Cenvat credit balance as income. The total amount paid by company / adjusted by tax authorities on account of above demand aggregates to Rs. 8.67 million (Previous year Rs. 8.67 million). The appeal for A.Y. 2005-06 and 2006-07 is pending with CIT (A) and for A.Y. 2003-04 and 2004-05 with ITAT.

**17.** Estimated amount of contracts net of advances remaining to be executed on capital account and not provided for Rs. 285.86 million (Previous year Rs. 125.48 million).

**18.** The company had constructed a civil structure aggregating to Rs. 19.04 million (Previous year Rs.19.04 million) on land which is not yet owned by the Company. The management is confident of obtaining the requisite approvals of the Government Authorities for transfer of ownership of land.

**19. Material consumed includes:**

(a) Rs. 30.25 million (Previous year Rs. 30.30 million) towards internal consumption of Gas.

(b) Gain of Rs. 19.47 million (Previous year Rs. 21.82 million) as foreign exchange fluctuations.

**20.** Deposits from customers have been considered as a source of long term funds since the same are refundable only on termination / modification of the gas sale agreement.

**21. Obligations on Operating Leases:**

The company has taken premises for office and residential use for its employees under cancellable operating lease agreements. The total lease rentals recognized as an expense during the year under the above lease agreements aggregates to Rs. 12.39 million (Previous year Rs. 7.69 million). The lease agreement typically ranges from 1 to 5 years.

**22. Earnings per share (EPS):**

	Year ended December 31, 2010	Year ended December 31, 2009
Net Profit after tax (Rs. in million)	<b>2,587.29</b>	1,751.24
Less: Preference Dividend and corporate dividend tax on preference dividend (Rs. in million)	<b>12.55</b>	12.59
Net Profit attributable to Equity Shareholders (Rs. in million)	<b>2,574.74</b>	1,738.65
Weighted average number of equity shares outstanding during the year (No. in million)	<b>128.25</b>	128.25
Basic earnings per share of Rs. 2/- each (in Rs.)	<b>20.08</b>	13.56

The Company does not have any outstanding dilutive potential equity shares. Consequently the basic and diluted earning per share of the company remain the same.

**23. Segment Reporting:**

The company is primarily in the business of distribution of Natural gas through pipelines from sources of supply to centers of demand and to the end customers. The company also builds pipelines required to make the gas available to the end customer. The other activity of the company comprises leasing of natural gas fired Cogeneration units, the income from which is not material in financial terms.

Further, the Company is operating in a single geographical segment. Accordingly, disclosures relating to primary and secondary business segments under the Accounting Standard on Segment Reporting (AS -17) are not relevant to the Company.

**24. Accounting for Joint Venture:**

The Company's joint ventures "Petroleum Infrastructure Limited" (incorporated in India with 50% stake being held by the Company) and "Sensus Metering Systems India Limited" (incorporated in India with 49% stake being held by the Company) are under liquidation. Therefore, the Company's interest in the joint ventures has been accounted for in accordance with Accounting Standard 13 "Accounting for Investments" and has not been disclosed as per Accounting Standard 27 "Financial Reporting of Interest in Joint Ventures".

In case of Sensus Metering Systems India Limited, the assets of the joint venture has been liquidated and all liabilities have been paid off. The resultant proceeds of joint venture has been distributed to Company which is higher than the carrying value of Investment (net of provision made in earlier years for diminution in the value of investments). Company does not expect to receive any further amount from joint venture and hence remaining carrying value of investments in joint venture and related provision has been adjusted in the books of accounts.

In case of Petroleum Infrastructure Limited, the investments have been written down to the realizable value. (Refer Note 30 on Schedule 19)

25. The Company is procuring natural gas from one of the suppliers on the basis of a Term Sheet agreed with the supplier effective April 1, 2008. Under the terms of the agreement with the supplier, the Term Sheet shall be superseded by a Gas Sales and Transmission Contract (GSTC) as and when the same is finalised. The GSTC would be effective from April 1, 2008. Pending the finalisation of the GSTC, the gas procurement cost is being recorded in the books of account on the basis of the terms provided in the Term Sheet.

**26. Employee Stock Option Plan 2008:**

The Company implemented an Employee Stock Option Plan 2008 ('ESOP 2008') which provides for the allotment of equity shares of Rs. 2/- each to eligible employees of the Company and its subsidiaries. The Scheme is administered by an ESOP Trust (Gujarat Gas Company Limited Employee Stock Option Welfare Trust) which purchases, out of the funds advanced by the Company, the shares equivalent to the number of options granted, for allotment to the grantees. The Finance Director and Human Resource Director are the trustees of the said trust. The trustees can purchase or sell the shares from the market as per the approved scheme.

Pursuant to the above scheme the Company has granted options as mentioned here below convertible into equity shares of Rs. 2/- each to employees of the Company and its subsidiaries. The exercise price is calculated at 10% discount to the closing price of the shares on record date, being the date on which the grant of options were approved by board of directors and shareholders. The Scheme provides for graded vesting of options granted over a period of 4 years from the date of grant.

% of Option Vested	Cumulative	Vesting Date
25%	25%	on expiry of two years from their Grant date ("First Vesting Date")
50%	75%	on expiry of three years from their Grant date ("Second Vesting Date")
25%	100%	on expiry of four years from their Grant date ("Third Vesting Date")

The options are to be exercised within a maximum period of 2 years from the date of vesting. Within the exercise period, the employee would have the option to either purchase the shares from the trust at the exercise price or to give a mandate of sale to the trust at the best available market price, in which event the difference between the net price realized on sale after taxes and charges and the Exercise Price will accrue as gains to the employee.

Details of movement under the Stock option plan for the year ended December 31, 2010 is as follows:

	Year ended December 31, 2010		Year ended December 31, 2009	
	Number of options	Weighted average exercise price (in Rs.)	Number of options	Weighted average exercise price (in Rs.)
Options outstanding at the beginning of the year	1,663,000	99	740,000	189
Options granted during the year	-	-	170,000	233
Less: Options forfeited during the period prior to issuance of bonus shares (refer note below)	-	-	58,500	198
Less: Options expired during the period	-	-	-	-
Less: Options exercised during the period	-	-	-	-
Options outstanding before issuance of bonus shares (refer note below)	-	-	851,500	197
Add: Increase in options on account of bonus issue	-	-	851,500	-
Options granted during the year	403,000	285	-	-
Less: Options exercised during the year	280,000	95	-	-
Less: Options forfeited during the period after issuance of bonus shares	-	-	40,000	97
Options outstanding at end of the year	1,786,000	142	1,663,000	99

**Note:**

In accordance with the approval granted by the members of the Company, to the issue of Bonus Shares in the ratio of one equity share of the Company of Rs. 2/- each for every one equity share of the Company held by the Shareholders of the Company as on September 19, 2009, being the Record Date, the Compensation Committee of the Board of Directors of the Company, on September 22, 2009, had approved adjustments to the Options granted and unvested as on September 19, 2009, under the Gujarat Gas Company Ltd - Employee Stock Option Plan 2008, whereby each option had been doubled and the Exercise Price thereof been halved with effect from September 22, 2009.

The employee share based payment plans have been accounted based on the Fair value method of accounting using the Black-Scholes Option Pricing Formula. The weighted average fair value of options granted on 4 March 2010, 26 July 2010 and 28 October 2010 is Rs. 86.10, Rs. 106.64 and Rs.136.19 per option respectively. The weighted average remaining contractual life of options outstanding as on December 31, 2010 is 3.46 years (Previous year 3.93 years).

In accordance with Guidance Note on Accounting for Employee Share-based Payments issued by Institute of Chartered Accountants of India and SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 issued by Securities Exchange Board of India, an amount of Rs. 25.91 million (Previous year Rs. 18.41 million) has been recognised as an expense in Welfare Expenses (Schedule 15) and corresponding liability has been disclosed as Stock Options Outstanding Account (Schedule 2). The balance of Rs. 37.96 million (Previous year Rs. 21.29 million) in Stock Options Outstanding Account (Schedule 2) represents the amortised cost of stock options outstanding. Further the company has made a partial advance of Rs. 343.02 million (Previous year Rs.243.00 million) on an estimated basis for the purchase of shares equivalent to the number of options granted which is utilized for the purpose.

The Company has adjusted Rs. 1.91 million (Previous year Nil) to General Reserve as the difference between the cost incurred by the ESOP Trust for the purchase of shares and the exercise price of those shares which have been exercised by the employees during the current year, in accordance with Guidance Note on accounting for Employee share based payment, issued by the ICAI.

## 27. Disclosures as per AS - 15 (Revised) 'Employee Benefits' for year ended December 31, 2010:

(Rs. in million)

	Year ended December 31, 2010	Year ended December 31, 2009
(i) <b>Disclosures for Defined Contribution Plans</b>		
Employer's contribution to Provident Fund	20.72	17.54
(ii) <b>Disclosures for Defined Benefit Plans - Gratuity (Funded)</b>		
<b><u>Change in the defined benefit obligations</u></b>		
<b>Defined benefit obligation as at beginning of the year</b>	<b>64.83</b>	52.33
Service cost	6.88	5.88
Interest cost	5.45	4.32
Actuarial loss/(gain)	2.72	3.46
Benefits paid	(0.64)	(1.16)
<b>Defined benefit obligation as at year end</b>	<b>79.24</b>	64.83
<b><u>Change in plan assets</u></b>		
<b>Fair value of plan assets as at beginning of the year</b>	<b>55.13</b>	37.29
Expected return on plan assets	5.62	4.16
Contributions by employer	9.72	10.53
Actuarial (loss)/gain	(0.04)	4.30
Benefits paid	(0.64)	(1.15)
<b>Fair value of plan assets as at year end</b>	<b>69.79</b>	55.13
<b>Present value of unfunded obligations</b>	<b>9.45</b>	9.70
<b>The Net amount recognized in the statement of Profit &amp; Loss is as follows</b>		
Current Service cost	6.88	5.88
Interest cost	5.45	4.32
Expected return on plan assets	(5.62)	(4.16)
Net actuarial loss/(gain) recognised	2.76	(0.84)
<b>Net amount recognised</b>	<b>9.47</b>	5.20
<b>Actual return on Plan Assets</b>	<b>5.58</b>	8.46
<b>The major categories of plan assets as a percentage of total plan assets as at year end are as follows:</b>		
Government of India Securities	-	2%
Insurer Managed Funds	100%	98%
<b>The principal actuarial assumptions used are as follows:</b>		
Discount Rate	8.40%	8.25%
Expected rate of return on Plan Assets	9.00%	9.00%
Rate of increase in Compensation Levels (Refer Note below)	7.00%	7.00%

Note: The estimates of future salary increase, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

	(Rs. in million)	
	Year ended December 31, 2010	Year ended December 31, 2009
<b>(iii) Disclosures for Defined Benefit Plans - Leave Encashment (Unfunded)</b>		
<b><u>Change in the defined benefit obligations</u></b>		
Defined benefit obligation as at beginning of the year	32.64	26.93
Service cost	3.69	2.26
Interest cost	2.74	2.22
Actuarial loss/(gain)	1.45	2.17
Benefits paid	(0.66)	(0.94)
Defined benefit obligation as at year end	39.86	32.64
<b>The Net amount recognized in the statement of Profit &amp; Loss is as follows</b>		
Current Service cost	3.69	2.26
Interest cost	2.74	2.22
Net actuarial loss/(gain) recognised	1.45	2.17
Net amount recognised	7.88	6.65
<b>The principal actuarial assumptions used are as follows:</b>		
Discount Rate	8.40%	8.25%
Rate of increase in Compensation Levels (Refer Note below)	7.00%	7.00%

Note: The estimates of future salary increase, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

**(iv) Additional Disclosures as per AS- 15**

**Change in the defined benefit obligations - Gratuity (Funded)** (Rs. in million)

	Year ended December 31, 2010	Year ended December 31, 2009	Year ended December 31, 2008	Year ended December 31, 2007
Present Value of defined benefit obligation as at beginning of the year	64.83	52.33	38.18	34.95
Current Service cost	6.88	5.88	5.29	4.08
Interest Cost	5.45	4.32	2.86	2.85
Actuarial (gain)/loss	2.72	3.46	8.03	(0.60)
Benefits Paid	(0.64)	(1.16)	(2.03)	(3.10)
Present Value of defined benefit obligation as at end of the year	79.24	64.83	52.33	38.18

**Change in plan assets - Gratuity (Funded)** (Rs. in million)

	Year ended December 31, 2010	Year ended December 31, 2009	Year ended December 31, 2008	Year ended December 31, 2007
Fair value of plan assets as at beginning of the year	55.13	37.29	32.65	24.21
Expected return on plan assets	5.62	4.16	3.32	2.70
Contributions by employer	9.72	10.53	8.96	6.80
Actuarial (loss)/gain	(0.04)	4.30	(5.60)	2.04
Benefits paid	(0.64)	(1.15)	(2.04)	(3.10)
Fair value of plan assets as at year end	69.79	55.13	37.29	32.65
Present value of unfunded obligations	9.45	9.70	15.04	5.53

**Change in the defined benefit obligations - Leave Encashment (Unfunded)**

(Rs. in million)

	Year ended December 31, 2010	Year ended December 31, 2009	Year ended December 31, 2008	Year ended December 31, 2007
Present Value of defined benefit obligation as at beginning of the year	32.64	26.93	22.41	17.10
Current Service cost	3.69	2.26	2.02	4.85
Interest Cost	2.74	2.22	1.68	1.39
Actuarial (gains)/loss	1.45	2.17	2.39	1.54
Benefits Paid	(0.66)	(0.94)	(1.57)	(2.47)
Present Value of defined benefit obligation as at end of the year	39.86	32.64	26.93	22.41

- (v) Expected contributions to be paid to the Gratuity plan during the year ending December 31, 2011 can not be ascertained at this stage.



## 28. Related Party Transactions:

The Company is controlled by BG Asia Pacific Holdings Pte. Limited which owns 65.12% of the Company's shares. The ultimate parent of the group is BG Group plc.

The following related party transactions were carried out during the year in the ordinary course of business:

(Rs. in million)				
Name of the Related Party	Nature of Relationship	Nature of Transaction	Year ended December 31, 2010	Year ended December 31, 2009
BG International Limited	Under common control	Reimbursement of salary for seconded personnel (Paid) (including Tax Deducted at Source)	<b>14.63</b>	34.57
		Reimbursement of Software License charges	<b>6.62</b>	35.34
		Amount payable at the year end	<b>128.55</b>	114.21
BG Asia Pacific Holdings Pte. Limited	Holding company	Dividend paid		
		- Equity	<b>668.09</b>	125.27
		- Preference	<b>10.80</b>	10.80
		Issuance of bonus shares	-	83.52
		Share Capital held		
		- Equity	<b>167.03</b>	167.03
		- Preference	<b>144.00</b>	144.00
Gujarat Gas Financial Services Limited (Refer Note below)	Subsidiary	Income:		
		Service Charges for domestic gas connections	<b>2.49</b>	23.20
		Dividend	<b>2.10</b>	2.80
		Expense :		
		Cost of domestic gas connections (Paid)	<b>276.05</b>	191.35
		Reimbursement of Alteration charges	<b>19.99</b>	15.06
		Investment at year end	<b>14.00</b>	14.00
		Amount payable at the year end	<b>33.75</b>	28.65
Gujaratgas Trading Company Limited (Refer Note below)	Subsidiary	Income:		
		Service charges (including service tax)	<b>0.33</b>	0.33
		Expenses:		
		Purchase of Natural Gas (Net of VAT)	<b>1,730.32</b>	679.51
		Investment at year end	<b>1.27</b>	1.27
		Amount payable at the year end	<b>128.16</b>	245.25
Sensus Metering Systems India Limited	Joint Venture	Provision no longer required written back	<b>0.86</b>	-
		Investment at year end	-	39.09
		Provision for diminution in value of investment	-	29.34
Petroleum Infrastructure Limited	Joint Venture	Bad debts recovered	<b>0.50</b>	1.80
		Investment at year end	<b>75.00</b>	75.00
		Provision for diminution in value of investment	<b>75.00</b>	75.00
Mahanagar Gas Limited	Under common control	Provision no longer required written back	-	1.71

(Rs. in million)				
Name of the Related Party	Nature of Relationship	Nature of Transaction	Year ended December 31, 2010	Year ended December 31, 2009
BG India Energy Private Limited	Under common control	Expense: Legal and Professional Reimbursement of Expenses (Paid) Amount payable at the year end	- - - -	1.74 0.34 1.31
BG India Energy Solutions Pvt. Limited	Under common control	Purchase of Natural Gas (Net of VAT) Amount payable at the year end	<b>4,399.18</b> <b>410.95</b>	176.99 -
BG Exploration and Production India Limited	Under common control	Income: Service charges for secondment of employees Reimbursement of Expenses (Received) Expenses: Legal and Professional Reimbursement of Expenses (Paid) Amount payable at the year end	<b>10.50</b> <b>3.57</b>  <b>61.70</b> <b>6.46</b> <b>54.41</b>	3.47 2.03  53.12 1.85 50.90
Shaleen Sharma	Key Management Personnel	Remuneration as Managing Director	<b>17.03</b>	15.27
Nirja Sharma	Relative of Key Management Personnel	Lease Rent paid	<b>0.09</b>	0.39
Gujarat Gas Company Limited Employee Stock Option Welfare Trust	Enterprise controlled by the Company	Advance paid for purchase of shares (Net) (Excluding adjustment of Rs. 7.32 million on account of exercise of options during the year) Amount Receivable at the year end	<b>107.34</b> <b>343.02</b>	232.50 243.00
Gujarat Gas Company Limited Employees Gratuity Trust Fund	Enterprise controlled by the Company	Contribution paid	<b>9.72</b>	10.54

**Note:**

Gujarat Gas Financial Services Limited and Gujaratgas Trading Company Limited have been using the ERP software packages implemented by Gujarat Gas Company Limited being "SAP" and "Gas Distribution and Billing System" since August 2003 and August 2004 respectively without payment of any consideration.

	Year ended December 31, 2010 (Rs. in million)	Year ended December 31, 2009 (Rs. in million)
<b>29. Deferred Tax:</b>		
(A) The movement in deferred tax account is as follows:		
Opening Balance	604.86	530.06
Provision for current year deferred tax liability (Net)	71.80	74.80
Adjustment for prior year (with provision for taxation)	41.86	-
Closing Balance	718.52	604.86
(B) Deferred tax assets and liabilities are being offset as they relate to taxes on income levied by the same governing taxation laws. The following amounts are shown in the balance sheet:		
Deferred Tax Liabilities	822.60	731.25
Deferred Tax Assets	(104.08)	(126.39)
	718.52	604.86
(C) Break up of deferred tax assets/liabilities:		
<b>Deferred Tax Liabilities:</b>		
Tax impact of difference between carrying amount of fixed assets in the financial statements and the income tax return	822.60	731.25
<b>Total (A)</b>	822.60	731.25
<b>Deferred Tax Assets:</b>		
Tax impact of expenses charged in the financial statements but allowable as deductions in future years under income tax:		
Provision for doubtful debts	7.72	7.23
Provision for diminution of investment	-	6.37
Provision for Diminution in the value of Fixed Assets / Capital Work in Progress	44.65	58.13
Expenditure under section 43B of the Income Tax Act	51.71	54.66
<b>Total (B)</b>	104.08	126.39
<b>Net Deferred Tax Liability (A-B)</b>	718.52	604.86

		As at December 31, 2010 (Rs. in million)	As at December 31, 2009 (Rs. in million)
30.	Details of investment in Schedule 5 are:		
	INVESTMENTS		
A	Long Term Investments (At cost)		
	Trade Investments :		
	1. In Shares of Subsidiary Company (Unquoted) :		
	1,397,500	Equity Shares of Rs. 10/- each fully paid in Gujarat Gas Financial Services Limited	14.00
	9,000	Equity Shares of Rs. 100/- each fully paid in Gujaratgas Trading Company Limited	1.27
	2. In Equity Shares of Associate Companies (Unquoted) :		
	3,909,293	Equity Shares of Rs. 10/- each fully paid in Sensus Metering Systems India Limited	39.09
		Less : Provision	29.34
	7,500,000	Equity Shares of Rs .10 /- each fully paid in Petroleum Infrastructure Limited	75.00
		Less : Provision	75.00
	3. Other (Unquoted)		
	20,000,000	Equity Shares of Rs. 1/- each fully paid in Gujarat State Petroleum Corporation Limited	10.00
	Long Term Investments (A)		35.02
B	Current Investments (At cost and fair market value whichever is lower, determined categorywise)		
	Other than Trade - Unquoted		
		- Units of Mutual Funds	4,086.52
	Current Investment (B)		4,086.52
	Total Investment (A+B)		4,121.54
Notes :			
1	Aggregate cost of Unquoted Investments		4,225.88
2	Quantitative Movement of Investments from January 1, 2010 to December 31, 2010 is given below		

Scheme	No. of units at the beginning of the year	Opening Value (Rs in million)	No. of Units Purchased	No. of Units sold	No. of Units in hands at the year end	Cost of units in hands at the year end at lower of cost and fair market value (Rs.in million)
Birla Cash Plus Insti. Premium.- Dividend	-	-	269,664,913	269,664,913	-	-
Birla Fixed Term Plan - Series CF -Growth	-	-	6,979,129	1	6,979,128	69.79
Birla Medium Term Plan- INSTL-Fornightly - Dividend	-	-	5,023,706	-	5,023,706	51.04
Birla Quarterly Interval Series 4 -Dividend	-	-	3,000,000	-	3,000,000	30.00
Birla Sun Life Cash Manager - IP -Dividend	-	-	84,870,847	84,870,847	-	-
Birla Sun Life Fixed Term Plan Series CC - Growth	-	-	3,000,000	-	3,000,000	30.00
Birla Sun Life Fixed Term Plan Series CD - Growth	-	-	3,000,000	-	3,000,000	30.00
Birla Sun Life Flating Rate Fund -Long Term -INSTL - Weekly Dividend	-	-	28,187,332	28,187,332	-	-
Birla Sun Life Interval Income Fund- Instl -Quarterly Series 1 - Dividend	-	-	5,000,000	-	5,000,000	50.00
Birla Sun Life Interval Income Fund Retail Qtrly Series-1 Dividend	-	-	8,000,000	5,000,000	3,000,000	30.00
Birla Sun Life Interval Income Fund Retail Qtrly Series-2 Dividend	-	-	5,000,000	5,000,000	-	-
Birla Sun Life short term FMP series 2 Dividend	-	-	3,000,000	-	3,000,000	30.00
Birla Sun Life Dynamic Bond Fund-Retail plan Dividend	9,869,318	101.35	2,861,558	9,579,921	3,150,955	32.51
Birla Sun life Floating Rate Fund - Retail - Long Term - Growth- Yearly	3,423,509	50.00	-	3,423,509	-	-
Birla Sun Life Income Plus - Quarterly- Dividend	1,770,076	21.10	7,722	-	1,777,798	21.19
Birla Sun Life Liquid Plus -Insti.- Dividend	3,999,035	40.01	84,901,741	88,900,776	-	-
Birla Sun Life Savings Fund Inst -Growth	14,519,268	250.00	-	8,657,660	5,861,608	100.93
Birla Sun Life short Term Fund Insti.- Dividend	-	-	97,059,203	97,059,203	-	-
Birla Sun Life Short Term Opportunities Fund -INSTL - Weekly Dividend	-	-	14,297,830	4,995,316	9,302,514	93.08
Birla Sun Life short term FMP Series 3 Dividend	-	-	5,001,514	-	5,001,514	50.02
BNP Paribas Fixed Term Fund Ser 19E Dividend	-	-	3,000,000	-	3,000,000	30.00
DSP Black Rock short Term Fund - Weekly Dividend	15,099,249	153.78	62,041,389	77,140,638	-	-
DSP BlackRock Liquidity Fund-Institutional Plan Dividend	-	-	923,853	923,853	-	-
DSP BlackRock Money Manager Fund Institutional Plan Dividend	-	-	325,480	325,480	-	-
DWS Insta Cash Plus Fund - Institutional Plan Dividend	-	-	91,739,844	91,739,844	-	-
DWS Treasury Fund Cash - Institutional Plan -Dividend	-	-	19,427,340	14,946,307	4,481,033	45.03
DWS Ultra Short Term Fund - Institutional Dividend	-	-	82,499,982	82,499,982	-	-
Fidelity Cash Fund Inst. - Dividend	-	-	37,000,469	37,000,469	-	-
Fidelity FMP Series 2 Plan B -Dividend	-	-	2,750,000	2,750,000	-	-
Fidelity FMP Series 2 Plan E -Dividend	-	-	2,000,000	2,000,000	-	-
Fidelity FMP Series 3 - Plan A -Dividend	-	-	3,000,000	3,000,000	-	-
Fidelity FMP Series 3 - Plan B -Dividend	-	-	3,000,343	3,000,343	-	-
Fidelity FMP Series 3 - Plan C - Dividend	-	-	2,500,573	2,500,573	-	-
Fidelity FMP Series 3 - Plan D - Dividend	-	-	2,750,000	2,750,000	-	-
Fidelity FMP Series 3 - Plan F - Growth Option	-	-	2,000,000	-	2,000,000	20.00
Fidelity FMP Series 4 - Plan A -Dividend	-	-	3,001,319	-	3,001,319	30.01
Fidelity FMP Series 4 - Plan D -Dividend	-	-	2,750,000	-	2,750,000	27.50
Fidelity FMP Series 4 Plan B Dividend	-	-	3,043,917	-	3,043,917	30.44
Fidelity Ultra Short Term Debt Fund Super Institutional - Dividend	-	-	64,084,131	31,439,748	32,644,383	326.61
Fidelity Ultra Short Term Debt Fund Super Institutional-Growth	12,771,175	150.00	-	12,771,175	-	-
Fortis Money Manager Plus Institutional Plan Dividend	51,977	0.52	81,636,936	81,688,913	-	-
Fortis Money Plus Institutional Growth	10,961,948	150.00	-	10,961,948	-	-
Fortis Overnight Fund - Institutional Dividend	-	-	46,502,623	46,502,623	-	-
HDFC Cash Management Fund -Treasury Advantage Plan - Wholesale -Dividend	-	-	44,174,290	44,174,290	-	-
HDFC Floating Rate Income-STP-Wholesale Option Growth	16,179,136	250.00	-	16,179,136	-	-
HDFC Floating Rate Income-STP-Wholesale Pl. Dividend	3,969,467	40.02	37,414,340	41,383,807	-	-
HDFC High Interest Fund - Quarterly Dividend	8,709,925	103.14	-	8,709,925	-	-
HDFC Liquid Premium Plan Dividend	-	-	19,170,022	19,170,022	-	-
HDFC Short Term Plan - Dividend	4,936,737	50.88	31,150	4,967,887	-	-
IDFC Cash Fund - Super Inst Plan C - Dividend	-	-	10,448,917	10,448,917	-	-
IDFC Cash Fund -Inst plan B - Dividend	-	-	60,893,067	60,893,067	-	-
IDFC Money Manager Fund - Investment Plan Inst. Plan B - Growth	17,903,555	252.34	-	17,903,555	-	-
IDFC Money Manager Fund -Investment Plan inst plan B - Dividend	-	-	70,318,838	70,318,838	-	-
IDFC Money Manager Fund -TP- Super Inst Plan C- Dividend	4,136,364	41.37	30,323,232	10,203,877	24,255,719	242.59
IDFC Savings Advantage Fund - Plan A - Dividend	-	-	101,729	101,729	-	-
IDFC Savings Advantage Fund - Plan A - Monthly Dividend	-	-	65,441	-	65,441	66.01
IDFC Ultra Short Term Fund - Monthly Dividend	-	-	3,816,162	-	3,816,162	38.51

Scheme	No. of units at the beginning of the year	Opening Value (Rs in million)	No. of Units Purchased	No. of Units sold	No. of Units in hands at the year end	Cost of units in hands at the year end at lower of cost and fair market value (Rs. in million)
JM Fixed Maturity fund XVI Yearly Plan - institutional Growth Plan (408)	3,000,000	30.00	-	3,000,000	-	-
JM High Liquidity - Super Institutional Dividend	-	-	37,940,914	37,940,914	-	-
JM Money Manager Fund Regular Plan - Dividend	-	-	8,319,157	-	8,319,157	83.28
JM Money Manager Fund Super Plan - Dividend	-	-	3,997,547	-	3,997,547	40.02
JM Money Manager- Super Plus Plan - Dividend	-	-	35,461,325	34,517,700	943,625	9.44
JPMORGAN India Liquid Fund - Super Inst. Dividend	-	-	106,283,164	106,283,164	-	-
JPMORGAN India Treasury Fund - Super Inst. Dividend	-	-	94,378,948	94,378,948	-	-
Kotak FMP 370 Days Series 6 - Growth	-	-	2,000,000	-	2,000,000	20.00
Kotak Liquid Institutional Premium Dividend	-	-	270,622,002	270,622,002	-	-
Kotak Bond (Short Term) - Monthly Dividend	5,046,218	51.14	34,875	5,081,093	-	-
Kotak Flexi Debt Scheme Institutional - Growth	31,374,096	350.00	-	17,813,722	13,560,374	151.28
Kotak Flexi Debt Scheme Institutional - Dividend	34,590,859	347.55	264,235,691	298,826,550	-	-
Kotak Floater Long Term - Dividend	-	-	9,434,458	9,434,458	-	-
Kotak FMP 370 Days series 8 - Growth	-	-	2,000,272	-	2,000,272	20.00
Kotak FMP 370 Days Series 2 - Growth	-	-	5,000,000	-	5,000,000	50.00
Kotak FMP 370 Days Series 3 - Growth	-	-	5,000,000	-	5,000,000	50.00
Kotak Quarterly Interval Plan Series 10 - Dividend	-	-	5,750,000	-	5,750,000	57.50
Kotak Quarterly Interval plan Series 1 - Dividend	-	-	5,000,000	-	5,000,000	50.00
Kotak Quarterly Interval Plan Series 2 - Dividend	-	-	4,999,780	3,000,000	1,999,780	20.00
Kotak Quarterly Interval Plan Series 3 - Dividend	-	-	3,499,580	-	3,499,580	35.00
Kotak Quarterly Interval plan Series 4 - Dividend	-	-	8,000,000	-	8,000,000	80.00
Kotak Quarterly Interval Plan Series 6 - Dividend	-	-	5,000,000	-	5,000,000	50.00
Kotak Quarterly Interval Plan Series 8 - Dividend	-	-	8,000,000	-	8,000,000	80.00
Kotak Quarterly Interval Plan Series 9 - Dividend	-	-	4,999,612	-	4,999,612	50.00
Kotak Quarterly Interval Plan Series 7 - Dividend	-	-	4,999,750	-	4,999,750	50.00
Prudential ICICI - Flexible Income Plan Dividend	808,769	85.52	7,920,833	8,729,602	-	-
Prudential ICICI Banking and PSU Debt Fund	-	-	-	-	-	-
Weekly Dividend	-	-	20,150,882	-	20,150,882	201.83
Prudential ICICI Blended Plan B - Institutional - Dividend	-	-	10,567,349	-	10,567,349	109.75
Prudential ICICI Flexible Income Plan Premium - Growth	1,778,001	300.00	-	1,178,063	599,938	101.23
Prudential ICICI FMP Series 49 - 1 Year Plan B	-	-	-	-	-	-
Institutional Growth	3,000,000	30.00	-	3,000,000	-	-
Prudential ICICI Insti. Liquid Super Insti. Dividend	-	-	6,784,344	6,784,344	-	-
Prudential ICICI Institutional Short Term Plan - Dividend	4,124,596	50.00	-	4,124,596	-	-
Prudential ICICI Interval Fund Annual Interval Plan I - Insti	-	-	3,997,433	-	3,997,433	40.00
Prudential ICICI Interval Fund I Quarterly Interval plan - Institutional	-	-	2,027,289	-	2,027,289	20.27
Prudential ICICI Interval Fund II Quarterly Plan F	-	-	-	-	-	-
Institutional Dividend	-	-	5,000,000	5,000,000	-	-
Prudential ICICI Interval Fund II Quarterly Plan	-	-	-	-	-	-
Institutional Dividend	-	-	4,060,204	-	4,060,204	40.60
Prudential ICICI Interval Fund IV Quarterly Plan B	-	-	-	-	-	-
Institutional Dividend	-	-	7,000,258	-	7,000,258	70.00
Prudential ICICI Long Term Floating Rate Plan C -	-	-	-	-	-	-
Weekly Dividend	-	-	5,070,798	1,999,400	3,071,398	30.73
Prudential ICICI Medium Term Plan Premium Plus	-	-	-	-	-	-
Monthly Dividend	-	-	4,982,164	4,982,164	-	-
Reliance Fixed Horizon Fund - XII - Series 3 -	-	-	-	-	-	-
Institutional plan - Growth	5,000,000	50.00	-	5,000,000	-	-
Reliance Fixed Horizon Fund - XV - Series 3 - Dividend	-	-	6,000,470	-	6,000,470	60.00
Reliance Fixed Horizon Fund XV Series 7 - Growth Plan	-	-	2,000,000	-	2,000,000	20.00
Reliance Fixed Horizon Fund XVI Series - 1 Growth Option	-	-	4,000,532	-	4,000,532	40.01
Reliance Floating Rate Fund - Short Term Plan - Dividend	-	-	3,012,297	3,012,297	-	-
Reliance Income Fund - Retail Plan - Monthly Dividend	4,967,487	56.52	14,804	4,982,291	-	-
Reliance Interval Fnd - Quarterly pla Series I - Institutional	-	-	-	-	-	-
Dividend	-	-	8,025,621	-	8,025,621	80.34
Reliance Liquid Plus Institutional - Dividend	185,704	185.92	982,384	1,117,926	50,162	50.23
Reliance Liquidity Fund - Dividend	1,201,988	12.02	128,588,612	129,790,600	-	-
Reliance Money Manager Fund - Institutional Option -	-	-	-	-	-	-
Growth	283,105	350.00	-	160,767	122,338	151.25
Reliance Monthly Interval fund - Series II - Institutional	-	-	-	-	-	-
Dividend	-	-	7,999,185	3,499,405	4,499,780	45.01
Reliance Monthly Interval Fund - Series - I - Institutional Dividend	-	-	9,996,997	-	9,996,997	100.00
Reliance Quarterly Interval Fund - series II - Institutional	-	-	-	-	-	-
Dividend	-	-	4,998,555	-	4,998,555	50.01

Scheme	No. of units at the beginning of the year	Opening Value (Rs in million)	No. of Units Purchased	No. of Units sold	No. of Units in hands at the year end	Cost of units in hands at the year end at lower of cost and fair market value (Rs. in million)
Reliance Quarterly Interval Fund - series III - Institutional Dividend	-	-	6,996,971	-	6,996,971	70.00
Reliance Short Term Fund - Quarterly Dividend option	3,718,329	50.00	-	3,718,329	-	-
Religare Active Income Fund Institutional - Monthly Dividend	-	-	4,051,580	-	4,051,580	40.62
Religare Active Income Fund Institutional - Quarterly Dividend	-	-	5,882,488	-	5,882,488	60.00
Religare Credit Opportunities Fund - Insti. Mthly. Dividend	-	-	38,772,596	38,772,596	-	-
Religare Fixed Maturity Plan Series - II Plan A 13 Months- Growth	-	-	3,000,000	-	3,000,000	30.00
Religare Fixed Maturity Plan Series - II Plan F 13 Months- Growth	-	-	3,000,000	-	3,000,000	30.00
Religare Fixed Maturity plan series - III D (370 Days) Growth	-	-	2,000,000	-	2,000,000	20.00
Religare Fixed Maturity Plan Series - IV A (3Mth.) Dividend	-	-	5,000,000	-	5,000,000	50.00
Religare Fixed Maturity Plan Series - IV C (3Mth.) Dividend	-	-	4,700,000	-	4,700,000	47.00
Religare Liquid Fund- Institutional Dividend	-	-	66,590,880	66,590,880	-	-
Religare Ultra Short Term Fund - Institutional Dividend	-	-	35,688,698	16,205,490	19,483,208	195.17
SBI Debt Fund Series - 90 days 35 -Dividend	-	-	5,000,000	-	5,000,000	50.00
SBI Debt Fund Series - 90 days 36 -Dividend	-	-	4,000,000	-	4,000,000	40.00
SBI Debt Fund Series - 90 days 37 -Dividend	-	-	5,000,000	-	5,000,000	50.00
SBI Premier Liquid Fund -Institutional -Dividend	-	-	103,934,134	103,934,134	-	-
SBI SHF Ultra Short Term Fund -Institutional Plan	-	-	82,932,705	82,932,705	-	-
Sundaram - Flexible Fund ST inst -Dividend	-	-	5,044,904	5,044,904	-	-
Sundaram BNP Interval Fund Qly -Plan-D-Institutional Dividend	-	-	4,000,386	-	4,000,386	40.00
Sundaram -BNP Money Fund Inst. -Dividend	-	-	79,010,012	79,010,012	-	-
Sundaram BNP Paribas Lqi. Plus Super Institutional Dividend	-	-	85,431,179	73,262,746	12,168,433	122.13
Sundaram Bond Saver Institutional (Bonus)	465,435	5.00	-	-	465,435	5.00
Sundaram Interval Fund - Qty -Plan C -Institutional Dividend	-	-	2,000,000	-	2,000,000	20.00
Sundaram Interval Fund Qly Plan B-Institutional Dividend	-	-	2,000,246	2,000,246	-	-
Sundaram Interval Fund Qly Plan E-Institutional Dividend	-	-	2,000,210	-	2,000,210	20.00
TATA Fixed Income Portfolio Fund Scheme A2 institutional	-	-	1,999,999	-	1,999,999	20.00
TATA Fixed Income Portfolio Fund Scheme A3 Inst Monthly	-	-	5,000,000	-	5,000,000	50.00
TATA Fixed Income Portfolio Fund Scheme A3 regular	-	-	-	-	-	-
Monthly dividend	-	-	2,942,215	-	2,942,215	30.00
TATA Fixed Income Portfolio Fund Scheme B2 Inst Monthly	-	-	6,494,767	2,500,000	3,994,767	40.00
TATA Fixed Income Portfolio Fund Scheme B3 Inst Monthly	-	-	1,996,466	-	1,996,466	20.00
TATA Fixed Income Portfolio Fund Scheme B3 Inst Quarterly	-	-	3,000,000	-	3,000,000	30.00
TATA Fixed Maturity plan Series 26 A - Growth	-	-	2,000,000	-	2,000,000	20.00
TATA Fixed Maturity plan Series 26 C - Growth	-	-	3,000,000	-	3,000,000	30.00
TATA Fixed Maturity Plan Series 27 Scheme A Growth	-	-	3,000,000	-	3,000,000	30.00
Tata Floater Fund - Growth	25,864,179	350.17	-	25,864,179	-	-
Tata Floater Fund - Dividend	-	-	100,510,992	97,517,853	2,993,139	30.04
TATA Floating Rate Fund STP- Insti. Plan Dividend	-	-	22,368,863	22,368,863	-	-
Tata Liquid Super High Invest. Dividend	-	-	345,488	345,488	-	-
Templeton India TMA Institutional Dividend	-	-	1,680,582	1,680,582	-	-
Templeton Ultra Short Bond Fund Super Insti. - Dividend	-	-	172,677,301	172,677,301	-	-
UTI - Liquid Plus Fund Institutional Plan Dividend	28,164	28.17	267,767	295,931	-	-
UTI FIIF - Series II - Quarterly Interval Plan VII- Inst. Dividend	-	-	3,000,157	-	3,000,157	30.00
UTI FIIF- Annual Interval Plan Series - I - Institutional	-	-	1,553,419	-	1,553,419	20.00
UTI FIIF- Monthly Interval plan II-Institutional Dividend	-	-	3,750,000	-	3,750,000	37.50
UTI FIIF- Series II - Quarterly Interval Plan IV-Institutional Dividend	-	-	7,000,102	-	7,000,102	70.00
UTI FIIF- Series II - Quarterly Interval Plan V -Institutional Dividend	-	-	9,051,294	-	9,051,294	90.52
UTI FIIF- Monthly Interval Plan Series -I -Institutional Dividend	-	-	6,000,357	-	6,000,357	60.01
UTI FIIF- Quarterly Interval Plan Series -I -Institutional Dividend	-	-	4,999,720	-	4,999,720	50.00
UTI FIIF- Quarterly Interval Plan Series -VI -Institutional Dividend	-	-	8,999,823	-	8,999,823	90.00
UTI Floating Rate Fund Short Term Insti. Dividend	-	-	536,122	484,626	51,496	51.54
UTI Liquid Cash Plan Institutional Daily Income Option	-	-	247,716	247,716	-	-
UTI Money Market Fund - Daily Dividend Option	-	-	883,172	883,172	-	-
UTI Short Term Income Fund -Income Option	-	-	6,807,221	6,807,221	-	-
UTI Short Term Income Fund Institutional Income Options	-	-	3,000,000	-	3,000,000	30.00
UTI Short Term Income Fund-Institutional -Income - Dividend	-	-	5,000,004	2,950,491	2,049,513	20.90
UTI Treasury Advantage Fund - Institutional Plan (Growth Option)	82,063	100.00	-	82,063	-	-
	253,819,732	4,086.52	3,513,879,504	3,284,173,958	483,525,278	5,323.47

**31. Assets given on lease:**

Leasing operations of the company mainly involves leasing of gas based generator sets under Operating and Finance lease arrangements.

**i) Assets given on finance lease:**

Under finance lease arrangements, the lease agreements have been entered for a fixed period of 6 years, at the end of which the ownership of assets will be transferred to the lessee on payment of consideration specified in the Lease Agreements.

<b>(Rs. in million)</b>								
	<b>Year ended December 31, 2010</b>				<b>Year ended December 31, 2009</b>			
	<b>Gross Investment in the lease</b>	<b>Unearned Finance Income</b>	<b>Taxes</b>	<b>Present Value of minimum Lease payments receivable</b>	<b>Gross Investment in the lease</b>	<b>Unearned Finance Income</b>	<b>Taxes</b>	<b>Present Value of minimum Lease payments receivable</b>
<b>Total</b>	<b>92.08</b>	<b>16.26</b>	<b>2.85</b>	<b>72.97</b>	134.70	30.85	4.40	99.45
Out of the above, receivable:								
Not Later than 1 year	42.64	-	-	30.67	42.62	-	-	26.48
Later than 1 year and not later than 5 years	49.44	-	-	42.30	92.08	-	-	72.97
Later than 5 years	-	-	-	-	-	-	-	-

**ii) Asset given on operating lease:**

The ownership of the gas based generator sets remains with the company throughout the life of these generators. The lease agreement typically ranges from 6 to 12 years.

**32. Pursuant to AS 29 - The Disclosure relating to Provisions are given below:**

	<b>Year ended December 31, 2010 Rs. in million</b>	<b>Year ended December 31, 2009 Rs. in million</b>
Opening Balance	<b>51.16</b>	49.34
Additons during the Year	<b>2.18</b>	1.82
Closing Balance	<b>53.34</b>	51.16

The provision relates to estimated outflow of cash expected to be paid in relation to sale of gas pipelines. Due to its very nature it is not possible to estimate the timing of resulting cash flows.



	Rs. in million	Year ended December 31, 2010 Rs. in million	Year ended December 31, 2009 Rs. in million
<b>33. Managerial Remuneration</b>			
<b>a) Computation of Net Profit in accordance with Section 349/198 of the Companies Act, 1956 and calculation of commission payable to Non Whole-Time Directors</b>			
<b>Profit before Tax as per Profit and Loss Account</b>		<b>3,811.09</b>	<b>2,573.55</b>
<b>Add:</b>			
Depreciation as per Books of account	530.66		460.63
Provision for doubtful debts	2.00		1.09
Provision for Diminution in the value of Fixed Assets / Capital Work in Progress	10.03		28.79
Commission to Non Whole Time Directors	3.10		2.10
Directors' Sitting Fees	0.89		1.06
Other Provision	2.18		1.82
		<b>548.86</b>	<b>495.49</b>
<b>Less:</b>			
Depreciation under section 350 of the Companies Act, 1956	530.66		
		<b>530.66</b>	<b>460.63</b>
<b>Profit as per Section 349</b>		<b>3,829.29</b>	<b>2,608.41</b>
Add : Director's remuneration		<b>17.03</b>	<b>15.27</b>
<b>Profit as per Section 198</b>		<b>3,846.32</b>	<b>2,623.68</b>
Maximum Commission under Section 309 of the Companies Act, 1956 @ 1%		<b>38.46</b>	<b>26.24</b>
<b>Commission Payable to Non Whole Time Directors:</b> (Subject to the approval of Board of Directors and Shareholders)		<b>3.10</b>	<b>2.10</b>
<b>b) Remuneration Paid To Directors</b>			
i) Managing Director			
- Salary and Bonus	13.67		11.88
- Allowances	1.16		1.03
- Perquisites	0.94		1.17
- P.F. and Gratuity	1.26		1.19
		<b>17.03</b>	<b>15.27</b>
ii) Commission to Non Whole Time Directors		<b>3.10</b>	<b>2.10</b>
iii) Directors' Sitting Fees		<b>0.89</b>	<b>1.06</b>
<b>34. Payments to Auditors</b>			
- Audit Fees		<b>4.50</b>	<b>4.50</b>
- Reimbursement of Expenses (Including Service Tax)		<b>0.72</b>	<b>0.74</b>
		<b>5.22</b>	<b>5.24</b>
<b>35. Value of Imports calculated on C.I.F. Basis</b>			
Capital Goods		<b>28.34</b>	<b>19.80</b>
Spare parts		<b>21.69</b>	<b>21.19</b>
		<b>50.03</b>	<b>40.99</b>

**36. Value of Imported & Indigenous Raw Material and Stores and spares and percentage thereof to the total consumption:**

	Year ended December 31, 2010		Year ended December 31, 2009	
	Percentage	Rs. in million	Percentage	Rs. in million
(a) <b>Raw Materials - Natural Gas</b>				
- Indigenous	100%	12,866.44	100%	10,032.06
(b) <b>Stores and spares</b>				
- Imported	11%	5.19	24%	9.75
- Indigenous	89%	40.93	76%	30.39
<b>TOTAL</b>	<b>100%</b>	<b>46.12</b>	<b>100%</b>	<b>40.14</b>

**37. Purchases, Production / Processed and Sales :**

Natural Gas	Year ended December 31, 2010		Year ended December 31, 2009	
	Qty (in LSCM)	Rs. in million	Qty (in LSCM)	Rs. in million
Purchased / Processed	12,285.37	12,866.44	10,513.04	10,032.06
Sales*	12,123.60	18,136.36	10,351.64	14,086.18

\* Excluding line loss and internal consumption of 161.77 LSCM (Previous year 161.40 LSCM)

**38. Licensed and Installed Capacity :**

The Company is operating on the basis of commitment made for gas purchase by its suppliers under the agreements, hence it has no relevance for capacity in respect thereof.

**39. Materials Consumed:**

	Units	Qty.	Rs. in million
Natural Gas	LSCM	12,285.37	12,866.44
	LSCM	(10,513.04)	(10,032.06)

Previous year figures are in brackets

**40. Expenditure in foreign currency**

	Year ended December 31, 2010 Rs. in million	Year ended December 31, 2009 Rs. in million
(i) Travelling expenses	0.86	0.96
(ii) Subscription	0.22	0.27
(iii) Training	0.11	0.57
(iv) Legal & Professional	4.82	4.51

**41. Dividends remitted by company in foreign currency during the year:**

Particulars	Amount (Rs. in million)	No. of Non Resident Shareholders	No. of Shares	Year ended
Final Dividend				
- Equity	668.09 (125.27)	1 (1)	83,511,750 (41,755,875)	December 31, 2009 December 31, 2008
- Preference	10.80 (10.80)	1 (1)	14,400,000 (14,400,000)	December 31, 2009 December 31, 2008

Previous year figures are in brackets

**42. The subsidiary company Gujarat Gas Financial Services Limited has proposed final dividend at 20% and this will be accounted for in the books on declaration by the Company.**

- 43.** The provision for income tax has been calculated based on income earned during the year ended December 31, 2010 in accordance with Guidance Note on measurement of Income Tax expense for Interim Financial Reporting. However the tax year end of the Company being March 31, 2011 the ultimate liability for the Assessment Year 2011-12 will be determined based on the total income of the Company for the year ending March 31, 2011. The provision for wealth tax has been made based on the net wealth as on December 31, 2010. However the ultimate liability for the Assessment Year 2011-12 will be determined based on the net wealth as on March 31, 2011.
- 44.** Disclosures as required by the Micro, Small and Medium Enterprises Development Act, 2006 are as under:

Particulars	(Rs. in million)	
	Year ended December 31, 2010	Year ended December 31, 2009
Principal amount remaining unpaid as at the end of accounting year [including Interest due thereon - Nil (Previous Year - Nil)]	<b>13.83</b>	9.77
Interest paid by the company in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during accounting year	-	-
Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006	-	-
Interest accrued and remaining unpaid at the end of accounting year	-	-
Further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006	-	-

Note: The above disclosure has been made based on the information provided by the management.

- 45.** Capital Work in Progress includes investment of Rs. 254.90 million (Previous year Rs. 254.90 million) for setting up a City Gas Distribution (CGD) network in Valsad and Navsari district, Union Territories of Silvassa and Daman which has not yet commenced operations. The Company is exploring options of utilising this investment. However, considering the uncertainty involved in the utilisation of this network, the Company, based on engineering estimates, has made a provision of Rs. 105.04 million (Previous year Rs. 105.04 million) to bring the carrying value of the investment to its expected recoverable amount.
- 46.** Previous year figures have been reclassified/regrouped wherever considered necessary to conform to the current year figures.

**For Price Waterhouse**

Firm Registration Number – 301112E  
Chartered Accountants

**V. Nijhawan**

Partner  
Membership No. F87228

Place : Ahmedabad  
Date : February 28, 2011

For and on behalf of the Board

Hasmukh Shah  
Chairman

Shaleen Sharma  
Managing Director

Jal Patel      Sugata Sircar  
Director      Finance Director

Rajeshwari Sharma  
Company Secretary

Place : Ahmedabad  
Date : February 28, 2011

**BALANCE SHEET ABSTRACT AND COMPANY'S BUSINESS PROFILE AS PER PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956**

<b>I. REGISTRATION DETAILS</b>		
Registration No.	:	3623
State Code	:	04
Balance Sheet Date	:	31-12-2010
<b>II. CAPITAL RAISED DURING THE YEAR</b>		
<b>(Amount Rs. in million)</b>		
Public Issue	:	Nil
Rights Issue	:	Nil
Bonus Issue	:	Nil
Private Placement	:	Nil
<b>III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS</b>		
<b>(Amount Rs. in million)</b>		
Total Liabilities	:	15,125.09
Total Assets	:	15,125.09
<b>Sources of Funds</b>		
Paid-up Capital	:	400.50
Reserves and Surplus	:	7,911.61
Stock Options Outstanding Account	:	37.96
Secured Loans	:	Nil
Deferred Tax Liability	:	718.52
Unsecured Loans	:	Nil
Deposits	:	2,073.50
<b>Applications of Funds</b>		
Net Fixed Assets	:	7,637.80
Investments	:	5,348.74
Amount Recoverable from ESOP Trust	:	343.02
Net Current Assets	:	(2,187.47)
Miscellaneous Expenditure	:	Nil
Accumulated Losses	:	Nil
<b>IV. PERFORMANCE OF THE COMPANY</b>		
<b>(Amount Rs. in million)</b>		
Total Turnover	:	18,676.94
Total Expenditure	:	14,865.85
Profit Before Tax	:	3,811.09
Profit After Tax	:	2,587.29
Earnings Per Share (Rs.) (Annualized)	:	20.08
Dividend Rate (%)	:	600%
<b>V. GENERIC NAME OF PRINCIPAL PRODUCTS/ SERVICES OF THE COMPANY (As per monetary terms)</b>		
Item Code No. (ITC Code)	:	-
Product Description	:	PROCESSING, TRANSMISSION & DISTRIBUTION OF NATURAL GAS

## STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANY

Name of the subsidiary	Gujaratgas Trading Company Ltd.
1. The financial year of the Subsidiary Company ended on	31st December 2010
2. (a) No. of Equity Shares held by Gujarat Gas Company Limited in the subsidiary as on 31st December, 2010	9,000 Equity Shares of Rs. 100/- each fully paid up (Previous year 9,000)
(b) Extent of interest of Gujarat Gas Company Limited in the capital of the subsidiary	100% (Previous year 100%)
3. Net Aggregate amount of profits of the subsidiary so far as it concerns the members of Gujarat Gas Company Limited, and is not dealt with in the Company's accounts	
(a) Profit for the financial year ended on 31st December, 2010 of the subsidiary.	Rs. 6.15 million (Previous year Rs. 4.07 million)
(b) Profit for the previous financial years of the subsidiary since it became subsidiary of Gujarat Gas Company Limited.	Rs. 106.87 million (Previous year Rs. 102.80 million)
4. Net Aggregate amount of Profit of the subsidiary so far as dealt with or provision is made for those Profit in Gujarat Gas Company Limited's accounts.	
(a) For the subsidiary's Financial year ended on 31st December, 2010	Nil (Previous year Nil)
(b) For its previous financial years since it became the subsidiary of Gujarat Gas Company Ltd.	Rs. 137.50 million (Previous year Rs. 137.50 million)

For and on behalf of the Board

Hasmukh Shah  
Chairman

Shaleen Sharma  
Managing Director

Place : Ahmedabad  
Date : February 28, 2011

Jal Patel      Sugata Sircar      Rajeshwari Sharma  
Director      Finance Director      Company Secretary

## STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANY

Name of the subsidiary	Gujarat Gas Financial Services Ltd.
1. The financial year of the Subsidiary Company ended on	31st December 2010
2. (a) No. of Equity Shares held by Gujarat Gas Company Limited in the subsidiary as on 31st December, 2010	13,97,500 Equity Shares of Rs. 10/- each fully paid up (Previous year 13,97,500)
(b) Extent of interest of Gujarat Gas Company Limited in the capital of the subsidiary	69.88% (Previous year 69.88%)
3. Net Aggregate amount of profits of the subsidiary so far as it concerns the members of Gujarat Gas Company Limited, and is not dealt with in the Company's accounts	
(a) Profit for the financial year ended on 31st December, 2010 of the subsidiary.	Rs. 28.98 million (Previous year Rs. 19.49 million)
(b) Profit for the previous financial years of the subsidiary since it became subsidiary of Gujarat Gas Company Limited.	Rs. 111.41 million (Previous year Rs. 94.02 million)
4. Net Aggregate amount of Profit of the subsidiary so far as dealt with or provision is made for those Profit in Gujarat Gas Company Limited's accounts	
(a) For the subsidiary's Financial year ended on 31st December, 2010	Rs. 2.10 million (Previous year Rs. 2.80 million)
(b) For its previous financial years since it became the subsidiary of Gujarat Gas Company Ltd.	Rs. 64.14 million (Previous year Rs. 62.04 million)

For and on behalf of the Board

Hasmukh Shah  
Chairman

Shaleen Sharma  
Managing Director

Place : Ahmedabad  
Date : February 28, 2011

Jal Patel      Sugata Sircar      Rajeshwari Sharma  
Director      Finance Director      Company Secretary

## GUJARATGAS TRADING COMPANY LIMITED DIRECTORS' REPORT

### Dear Shareholders,

Your Directors are glad in presenting the 30<sup>th</sup> Annual Report together with the audited accounts of Gujaratgas Trading Company Limited for the year ended on 31 December 2010

### FINANCIAL RESULTS

Particulars	(Rs. in Lac)	
	Current year ended on 31.12.2010	Previous year ended on 31.12.2009
Total income	17,366.44	6875.66
Profit before tax	70.10	80.22
Tax (Current)	8.60	39.54
Profit after tax	61.50	40.68
Add: Profit brought forward from previous year	802.03	761.35
Profit available for appropriation	863.53	802.03
Transfer to general reserve	-	-
Proposed dividend	-	-
Corporate dividend tax	-	-
Surplus retained	863.53	802.03

### DIVIDEND

Your directors do not recommend any dividend for the year under review.

### OPERATIONS

Your Company, the wholly-owned subsidiary of Gujarat Gas Company Limited is engaged in the business of selling natural gas. During the year under review, your Company achieved sales of Rs. 17,303.16 lacs as against Rs. 6795.05 lacs during the previous year. The total income for the year was Rs. 17,366.44 lacs including other income of Rs. 63.28 lacs as against total income of Rs. 6875.66 lacs including other income of Rs. 80.61 lacs in the previous year. The Profit before tax (PBT) was Rs. 70.10 lacs during the year as against Rs. 80.22 lacs in the previous year.

### STATUTORY INFORMATION

#### Energy, Technology and Foreign Exchange

The particulars under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are not required to be reported as your Company is a trading company. During the year under review, there were no foreign exchange transaction.

#### Particulars of Employees

Since no employee of the Company, whether employed throughout the year or any part thereof, is in receipt of remuneration exceeding the limits prescribed under the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, no particulars are being provided thereunder.

### Fixed Deposits

During the year under review, your Company has not invited any fixed deposits within the meaning of Section 58A of the Companies Act, 1956.

### Directors' Responsibility Statement

Your directors hereby state

- that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- that the directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as on 31 December 2010 and of the profit of the company for the year ended on that date;
- that the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- that the directors have prepared the annual accounts on a going concern basis.

### AUDITORS AND AUDITORS' REPORT

Price Waterhouse, the Statutory Auditors of the Company, retires at the ensuing Annual General Meeting and are eligible for re-appointment.

The notes to the accounts referred to in the Auditors' Report are self-explanatory and, therefore, do not call for any further comments.

### DIRECTORS

Prof. Pradip Khandwalla, an independent director on the Board of Directors of the holding company viz. Gujarat Gas Company Limited, is also a director of your Company.

Prof. Pradip Khandwalla retires by rotation at the forthcoming Annual General Meeting and being eligible, has offered himself for re-appointment. Your directors recommend his re-appointment.

### APPRECIATION

Your directors hereby place on record their appreciation for the support received from its customers, the Central and State Governments and its bankers.

Your directors are grateful to the promoter viz. Gujarat Gas Company Limited and BG Group for their valuable contribution throughout the year and also thank the shareholders for their support to the Company.

### For and on behalf of the Board

Shaleen Sharma  
Chairman

Date: 28 February 2011  
Place: Ahmedabad

## Auditors' Report To the Members of Gujaratgas Trading Company Limited

1. We have audited the attached Balance Sheet of GujaratGas Trading Company Limited, as at December 31, 2010, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act;
  - e) On the basis of written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on December 31, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act;
  - f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - i) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2010;
    - ii) in case of the Profit and Loss Account, of the profit for the year ended on that date; and
    - iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For Price Waterhouse  
Firm Registration No. – 012754N  
Chartered Accountants

V. Nijhawan  
Partner  
Membership Number: F87228

Place : Ahmedabad  
Date : February 28, 2011



## Annexure to Auditors' Report

[Referred to in paragraph 3 of the Auditors' report of even date to the members of Gujaratgas Trading Company Limited on the financial statements for the year ended December 31, 2010]

- i) a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act.
- b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act.
- ii) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase and sale of gas. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
- iii) In our opinion and according to the information and explanations given to us, there are no contracts or arrangements referred to in Section 301 of the Act which are required to be entered in the register required to be maintained under that section.
- iv) The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
- v) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- vi) The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the company.
- vii) a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities.
- b) According to the information and explanations given to us and the records of the company examined by us, the particulars of dues of income tax as at December 31, 2010 which have not been deposited on account of dispute are as follows:

Name of the statute	Nature of Dues	Amount (Rs. in thousand)	Period to which the amount relates	Forum where the dispute is pending
Income Tax Act, 1961	Income Tax	5,951	Assessment Year 2007-08	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Income Tax	12,452	Assessment Year 2008-09	Commissioner of Income Tax (Appeals)

There are no dues of sales tax, service tax and value added tax which have not been deposited on account of a dispute.

- viii) The Company does not have accumulated losses as at December 31, 2010 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
- ix) According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
- x) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xi) The provisions of any special statute applicable to chit fund/ nidhi/ mutual benefit fund/ societies are not applicable to the Company.
- xii) In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
- xiii) In our opinion, and according to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
- xiv) The Company has not obtained any term loans.
- xv) On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
- xvi) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
- xvii) The Company has not issued any debentures during the year and there are no debentures outstanding as at the year end.

xviii) The Company has not raised any money by public issues during the year.

xix) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

xx) The other clauses (i) and (ii) of paragraph 4 of the Companies (Auditors' Report) Order 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 are not applicable in the case of the company for the current year, since in our opinion there is no matter which arises to be reported in the aforesaid order.

For Price Waterhouse  
Firm Registration No. – 012754N  
Chartered Accountants

Place : Ahmedabad  
Date : February 28, 2011

V. Nijhawan  
Partner  
Membership Number: F87228

**GUJARATGAS TRADING COMPANY LIMITED**  
**BALANCE SHEET AS AT DECEMBER 31, 2010**

	Schedule	Rs. in thousand	As at 31-12-2010 Rs. in thousand	As at 31-12-2009 Rs. in thousand
<b><u>SOURCES OF FUNDS</u></b>				
<b>SHAREHOLDER'S FUNDS</b>				
Share Capital	1	900		900
Reserves and Surplus	2	113,003		106,853
			113,903	107,753
<b>TOTAL</b>			<b>113,903</b>	<b>107,753</b>
<b><u>APPLICATION OF FUNDS</u></b>				
<b>INVESTMENTS</b>	3		154,253	131,292
<b>DEFERRED TAX ASSET</b> (Refer Note 6 and 13 on Schedule 10)			-	624
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>				
Sundry Debtors	4	128,158		245,247
Cash and Bank Balances	5	1,430		2,991
Loans and Advances	6	12,574		16,861
		142,162		265,099
<b>LESS: CURRENT LIABILITIES AND PROVISIONS</b>	7			
Current Liabilities		159,623		262,227
Provisions		22,889		27,035
		182,512		289,262
<b>NET CURRENT ASSETS</b>			<b>(40,350)</b>	<b>(24,163)</b>
<b>TOTAL</b>			<b>113,903</b>	<b>107,753</b>
<b>Significant Accounting Policies and Notes to Accounts</b>	10			

This is the Balance Sheet referred to in our report of even date

**For Price Waterhouse**  
Firm Registration Number – 012754N  
Chartered Accountants

**V. Nijhawan**  
Partner  
Membership No. F87228

Place : Ahmedabad  
Date : February 28, 2011

The Schedules referred to above form an integral part of the Balance Sheet

For and on behalf of the Board

Shaleen Sharma      Sugata Sircar  
Chairman              Director

Place : Ahmedabad  
Date : February 28, 2011

**GUJARATGAS TRADING COMPANY LIMITED**  
**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2010**

	Schedule	Rs. in thousand	Year ended 31-12-2010 Rs. in thousand	Year ended 31-12-2009 Rs. in thousand
<b>INCOME:</b>				
Sale of Natural Gas (Traded) (Refer Note 4(i) and (ii) on Schedule 10)		<b>1,730,316</b>		679,505
Other Income	8	<b>6,328</b>	<b>1,736,644</b>	8,061
				687,566
<b>EXPENDITURE:</b>				
Purchase of Natural Gas [Includes foreign exchange gain of Rs. 9,709 thousand (Previous year gain of Rs. 950 thousand)]		<b>1,728,443</b>		678,652
Operating and Other Expenses	9	<b>1,191</b>	<b>1,729,634</b>	892
				679,544
<b>Profit before Taxes</b>			<b>7,010</b>	8,022
<b>Tax Expense</b> (Refer Note 6 and 13 on Schedule 10)				
Current Tax			<b>236</b>	4,578
Deferred Tax			<b>624</b>	(624)
			<b>860</b>	3,954
<b>Profit after Taxes</b>			<b>6,150</b>	4,068
Profit Brought Forward			<b>80,203</b>	76,135
<b>Profit Carried Forward</b>			<b>86,353</b>	80,203
<b>Basic/Diluted Earning per Share of Rs. 100/- each (Rs.)</b> (Refer Note 5 and 9 on Schedule 10)			<b>683.33</b>	452.00
<b>Significant Accounting Policies and Notes to Accounts</b>	10			

This is the Profit and Loss Account referred to in our report of even date

**For Price Waterhouse**  
Firm Registration Number – 012754N  
Chartered Accountants

**V. Nijhawan**  
Partner  
Membership No. F87228

Place : Ahmedabad  
Date : February 28, 2011

The Schedules referred to above form an integral part of the Profit and Loss Account

For and on behalf of the Board

Shaleen Sharma      Sugata Sircar  
Chairman              Director

Place : Ahmedabad  
Date : February 28, 2011

## CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2010

	Year ended on 31-12-2010 Rs. in thousand	Year ended on 31-12-2009 Rs. in thousand
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before Tax	7,010	8,022
<b>Adjustments for:</b>		
Profit on sale of investment (Net)	(3)	(1)
Dividend Income	(6,325)	(5,124)
Unrealised Foreign Exchange Gain	-	(356)
Interest Income	-	(2,936)
<b>Operating Profit before working capital changes</b>	<b>682</b>	<b>(395)</b>
<b>Adjustments for changes in working capital</b>		
(Increase)/Decrease in Sundry Debtors	117,089	(182,416)
(Increase)/Decrease in Loan and Advances	4,287	230
Increase/(Decrease) in Current Liabilities	(102,604)	178,283
<b>Cash generated from Operations</b>	<b>19,454</b>	<b>(4,298)</b>
Taxes (paid)/refunded	(4,382)	21,185
<b>Net Cash from Operating Activities</b>	<b>15,072</b>	<b>16,887</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Investments	(61,958)	(47,624)
Sale of Investments	39,000	21,021
Interest received (Net of taxes)	-	2,936
Dividends received	6,325	5,124
<b>Net Cash from Investing activities</b>	<b>(16,633)</b>	<b>(18,543)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(1,561)</b>	<b>(1,656)</b>
<b>Cash and Cash Equivalents at the beginning of the year</b>	<b>2,991</b>	<b>4,647</b>
<b>Cash and Cash Equivalents at the end of the year</b>	<b>1,430</b>	<b>2,991</b>
<b>Cash and Cash Equivalents comprise</b>		
Cash in hand	2	5
Balances with Scheduled Banks		
- In Current Accounts	1,428	2,986
<b>Total Cash and Cash Equivalents as per Cash Flow statement</b>	<b>1,430</b>	<b>2,991</b>

### Notes to Cash Flow Statement:

- 1 Cash and Cash equivalents represents cash and bank balances only.
- 2 The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Accounting Standard-3 on Cash Flow Statements.
- 3 Figures in brackets indicate outflow.
- 4 Previous year figures have been reclassified/regrouped wherever considered necessary to conform to the current year figures.

This is the cash flow statement referred to in our report of even date.

**For Price Waterhouse**  
Firm Registration Number – 012754N  
Chartered Accountants

**V. Nijhawan**  
Partner  
Membership No. F87228

Place : Ahmedabad  
Date : February 28, 2011

For and on behalf of the Board

Shaleen Sharma      Sugata Sircar  
Chairman              Director

Place : Ahmedabad  
Date : February 28, 2011

### SCHEDULES FORMING PART OF BALANCE SHEET

		As at 31-12-2010 Rs. in thousand	As at 31-12-2009 Rs. in thousand
<b>SCHEDULE - 1</b>			
<b>SHARE CAPITAL</b>			
<b>Authorised</b>			
10,000 (Previous year 10,000) Equity Shares of Rs.100/- each		1,000	1,000
<b>TOTAL</b>		<u>1,000</u>	<u>1,000</u>
<b>Issued, Subscribed and Paid up</b>			
9,000 (Previous year 9,000) Equity Shares of Rs.100/- each fully paid-up		900	900
[Of the above 9,000 (Previous year 9,000) fully paid up shares are held by holding company Gujarat Gas Company Limited and its nominees. The ultimate holding company being BG Group plc.]			
<b>TOTAL</b>		<u>900</u>	<u>900</u>
<b>SCHEDULE - 2</b>			
<b>RESERVES AND SURPLUS</b>			
General Reserve		26,650	26,650
(As per last balance sheet)			
Profit and Loss Account		86,353	80,203
<b>TOTAL</b>		<u>113,003</u>	<u>106,853</u>
<b>SCHEDULE - 3</b>			
<b>INVESTMENTS</b>			
(Refer Note 2 and 14 on Schedule 10)			
<b>Current Investments</b>			
(At cost and Fair market value whichever is lower, determined categorywise)			
<b>Unquoted - other than trade</b>			
Units of Mutual Funds		154,253	131,292
<b>TOTAL</b>		<u>154,253</u>	<u>131,292</u>
<b>Aggregate cost of Unquoted Investments</b>		<u>154,253</u>	<u>131,292</u>
<b>SCHEDULE - 4</b>			
<b>SUNDRY DEBTORS</b>			
Unsecured - Considered Good			
Others		128,158	245,247
[Includes Rs.128,158 thousand (Previous year Rs. 245,247 thousand) due from Gujarat Gas Company Ltd, maximum balance due during the year Rs. 444,730 thousand (Previous year Rs. 663,631 thousand)]			
<b>TOTAL</b>		<u>128,158</u>	<u>245,247</u>
<b>SCHEDULE - 5</b>			
<b>CASH AND BANK BALANCES</b>			
Cash in hand		2	5
Balances with Scheduled Banks			
- In Current Accounts		1,428	2,986
<b>TOTAL</b>		<u>1,430</u>	<u>2,991</u>

### SCHEDULES FORMING PART OF BALANCE SHEET

	Rs. in thousand	As at 31-12-2010 Rs. in thousand	As at 31-12-2009 Rs. in thousand
<b>SCHEDULE - 6</b>			
<b>LOANS AND ADVANCES</b>			
(Unsecured - considered good, unless otherwise stated)			
Service Tax Recoverable		12,574	16,861
<b>TOTAL</b>		<b>12,574</b>	<b>16,861</b>
<b>SCHEDULE - 7</b>			
<b>CURRENT LIABILITIES AND PROVISIONS</b>			
<b>(A) CURRENT LIABILITIES</b>			
Sundry Creditors		-	-
- Dues to Micro and Small Enterprises*		154,322	257,797
- Other Creditors		5,301	4,430
Other Liabilities		159,623	262,227
<b>(B) PROVISIONS</b>			
Provision for Taxation	198,026		197,790
Less: Advance payment of Tax and Tax Deducted at Source	175,137		170,755
		22,889	27,035
<b>TOTAL</b>		<b>22,889</b>	<b>27,035</b>
		<b>182,512</b>	<b>289,262</b>

\* As per the information available with the management, there are no outstanding dues payable to Micro and Small Enterprises.

### SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

		Year ended 31-12-2010 Rs. in thousand	Year ended 31-12-2009 Rs. in thousand
<b>SCHEDULE - 8</b>			
<b>OTHER INCOME</b>			
Dividend from Mutual Funds (Current) (Refer Note 4 (iii) on Schedule 10)		6,325	5,124
Interest on Income Tax refund		-	2,936
Profit on sale of Current Investments		3	1
<b>TOTAL</b>		<b>6,328</b>	<b>8,061</b>
<b>SCHEDULE - 9</b>			
<b>OPERATING AND OTHER EXPENSES</b>			
Rates and Taxes		3	2
Legal, Professional and Consultancy		854	561
Miscellaneous Expenses		334	329
<b>TOTAL</b>		<b>1,191</b>	<b>892</b>

## SCHEDULE - 10

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

#### Significant Accounting Policies:

##### 1. Accounting Convention :

The Financial statements have been prepared to comply in all material respects with all applicable accounting principles in India, the applicable accounting standard notified under Section 211(3C) of the Companies Act, 1956 and the relevant provisions of the Companies Act, 1956.

##### 2. Investments:

Current investments are stated at lower of cost and fair market value determined category wise. Cost is determined as per weighted average cost formula.

##### 3. Foreign currency transactions:

Foreign currency transactions are accounted for at the exchange rate prevailing on the transaction date. Year-end monetary assets and liabilities in foreign currency are translated at the applicable year-end exchange rates and the resultant difference is recognized as gain / loss for the year.

##### 4. Revenue Recognition:

- (i) Sale of natural gas is recognized on transfer of title to customers at delivery point. Sales are billed fortnightly to industrial customers. Spot sale of gas to industrial customers is billed as per the terms mutually agreed between the parties.
- (ii) Commitment Income from customers for gas sales and gas transmission are recognized on establishment of certainty of receipt of consideration.
- (iii) Dividend income is recognized when the right to receive the dividend is established.
- (iv) Delayed payment charges are recognized on the basis of certainty of collection.

##### 5. Earnings Per Share (EPS):

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

##### 6. Taxation:

Tax expense for the year, comprising current tax and deferred tax, is included in determining the net profit for the year.

A provision is made for the current tax based on tax liability computed in accordance with relevant tax rates and tax laws. A provision is made for deferred tax for all timing differences arising between taxable income and accounting income at substantively enacted tax rates.

Deferred tax assets are recognized only if there is reasonable certainty that they will be realized and are reviewed for the appropriateness of their respective carrying values at each balance sheet date.

##### 7. Provision and Contingencies:

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that probably will not require an outflow of resources or where a reliable estimate of the obligation can not be made.

#### Notes to Accounts:

##### 8. Contingent Liability:

Income Tax exposures of Rs. 23,653 thousand (Previous Year Rs. 11,201 thousand)

- a. Includes demand of Rs. 11,201 thousand (Previous year Rs. 11,201 thousand) for the A.Y. 2007-08 on account of disallowance of commission on purchase paid to BG Energy Holdings Limited and disallowance of expenditure u/s 14A as per Rule 8D of the Income tax Rules 1962. The total amount paid or adjusted by tax authorities towards above demand aggregates to Rs. 5250 thousand (Previous year Nil). The Company has preferred an appeal before the CIT (A) against the said order.
- b. Includes demand of Rs.12,452 thousand (Previous year Nil) for the A.Y. 2008-09 on account of disallowance of commission paid to BG Energy Holdings Limited, disallowance of expenditure u/s 14A as per Rule 8D of the Income tax Rules 1962 and treatment of VAT refund as taxable income. The Company has preferred an appeal before the CIT (A) against the said order.



**9. Earnings per share:**

	Year ended 31-12-2010	Year ended 31-12-2009
Net Profit/(Loss) attributable to Shareholders (Rs. in thousand)	6,150	4,068
Weighted average number of equity shares outstanding during the year (No. in thousand)	9	9
Basic earnings per share of Rs. 100/- each (in Rs.)	683.33	452.00

The Company does not have any outstanding dilutive potential equity shares. Consequently the basic and diluted earning per share of the Company remain the same.

**10. Segment Reporting:**

The Company operates in a single segment of Natural Gas Business. Natural gas business involves distribution of gas from sources of supply to centres of demand and to the end customers. Hence, disclosures required as per Accounting Standard on Segment Reporting (AS – 17) are not applicable to the company.

**11. Payment to Auditors:**

	Year ended 31-12-2010 (Rs. in thousand)	Year ended 31-12-2009 (Rs. in thousand)
Audit fees	150	150
Reimbursement of Expenses (Including service tax)	23	33

**12. Related Party Transactions:**

The Company is controlled by Gujarat Gas Company Limited which is the beneficial owner of 100% shares. The ultimate parent of the Company is BG Group Plc.

The following transactions were carried out during the year in ordinary course of business:

			Amount (Rs. in thousand)	
Name of the related party	Nature of Relationship	Nature of Transactions	Year ended 31-12-2010	Year ended 31-12-2009
Gujarat Gas Company Ltd.	Holding Company	<b>Expense:</b>		
		Service charges paid (including Service Tax)	331	331
		<b>Income:</b>		
		Sale of Natural Gas	1,730,316	6,79,505
		Share capital held	900	900
BG Energy Holding Ltd.	Under Common Control	Balance Receivable	1,28,158	2,45,247
		Commission on purchases	2,338	3,995
		Commission on corporate guarantee given to supplier	6,058	6,137
		Balance Payable	16,133	7,737

Note: The Company is using the ERP software packages implemented by Gujarat Gas Company Limited being "SAP" since August 2003, without payment of any consideration.

**13. The Company estimates the deferred tax using the enacted or substantially enacted rate of taxation based on the impact of timing differences between financial statements and estimated taxable income for the current year. The movement of provision for deferred tax is given below:**

	Year ended December 31, 2010 (Rs. in thousand)	Year ended December 31, 2009 (Rs. in thousand)
Opening Balance (a)	624	-
Provision for current year deferred tax (liability) / asset (b)	(624)	624
Closing Balance (a+b)	-	624
Break up of deferred tax assets:		
Tax impact of expenses not allowed as expenses in current year allowed as expense in subsequent year	-	624

#### 14. Investments:

	As at 31-12-2010 (Rs. in Thousand)	As at 31-12-2009 (Rs. in Thousand)
Current Investments (Unquoted):		
- Units of Mutual Funds	154,253	131,292
Notes:		
1) Aggregate cost of unquoted investment	154,253	131,292
2) Movement in investment from 1st January, 2010 to 31 <sup>st</sup> December, 2010 is given below		

Scheme	No. of units at the beginning of the year	Opening Value (Rs. in thousand)	No. of Units Purchased	No. of Units sold	No. of Units in hands at the year end	Cost of units in hands at the year end at lower of cost and fair market value (Rs. in thousand)
Birla Sunlife Interval Income Retail Qtrly Seri-1 Dividend	-	-	3,000,000	3,000,000	-	-
Birla Sunlife Cash Plus-Inst. Prem - Dividend	-	-	1,996,376	1,996,376	-	-
Birla Sunlife Savings Fund Instl-Dividend	6,992,451	69,972	6,806,715	5,396,330	8,402,836	84,085
HDFC Cash Management Fund-Savings Plan-Dividend	-	-	1,222,356	1,222,356	-	-
HDFC Floating Rate Income Fund-Short Term Plan -Wholesale-Dividend	2,876,079	28,993	1,456,557	-	4,332,636	43,677
Reliance Money Manager Fund-Institutional option-Dividend	-	-	749,826	749,826	-	-
Reliance Money Manager Fund-Institutional option- Dividend	32,290	32,327	9,149	14,979	26,460	26,491
<b>TOTAL</b>	<b>9,900,820</b>	<b>131,292</b>	<b>15,240,979</b>	<b>12,379,867</b>	<b>12,761,932</b>	<b>154,253</b>

#### 15. Purchases and Sales of traded goods:

Product	Purchases		Sales	
	Qty. in LSCM	Rs. in thousand	Qty. in LSCM	Rs. in thousand
<b>Natural Gas</b>	<b>1,871.71</b> (852.49)	<b>1,728,443</b> (678,652)	<b>1,871.71</b> (852.49)	<b>1,730,316</b> (679,505)

Previous year figures are in brackets.

#### 16. Expenditure in Foreign Currency (Paid):

	Year ended 31-12-2010 Rs. in thousand	Year ended 31-12-2009 Rs. in thousand
Commission	-	11,824

17. The Provision for Current Tax has been calculated based on income earned during the year ended December 31, 2010 in accordance with Guidance Note on measurement of Income Tax expense for Interim Financial Reporting. However the tax year end of the Company being March 31, 2011, the ultimate liability for the Assessment Year 2011 - 12 will be determined on the total income of the Company for the year ending March 31, 2011.

**18. Managerial Remuneration:**

	<b>Year ended 31-12-2010 Rs. in thousand</b>	<b>Year ended 31-12-2009 Rs. in thousand</b>
Directors' Sitting Fees	<b>72</b>	72

**19.** Previous year figures have been reclassified / regrouped wherever considered necessary to conform to the current year figures.

**For Price Waterhouse**

Firm Registration Number – 012754N  
Chartered Accountants

**V. Nijhawan**

Partner  
Membership No. F87228

Place : Ahmedabad  
Date : February 28, 2011

For and on behalf of the Board

Shaleen Sharma      Sugata Sircar  
Chairman              Director

Place : Ahmedabad  
Date : February 28, 2011

**BALANCE SHEET ABSTRACT AND COMPANY'S BUSINESS PROFILE AS  
PER PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956**

<b>I. REGISTRATION DETAILS</b>		
Registration No.	:	4091
State Code	:	04
Balance Sheet Date	:	31-12-2010
<b>II. CAPITAL RAISED DURING THE YEAR (Amount Rs. in thousand)</b>		
Public Issue	:	Nil
Rights Issue	:	Nil
Bonus Issue	:	Nil
Private Placement (Preferential Allotment)	:	Nil
<b>III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount Rs. in thousand)</b>		
Total Liabilities	:	296,415
Total Assets	:	296,415
<b>Sources of Funds</b>		
Paid-up Capital	:	900
Reserves and Surplus	:	113,003
Secured Loans	:	Nil
Unsecured Loans	:	Nil
Deposits	:	Nil
<b>Applications of Funds</b>		
Net Fixed Assets	:	Nil
Investments	:	154,253
Net Current Assets	:	(40,350)
Miscellaneous Expenditure/ Accumulated Losses	:	Nil
Deferred Tax Assets	:	Nil
<b>IV. PERFORMANCE OF THE COMPANY (Amount Rs. in thousand)</b>		
Total Turnover	:	1,736,644
Total Expenditure	:	1,729,634
Profit / ( Loss ) Before Tax	:	7,010
Profit / ( Loss ) After Tax	:	6,150
Earnings Per Share (Rs.) (Annualized)	:	683.33
Dividend Rate (%)	:	Nil
<b>V. GENERIC NAME OF PRINCIPAL PRODUCTS/ SERVICES OF THE COMPANY (As per monetary terms)</b>		
Item Code No. (ITC Code)	:	-
Product Description	:	TRADING IN NATURAL GAS

## GUJARAT GAS FINANCIAL SERVICES LIMITED DIRECTORS' REPORT

### Dear Shareholders

Your Directors have pleasure in presenting the Seventeenth Directors' Report of Gujarat Gas Financial Services Limited together with the audited annual accounts for the year ending on 31 December 2010.

### FINANCIAL PERFORMANCE

Particulars	(Rupees in thousand)	
	Calendar Year 2010	Calendar Year 2009
<b>Net Income</b>	<b>73,587</b>	50,664
Operating expenditure	(7,623)	(7,751)
<b>Profits before depreciation, interest, provision for NPA and tax</b>	<b>65,964</b>	42,913
<u>Less:</u>		
Depreciation	(67)	(72)
Interest	-	-
Profit before write-offs and NPAs	<b>65,897</b>	42,841
<b>Profit before Tax</b>	<b>65,897</b>	42,841
<u>Less:</u>		
Provision for Tax – current and deferred	(23,758)	(14,450)
<b>Profit after Tax</b>	<b>42,139</b>	28,391
Add: Surplus of earlier years	<b>65,278</b>	47,484
<b>Amount available for appropriations</b>	<b>107,417</b>	75,875
<b>Appropriations:</b>		
Transfer to General Reserve	<b>4,214</b>	1,420
Transfer to Reserve Fund (as stipulated by RBI)	<b>8,428</b>	5,679
Dividend	<b>4,000</b>	3,000
Dividend Distribution Tax	<b>664</b>	498
Surplus	<b>90,111</b>	65,278

During the year under review, the net income was Rs. 73.59 mn. as compared to Rs. 50.66 mn. in the year 2009 and the profit after tax was Rs. 42.14 mn. as compared to Rs. 28.39 mn. for the previous year.

### DIVIDEND

In view of the overall performance and financial position of the Company, Directors are pleased to recommend payment of dividend at the rate of 20% i.e. Rs. 2/- per share on fully paid equity shares of Rs. 10 each. The proposed dividend will involve total payout of Rs.4.66 million inclusive of dividend distribution tax of Rs. 0.66 million.

### APPROPRIATIONS

As stipulated by Reserve Bank of India (RBI), 20% of the pre-dividend profits i.e. Rs. 8.43 million (previous year Rs. 5.68 million) is being transferred to the Reserve Fund. Also, a sum of Rs. 4.21 million (previous year Rs.1.42 million) is proposed to be transferred to General Reserve.

### DISCUSSION ON OPERATIONS

#### Business

Your Company carried out the job of installing gas connections for domestic customers of GGCL and commercial customers of the Company. While GFSL has the status of a certified Non Banking Financial Company, it has stopped providing lease finance since April 2007.

### Investments

During the year, the Company maintained its investments in bank deposits. The total portfolio of investment in bank deposits was Rs. 35.80 million, as on 31 December 2010.

### HEALTH, SAFETY, SECURITY & ENVIRONMENT (HSS&E)

The HSS&E policies are being strictly implemented and progress is monitored on a continual basis. Employees were provided training in behavior based safety and safety interventions. The employees were encouraged to report hazards and "near misses".

### RBI REGISTRATION

Your Company continues to be registered with Reserve Bank of India as a Non Banking Financial Company and categorized as a 'Non-Deposit Accepting Company'. As it no longer meets the norms prescribed by the Reserve Bank of India (RBI) for Non-Banking Financial Companies, the Company has applied to the RBI for surrender of the RBI Certificate of Registration as NBFC.

### PRUDENTIAL NORMS

Your Company has complied with accounting policies in respect of income recognition. Since the Company had been registered as Non-Banking Finance Company and categorized as a 'Non-Deposit Accepting Company', it is no longer required to

comply with RBI guidelines related to public deposit mobilization like maintenance of Statutory Liquidity Ratio, Capital Adequacy Ratio and other reporting norms.

#### AUDIT COMMITTEE

The Audit Committee comprises of Mr. Shaleen Sharma and Mr. Sugata Sircar, Directors of the Company. Mr. Shaleen Sharma is Chairman of the Audit Committee.

#### FINANCE AND INSURANCE

- Your Company remains a zero debt company.
- During 2010, in terms of the provisions of Investor Education and Protection Fund (Awareness and Protection of Investor) Rules 2001, an aggregate amount of Rs. 0.054 million, of unpaid or unclaimed dividends were transferred to the Investor Education and Protection Fund.
- The Company's office assets, stocks, risks are adequately insured.

#### HUMAN RESOURCES

The number of employees as on 31 December 2010 were four.

#### STATUTORY INFORMATION

- There are no employees, whether employed throughout the year or any part thereof, in receipt of remuneration exceeding the limits prescribed under the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.
- Since the Company is not a schedule industry details in respect of conservation of energy, technology absorption is not required to be furnished.
- During the period, there were no foreign exchange earnings whereas the foreign exchange outgo was to the extent of Rs. 17.57 million. Information pursuant to Part II of Schedule VI of the Companies Act, 1956, has been given in the notes to the accounts.
- Pursuant to the Non-Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 1998, a report from the statutory auditors to the Board of Directors, has been received by the Company. This report has certified that the Company has complied with all the Directions and Prudential Norms as prescribed under the Reserve Bank of India Act. However the Company has not engaged in any hire purchase or leasing activity.

#### DIRECTORS RESPONSIBILITY STATEMENT

In accordance with the requirements of Section 217(2AA) of the Companies Act, 1956, your directors hereby state that:

1. In the preparation of the annual accounts for year 2010, the applicable accounting standards have been followed alongwith proper explanation relating to material departures.
2. The directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a

true and fair view of the state of affairs of the Company at the end of the calendar year and of the profit or loss of the Company for that period.

3. The directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 (as amended), for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. The directors had prepared the annual accounts on a going concern basis.

#### AUDITORS REPORT

The notes to the accounts referred to in the Auditors' Report are self-explanatory and therefore, do not call for any further comments.

#### AUDITORS

Price Waterhouse, the Statutory Auditors of the Company retire at the conclusion of the Annual General Meeting and are eligible for reappointment. The Company has obtained from Price Waterhouse a written certificate to the effect that their re-appointment, if made, will be in accordance with the limits specified in Section 224(1B) of the Companies Act, 1956. The shareholders are requested to re-appoint the Auditors and to fix their remuneration.

#### DIRECTORS

Mr. Shaleen Sharma retires by rotation at the ensuing Annual General Meeting. Being eligible, he offers himself for re-appointment.

#### APPRECIATION

Your directors wish to express their sincere appreciation to all the valuable customers for their continuing association with the Company. Your directors express their gratitude to its promoter, Gujarat Gas Company Limited for its valuable contribution throughout the year. Your directors also thank the shareholders for their continuing support to the Company and to the neighbouring communities. Your directors express their appreciation of efforts put in by all employees of the Company and also wish to thank government agencies including Reserve Bank of India for extending support to the Company's business.

**For & on behalf of the Board**

Shaleen Sharma  
Chairman

Place: Ahmedabad  
Dated: 24 February, 2011

## AUDITORS' REPORT TO THE MEMBERS OF GUJARAT GAS FINANCIAL SERVICES LIMITED

1. We have audited the attached Balance Sheet of Gujarat Gas Financial Services Limited, as at December 31, 2010, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we further give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
  - (e) On the basis of written representations received from the directors, and taken on record by the Board of Directors, none of the directors is disqualified as on December 31, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
  - (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give, in the prescribed manner the information required by the Act, and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2010;
    - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date.
    - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

### For Price Waterhouse

Firm Registration No.- 301112E  
Chartered Accountants

### V. Nijhawan

Partner  
Membership Number F-87228

Place: Gurgaon  
Date: February 24, 2011

## ANNEXURE TO AUDITORS' REPORT

[Referred to in paragraph 3 of the Auditors' report of even date to the members of Gujarat Gas Financial Services Limited on the financial statements for the year ended December 31, 2010]

- i) a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.
- b) The fixed assets of the Company including those leased out are physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed.
- c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.
- ii) a) The inventory (excluding stocks with third parties) has been physically verified by the Management during the year. In respect of inventory lying with third parties, these have been confirmed by them. In our opinion, the frequency of verification is reasonable.
- b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
- c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
- iii) a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act.
- b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act.
- iv) In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventories and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system;
- v) In our opinion and according to the information and explanations given to us, there are no contracts or arrangements referred to in Section 301 of the Act which are required to be entered in the register required to be maintained under that section.
- vi) The Company has not accepted any deposits from the public within the meaning of Section 58A and 58AA of the Act and rules framed there under.
- vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- viii) The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the Products of the Company.
- ix) a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities.
- b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of sales tax, wealth tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute. The particulars of dues of income-tax as at December 31, 2010 which have not been deposited on account of a dispute as detailed below.



Name of the Statute	Nature of Dues	Amount (Rs. in Thousand)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Penalty u/s 271(1)(C)	2,660	A.Y. 1996-97	ITAT
	Income Tax & Interest thereon	6,822	A.Y. 2001-02	High Court
	Income Tax & Interest thereon	5,986	A.Y. 2002-03	High Court
	Income Tax & Interest thereon	1,853	A.Y. 2006-07	ITAT
	Income Tax & Interest thereon	6,390	A.Y. 2007-08	CIT (Appeals)
	Income Tax & Interest thereon	34,766	A.Y. 2008-09	CIT (Appeals)
Interest Tax Act, 1974	Interest Tax	2,896	A.Y. 1999-00	High Court

- x) The Company does not have accumulated losses as at December 31, 2010 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
- xi) According to the records of the Company examined by us and the information and explanation given to us, the Company does not have any dues payable to any financial institution or bank or debenture holders as at the balance sheet date.
- xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) The provision of any special statute applicable to chit fund/ nidhi/ mutual benefit fund/ societies are not applicable to the Company.
- xiv) In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
- xv) In our opinion, and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
- xvi) The Company has not obtained any term loans.
- xvii) On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
- xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
- xix) The Company has not issued any debentures during the year and there are no debentures outstanding as at the year end.
- xx) The Company has not raised any money by public issues during the year.
- xxi) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

**For Price Waterhouse**  
Firm Registration No.- 301112E  
Chartered Accountants

**V. Nijhawan**  
Partner  
Membership Number F-87228

Place: Gurgaon  
Date: February 24, 2011

The Board of Directors,  
Gujarat Gas Financial Services Limited  
Gujarat

Dear Sirs,

**Non Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 1998**

We have audited the annual accounts of Gujarat Gas Financial Services Limited for the year ended December 31, 2010. As required by the Non Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 1998, on the basis of such checks as we considered appropriate and as per information and explanation given to us we report that:

**A. In the case of all non-banking financial companies**

1. The Company has obtained a certificate of registration from Reserve Bank of India under section 45IA of the Reserve Bank of India Act, 1934.

**B. In the case of a non-banking financial company not accepting public deposits**

1. The Board of Directors of the Company has passed a resolution dated January 27, 2011 for the non-acceptance of any public deposits.
2. The Company has not accepted any public deposits during the year under our report.
3. The Company has complied with the prudential norms on income recognition, accounting standards, assets classification and provision for bad and doubtful debts, as specified in the directions issued by the Reserve Bank of India in the terms of the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.

**For Price Waterhouse**

Firm Registration No.- 301112E  
Chartered Accountants

**V. Nijhawan**

Partner  
Membership Number F-87228

Place: Gurgaon  
Date: February 24, 2011

**GUJARAT GAS FINANCIAL SERVICES LIMITED**  
**BALANCE SHEET AS AT DECEMBER 31, 2010**

	Schedule	Rs. in thousand	As at 31-12-2010 Rs. in thousand	As at 31-12-2009 Rs. in thousand
<b>SOURCES OF FUNDS</b>				
<b>Shareholders' Funds</b>				
Capital	1	20,000		20,000
Reserves and Surplus	2	189,181		151,706
			209,181	171,706
			<b>209,181</b>	<b>171,706</b>
<b>APPLICATION OF FUNDS</b>				
<b>Fixed Assets</b>				
	3			
Gross Block		578,630		578,630
Less : Depreciation		441,746		441,679
		136,884		136,951
Less : Lease Terminal Adjustment		136,588		136,588
Net Block			296	363
<b>Investments</b>	4		-	-
<b>Deferred Tax Asset</b>			74,694	74,408
(Refer Note A9 & B10 on Schedule 17)				
<b>Current Assets, Loans and Advances</b>				
Inventories	5	83,035		100,349
Sundry Debtors	6	33,755		28,652
Cash and Bank Balances	7	43,594		3,997
Other Current Assets	8	68		10
Loans and Advances	9	46,572		44,297
		<b>207,024</b>		177,305
<b>Less: Current Liabilities and Provisions</b>	10			
Current Liabilities		67,025		75,889
Provisions		5,808		4,481
		<b>72,833</b>		80,370
<b>Net Current Assets</b>			134,191	96,935
			<b>209,181</b>	<b>171,706</b>
Significant Accounting Policies and Notes to Accounts	17			

This is the Balance Sheet referred to in our report of even date

The schedules referred to above form an integral part of the Balance Sheet.

**For and on behalf of the Board**

**For Price Waterhouse**  
Firm Registration No.- 301112E  
Chartered Accountants

**Shaleen Sharma**                      **Sugata Sircar**  
Chairman                                      Director

**V. Nijhawan**  
Partner  
**Membership No. F87228**

**Chintan Trivedi**  
Company Secretary

Place : Gurgaon  
Date : February 24, 2011

Place : Ahmedabad  
Date : February 24, 2011



**GUJARAT GAS FINANCIAL SERVICES LIMITED**  
**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2010**

	Schedule	Rs. in thousand	Year ended 31-12-2010 Rs. in thousand	Year ended 31-12-2009 Rs. in thousand
<b>INCOME</b>				
Income from operations	11	280,436		276,464
Other Income	12	2,296		4,743
			282,732	281,207
<b>EXPENDITURE</b>				
Installation Cost (Refer note B 2 on Schedule 17)	13	209,145		230,543
Personnel Expenses	14	3,261		3,091
Administration and Other Expenses	15	4,362		4,660
Depreciation		67		72
			216,835	238,366
<b>Profit before Taxes</b>			65,897	42,841
Tax Expense	16		23,758	14,450
<b>Profit after Taxes</b>			42,139	28,391
Profit brought forward			65,278	47,484
Profit available for Appropriation			107,417	75,875
<b>Appropriations</b>				
Proposed Dividend			4,000	3,000
Corporate Dividend Tax			664	498
Transferred to Special Reserve (As stipulated by RBI)			8,428	5,679
Transferred to General Reserve			4,214	1,420
Profit Carried Forward			90,111	65,278
			107,417	75,875
Basic / Diluted Earnings per Share of Rs.10/- each (Refer note A8 & B8 on Schedule 17 )			21.07	14.20
Significant Accounting Policies and Notes to Accounts	17			

This is the Profit and Loss Account referred to in our report of even date.

**For Price Waterhouse**  
Firm Registration No.- 301112E  
Chartered Accountants

**V. Nijhawan**  
Partner  
**Membership No. F87228**

Place : Gurgaon  
Date : February 24, 2011

The schedules referred to above form an integral part of the Profit and Loss Account.

**For and on behalf of the Board**

**Shaleen Sharma**  
Chairman

**Sugata Sircar**  
Director

**Chintan Trivedi**  
Company Secretary

Place : Ahmedabad  
Date : February 24, 2011

## CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2010

	Year ended 31-12-2010 Rs. in thousand	Year ended 31-12-2009 Rs. in thousand
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before Taxes	65,897	42,841
<b>Adjustments for:</b>		
Depreciation	67	72
Liabilities no longer required written back	(102)	(112)
Provision for gratuity and leave encashment	161	105
<b>Operating Profit Before Working Capital Changes</b>	<b>66,023</b>	42,906
<b>Adjustments for changes in working capital</b>		
(Increase)/Decrease In Sundry Debtors	(5,001)	(28,785)
(Increase)/Decrease In Other Current Assets	(58)	1,588
(Increase)/Decrease In Loans And Advances	(4,286)	(4,206)
(Increase)/Decrease In Inventories	17,314	(23,720)
Increase/(Decrease) In Current Liabilities and Provisions	(8,864)	(102,872)
<b>Cash generated from/(used in) operations</b>	<b>65,128</b>	(115,089)
Taxes (Paid) / Received	(22,033)	(27,804)
<b>Net Cash from/(used in) Operating Activities</b>	<b>43,095</b>	(142,893)
<b>B. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividend Paid including Tax on Dividend	(3,498)	(4,680)
<b>Net Cash used in Financing Activities</b>	<b>(3,498)</b>	(4,680)
<b>NET INCREASE/(DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	<b>39,597</b>	(147,573)
<b>Cash &amp; Cash Equivalents at the beginning of the year</b>	<b>3,997</b>	151,570
<b>Cash &amp; Cash Equivalents at the end of the year</b>	<b>43,594</b>	3,997
<b>Closing Cash &amp; Cash Equivalents Comprise of:</b>		
Cash in Hand	17	18
Balance with scheduled banks		
-In Current Accounts	7,294	3,061
-In Term Deposits	35,800	500
-In Dividend Accounts	483	418
<b>Total Cash &amp; Cash Equivalents as per Cash Flow Statement</b>	<b>43,594</b>	3,997

**Notes to Cash Flow Statement:**

- a The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Accounting Standard-3 on Cash Flow Statements.
- b Term Deposit includes balance in Escrow account as stipulated by RBI Rs. 500 Thousands (Previous Year Rs. 500 thousands).
- c The balance with the bank for unpaid dividend is not available for use by the company and the money remaining unpaid will be deposited in Investor Protection and Education Fund after the expiry of seven years from the date of declaration of dividend.
- d Previous Year figures have been reclassified / regrouped wherever considered necessary to conform to the Current Year's figures.
- e Figures in bracket indicate Cash outflows.

This is the Cash Flow referred to in our report of even date.

This is the Cash Flow referred to in our report of even date

**For Price Waterhouse**

Firm Registration No.- 301112E  
Chartered Accountants

**V. Nijhawan**

Partner

**Membership No. F87228**

Place : Gurgaon

Date : February 24, 2011

**For and on behalf of the Board**

**Shaleen Sharma**

Chairman

**Sugata Sircar**

Director

**Chintan Trivedi**

Company Secretary

Place : Ahmedabad

Date : February 24, 2011

## GUJARAT GAS FINANCIAL SERVICES LIMITED

### SCHEDULES FORMING PART OF BALANCE SHEET

	Rs. in thousand	As at 31-12-2010 Rs. in thousand	As at 31-12-2009 Rs. in thousand
<b>SCHEDULE-1</b>			
<b>CAPITAL</b>			
<b>A. Authorised</b>			
70,00,000 (Previous year 70,00,000) Equity Shares of Rs.10/- each	70,000		70,000
50,00,000 (Previous year 50,00,000) Preference Shares of Rs.10/- each	50,000		50,000
		120,000	120,000
<b>B. Issued, Subscribed and paid up</b>			
20,00,000 Equity Shares of Rs.10/- each fully paid up (Previous year 20,00,000 Equity Shares of Rs.10/- each)		20,000	20,000
[Out of the above 13,97,500 Shares ( Previous year 13,97,500 Shares) of Rs.10/- each are held by holding Company - Gujarat Gas Company Limited, ultimate holding company being BG Group plc ]			
		20,000	20,000
<b>SCHEDULE-2</b>			
<b>RESERVES AND SURPLUS</b>			
<b>General Reserve</b>			
Opening Balance	6,998		5,578
Add : Transferred from Profit & Loss Account	4,214		1,420
		11,212	6,998
<b>Special Reserve (as required by RBI)</b>			
Opening Balance	79,430		73,751
Add : Transferred from Profit & Loss Account	8,428		5,679
		87,858	79,430
<b>Profit &amp; Loss Account</b>		90,111	65,278
		189,181	151,706

**SCHEDULE - 3  
FIXED ASSETS**

(Refer note A2(b) & A3 on Schedule 17)

PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	As at 01.01.2010	Additions during the year	Sales/Adj. during the year	Balance as at 31.12.2010	As at 01.01.2010	Additions during the year	As at 31.12.2010	As at 31.12.2009
<b>A. Assets given on Lease (Standard Asset)</b>								
Plant & Machinery	575,875	-	-	575,875	439,287	-	136,588	136,588
<b>Total - (A)</b>	<b>575,875</b>	<b>-</b>	<b>-</b>	<b>575,875</b>	<b>439,287</b>	<b>-</b>	<b>136,588</b>	<b>136,588</b>
<b>B. Other Assets</b>								
Computer	1,083	-	-	1,083	1,083	-	-	-
Office Equipment & Electrical Installation	673	-	-	673	423	27	223	250
Furniture & Fixture	973	-	-	973	862	38	73	111
Vehicle	26	-	-	26	24	2	-	2
<b>Total - (B)</b>	<b>2,755</b>	<b>-</b>	<b>-</b>	<b>2,755</b>	<b>2,392</b>	<b>67</b>	<b>296</b>	<b>363</b>
<b>Total -(A)+(B)</b>	<b>578,630</b>	<b>-</b>	<b>-</b>	<b>578,630</b>	<b>441,679</b>	<b>67</b>	<b>136,884</b>	<b>136,951</b>
Lease Terminal Adjustment	-	-	-	-	136,588	-	(136,588)	(136,588)
<b>Total</b>	<b>578,630</b>	<b>-</b>	<b>-</b>	<b>578,630</b>	<b>578,267</b>	<b>67</b>	<b>296</b>	<b>363</b>
Previous Year	578,630	-	-	578,630	578,195	72	363	

Rs. in thousand



**GUJARAT GAS FINANCIAL SERVICES LIMITED**  
**SCHEDULES FORMING PART OF BALANCE SHEET**

	Rs. in thousand	As at 31-12-2010 Rs. in thousand	As at 31-12-2009 Rs. in thousand
<b>SCHEDULE -4</b>			
<b>INVESTMENTS</b>			
(Refer Note A4 and B4 on Schedule 17)			
<b>LONG TERM - OTHERS</b>			
Other than trade- Quoted shares			
11,600 equity shares of Rs. 10/- each fully paid up	116		116
(previous year 11,600 equity shares of Rs. 10/- each)			
Less: Provision for diminution in value of investment	<u>116</u>		<u>116</u>
		-	-
		<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>
<b>SCHEDULE-5</b>			
<b>INVENTORIES</b>			
(Refer Note A5 on Schedule 17)			
Stores and Pipe Fittings ( at cost )		83,035	100,349
		<u>83,035</u>	<u>100,349</u>
		<u>83,035</u>	<u>100,349</u>
<b>SCHEDULE-6</b>			
<b>SUNDRY DEBTORS</b>			
(Unsecured )			
Considered Good			
Other Debts*	<u>33,755</u>		28,652
		33,755	<u>28,652</u>
Considered Doubtful			
Debts outstanding for a period exceeding six months	-		102
Less: Provision for Doubtful Debts	<u>-</u>		<u>102</u>
		-	-
		<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>
[*Includes Rs.33,755 thousand (Previous Year Rs. 28,652 thousand) due from Gujarat Gas Company Ltd, maximum balance outstanding during the year Rs. 34,146 thousand (Previous Year Rs. 41,310 thousand)]		<u>33,755</u>	<u>28,652</u>
		<u>33,755</u>	<u>28,652</u>
<b>SCHEDULE-7</b>			
<b>CASH AND BANK BALANCES</b>			
Cash in hand		17	18
Balances with Scheduled Banks			
In Current Accounts		7,294	3,061
In Term Deposit *		35,800	500
In Dividend Accounts		483	418
		<u>43,594</u>	<u>3,997</u>
		<u>43,594</u>	<u>3,997</u>
* Includes Term Deposit in an Escrow account as stipulated by RBI Rs. 500 thousand (Previous Year Rs. 500 thousand)			
<b>SCHEDULE-8</b>			
<b>OTHER CURRENT ASSETS</b>			
(Unsecured, considered good,unless otherwise stated)			
Interest accrued on Term Deposits with Scheduled Banks		68	10
		<u>68</u>	<u>10</u>
		<u>68</u>	<u>10</u>

## GUJARAT GAS FINANCIAL SERVICES LIMITED

### SCHEDULES FORMING PART OF BALANCE SHEET

	Rs. in thousand	As at 31-12-2010 Rs. in thousand	As at 31-12-2009 Rs. in thousand
<b>SCHEDULE-9</b>			
<b>LOANS AND ADVANCES</b>			
( Unsecured, considered good, unless otherwise stated )			
Advances recoverable in cash or in kind or for Value to be received.		8,797	9,524
Advance payment of tax and tax deducted at source	241,364		214,318
Less: Provision of Taxation	<u>203,589</u>	<u>37,775</u>	<u>179,545</u>
		<u>46,572</u>	<u>34,773</u>
		<u>46,572</u>	<u>44,297</u>
<b>SCHEDULE-10</b>			
<b>CURRENT LIABILITIES &amp; PROVISION</b>			
<b>A. Current Liabilities</b>			
Sundry Creditors			
- Dues to Micro and Small Enterprises (Refer Note B13 on Schedule 17)		199	4,100
- Other Creditors		27,138	33,083
Advances from Customers		34,957	33,011
Payable to Retrenched Employees (Refer Note B1(c) on Schedule 17)		677	677
Investor Education and Protection Fund			
- Unpaid Dividend*		483	418
Other liabilities		3,571	4,600
* To be credited to Investor Education and Protection Fund, when due.			
		<u>67,025</u>	<u>75,889</u>
<b>B. Provisions</b>			
Provision for:			
Proposed Dividend		4,664	3,498
Gratuity (Refer Note B9 (i) (a) on Schedule 17)		770	664
Leave Encashment (Refer Note B9 (i) (b) on Schedule 17)		364	309
Fringe Benefit Tax	68		68
Less: Advance payment of Fringe Benefit Tax	<u>58</u>		<u>58</u>
		<u>10</u>	<u>10</u>
		<u>5,808</u>	<u>4,481</u>

**GUJARAT GAS FINANCIAL SERVICES LIMITED**  
**SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT**

	Rs. in thousand	Year ended 31-12-2010 Rs. in thousand	Year ended 31-12-2009 Rs. in thousand
<b>SCHEDULE-11</b>			
<b>INCOME FROM OPERATIONS</b>			
( Refer Note A 2 on Schedule 17)			
Income from Processing Fees		166	741
Installation Income		279,403	272,611
Interest :			
On Term Deposits [Gross, Tax deducted at source			
Rs.75 thousand (Previous Year Rs. 974 thousand)	861		3,105
From Customers	6		7
		867	3,112
		280,436	276,464
<b>SCHEDULE-12</b>			
<b>OTHER INCOME</b>			
Provision No Longer Required Written Back		102	112
Interest on Income Tax Refund		706	672
Foreign Exchange Gain		338	201
Miscellaneous Income		1,150	3,758
		2,296	4,743
<b>SCHEDULE-13</b>			
<b>INSTALLATION COST</b>			
Cost of Material Consumed		137,829	149,893
Labour Charges		68,823	57,446
Service Charges		2,493	23,204
(Refer Note B3 on Schedule 17)		209,145	230,543
<b>SCHEDULE-14</b>			
<b>PERSONNEL EXPENSES</b>			
Salaries and Allowances		2,859	2,689
(Refer B 9 (i) (b) on schedule 17)			
Contribution to Provident & Other Funds		239	240
(Refer Note B 9 (i) (a) & B 9 (ii) on Schedule 17)			
Staff Welfare and other expenses		163	162
		3,261	3,091
<b>SCHEDULE-15</b>			
<b>ADMINISTRATION AND OTHER EXPENSES</b>			
Insurance		33	-
Rates and Taxes		2,829	3,507
Legal and Professional Charges		1,149	962
Miscellaneous Expenses		351	191
		4,362	4,660
<b>SCHEDULE-16</b>			
<b>TAX EXPENSES</b>			
(Refer Note A 9 & B 7 on Schedule 17)			
Current Income Tax		24,044	22,153
Deferred Income Tax		(286)	(7,708)
Fringe Benefit Tax		-	5
		23,758	14,450

## SCHEDULE - 17

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

#### A. SIGNIFICANT ACCOUNTING POLICIES

##### 1) Accounting Convention:

The Financial Statements have been prepared to comply in all material respects with all applicable accounting principles in India, the applicable Accounting Standards notified under Section 211(3C) of the Companies Act, 1956 and the relevant provisions of the Companies Act, 1956.

##### 2) Revenue Recognition:

(a) Sale of gas connection is recognised at the time of commissioning of gas connection at customer's premises. Sales revenue is solely comprised of material recovery charges and installation charges collected from customers.

(b) Assets given on Lease on or after April 1, 2001

In accordance with the provisions of Accounting Standard 19 on Leases issued by the Institute of Chartered Accountants of India, the Company has classified all its leases as finance leases. Accordingly the aggregate of minimum lease payments less unearned finance income is recognised as a receivable. Unearned finance income is arrived at, as the difference between the aggregate of minimum lease payments and its present value based on the rate of return implicit as per the terms of the agreement. Finance income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

(c) In respect of other heads of income, the Company follows the practice of accounting for such income on an accrual basis. Delayed payment charges are recognised on the basis of certainty of collection.

(d) The Company follows the prudential norms for income recognition and provides for / writes off Non-performing Assets as per the prudential norms prescribed by the Reserve Bank of India or earlier as ascertained by the management.

##### 3) Fixed Assets:

(a) Fixed assets including assets given on finance lease are stated at their original cost including freight, duties, customs & other incidental expenses relating to acquisition or construction.

(b) Depreciation on assets excluding assets given on finance lease is provided on straight line method at the rates and in the manner prescribed in Schedule XIV to the Companies Act. Assets costing Rs. 5,000 or less are fully depreciated in the year of purchase. Depreciation on assets purchased /acquired during the year is charged from the beginning of the month of the purchase of the asset. Similarly depreciation on assets sold / discarded during the year is charged up to the end of the month preceding the month of sale of asset.

(c) Depreciation on assets leased prior to April 1, 2001 is provided over the period of lease.

(d) The carrying value of fixed assets, which is in excess of the higher of its value in use, or net realizable value is recognised as an impairment loss.

(e) In respect of assets leased before April 1, 2001, the company follows the recommendation of the Institute of Chartered Accountants of India contained in the Guidance Note on Accounting for Leases. Accordingly lease rentals accounted as income on finance leases are adjusted by creating lease terminal adjustment account so as to recover the capital cost of the leased asset within the tenure of lease agreements or earlier as ascertained by the management.

##### 4) Investments:

Securities classified as long term investments are valued at cost and any decline in value, other than temporary, is appropriately adjusted.

##### 5) Inventories:

Stores and Pipe fittings are valued at lower of cost and net realizable value. Cost is determined on First in First Out method.

##### 6) Retirement Benefits:

###### Post-employment benefit plans

**Defined Contribution Plan** - Contributions to Provident Fund are accrued in accordance with applicable statutes and deposited with the Regional Provident Fund Commissioner.

**Defined Benefit Plan** -The liability in respect of gratuity and leave encashment is determined using Projected Unit Credit Method with actuarial valuation carried out as at Balance Sheet date. Actuarial gains and losses are recognised in full in the Profit and Loss Account for the period in which they occur.

###### Short term employment benefits

The undiscounted amount of short term employee benefits expected to be paid in exchange for services rendered by employees is recognised during the period when the employee renders the services. These benefits include compensated absences and performance incentives.

## 7) Foreign Currency Transactions:

Foreign currency transactions are accounted for at the exchange rate prevailing at the transaction date. Year end monetary assets & liabilities in foreign currency are translated at the applicable year end exchange rates and the resultant difference is recognised as gain/loss for the year.

## 8) Earnings Per Share (EPS):

The earnings considered in ascertaining the Company's EPS comprises the net profit after tax (and include the post tax effect of any extra ordinary items). The number of shares used in computing Basic EPS is the weighted average number of shares outstanding during the year.

## 9) Taxation:

Tax expense for the year, comprising current tax, deferred tax and fringe benefit tax, is included in determining the net profit for the year.

A provision is made for the current tax and fringe benefit tax based on tax liability computed in accordance with relevant tax rates and tax laws. A provision is made for deferred tax for all timing differences arising between taxable income and accounting income at current or substantively enacted tax rates.

Deferred tax assets are recognised only if there is reasonable certainty that they will be realised and are reviewed for the appropriateness of their respective carrying values at each balance sheet date.

## 10) Impairment:

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the assets' fair value less costs to sell and value in use.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

## 11) Provision and Contingencies:

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that probably will not require an outflow of resources or where a reliable estimate of the obligation can not be made.

## B. NOTES TO ACCOUNTS

### 1 Contingent Liabilities:

a. Income Tax exposures of Rs.152,299 thousand (Previous year Rs. 112,604 thousand)

i) Includes income tax demand of Rs. 12,557 thousand (Previous year Rs. 12,557 thousand) including interest on tax, relating to AY 1996-97 due to disallowance of depreciation claimed on leased assets. The total amount paid by Company / adjusted by tax authorities towards above demand aggregates to Rs. 12,557 thousand (Previous year Rs. 12,557 thousand). Income tax demand for the years AY 1997-98 to AY 2000-01, on the same issue, amounts to Rs.4,929 thousand.

The total tax exposure, net of interest on tax, on account of the above for all the years aggregates to Rs. 17,486 thousand (Previous year Rs. 17,486 thousand). The appeals for all the above years are pending with the ITAT.

The Assessing Officer has also levied a penalty under section 271(1) (c) for AY 1996-97, amounting Rs. 6,773 thousand (Previous year Rs. 6,773 thousand). The penalty demand has been reduced by Rs. 4,113 thousand after adjusting the refund of various years. The appeal against this is pending with the ITAT.

ii) Includes income tax demand of Rs. 5,462 thousand (Previous year Rs. 5,462 thousand) for the AY 1996-97 on account of disallowance of loss on sale of securities as business loss. The Company preferred an appeal against the above demand and CIT (A) has quashed the demand. However, the Income Tax Department has filed an appeal against the above order.

iii) Includes income tax demand of Rs. 14,422 thousand (Previous year Rs. 14,422 thousand) for the AY 2001-02 on account of disallowance of claim for bad debts. The Company has paid an amount of Rs. 7,600 thousand (Previous year Rs. 7,600 thousand) out of the above demand. The ITAT had ruled partly in favour of the company by allowing bad debts towards bill discounting transactions. An appeal has been preferred with the High Court against the ITAT order. The High Court has restored back the matter to the ITAT and matter is pending with ITAT. Further the Assessing Officer has also levied a penalty under section 271(1)(c) of the Income Tax Act 1961, amounting Rs. 10,007 thousand. The Company's appeal was decided by the ITAT in its favour.

- iv) Includes income tax demand of Rs. 14,812 thousand (Previous year Rs. 14,812 thousand) for the AY 2002-03 on account of disallowance of claim for bad debts (Rs. 13,997 thousand) and professional expenses ( Rs. 815 thousand). The total amount paid by company / adjusted by tax authorities towards above demand aggregates to Rs. 8,826 thousand (Previous year Rs. 8826 thousand). Recently the ITAT has ruled partly in favour of the company by allowing bad debts towards bill discounting transactions. An appeal has been preferred with the High Court against the ITAT order. Recently the High Court has restored back the matter to the ITAT and matter is pending with ITAT.
- v) Includes income tax demand of Rs. 2,855 thousand (Previous year Rs. 2,855 thousand) for the AY 2003-04 on account of disallowance of claim for bad debts. Recently the ITAT has ruled in favour of the Company and has allowed claim of bad debts. Department may prefer an appeal against the ITAT's order.
- vi) Includes income tax demand of Rs. 227 thousand (Previous year Rs.227 thousand) for AY 2004-05 on account of disallowance of claim for bad debts. The appeal for AY 2004-05 is pending with the ITAT.
- vii) Includes income tax demand of Rs. 20,135 thousand (Previous year Rs. 20,135 thousand) for the AY 2006-07 on account of disallowance of service charges paid to GGCL and inventory written off during the year. The total amount paid by company / adjusted by tax authorities towards above demand aggregates to Rs.18,283 thousand( Previous year Rs.18,283 thousand) The CIT (A) has decided the appeal partly in our favour by allowing the service charges as deductible business expenditure. The appeal is pending with the ITAT.
- viii) Includes income tax demand of Rs. 25,354 thousand (Previous year Rs. 25,354 thousand) for the AY 2007-08 on account of disallowance of service charges paid to GGCL. The total amount paid by company / adjusted by tax authorities towards above demand aggregates to Rs.18,963 thousand( Previous year Nil ).The Company has preferred an appeal before the CIT (A) against the said order.
- ix) Includes income tax demand of Rs. 34,766 thousand ( Previous year Nil )for the AY 2008-09 on account of disallowance of service charges paid to GGCL. The Company has preferred an appeal before the CIT (A) against the said order.
- b. Interest tax exposures of Rs. 4,146 thousand (Previous year Rs. 4,146 thousand). The interest tax authorities in the assessment contented that the activities of the Company are chargeable to interest tax and raised a total demand of Rs. 56,395 thousand (Previous year Rs. 56,395 thousand ) for the Assessment Years 1995-96 to 2000-01. The Company had filed an appeal against the above demands and CIT (A) ruled in favour of the Company for the Assessment Years 1995-96, 1996-97, 1997-98, 1998-99 and 2000-01 and quashed the demands for these years aggregating to Rs. 50,267 thousand (Previous year Rs. 50,267 thousand). However for AY 1999-2000, CIT (A) ruled against the Company and raised a demand of Rs. 4,146 thousand (Previous year Rs.4,146 thousand). The Company has paid an amount of Rs.1,250 thousand (Previous year Rs.1,250 thousand) out of the above demand. ITAT had ruled partly against the Company and had asked the Assessing Officer to re-examine the levy. The Company had preferred an appeal before the High Court against the ITAT order. Recently the High Court has restored back the matter to the ITAT and matter is pending with ITAT.  
Further, the Assessing Officer has levied a penalty in AY 1999-2000 under section 13 of the Interest Tax Act 1974, amounting Rs. 1,982 thousand (Previous year Rs.1,982 thousand). The Company preferred an appeal against the above demand and CIT (A) ruled in favour of the Company and quashed the penalty demand. The appeal is pending with the ITAT.
- c. The Company had retrenched 8 employees in the year 2002 under the provisions of The Industrial Disputes Act, 1949. The employees had filed an appeal against the above retrenchment in a labour court. The Company had reached a settlement with two of the above employees and had provided for Rs. 677 Thousand (Previous Year Rs. 677 thousand), being the compensation payable to the remaining employees under The Industrial Disputes Act, 1949. Any additional amount due to the employees will be determined based on decision by the labour court and hence amount payable ultimately cannot be ascertained at this stage.

## 2) Detail of each class of goods traded as at December 31, 2010:

	As at December 31, 2010			As at December 31, 2009		
	Qty. (Nos.)	Amount	Total	Qty. (Nos.)	Amount	Total
<b>Opening Stock</b>						
Meters	20,403	26,316		7,181	15,573	
Regulators	11,979	12,181		8,271	9,430	
Others (Refer Note below)		61,852	100,349	-	51,626	76,629
<b>Purchases</b>						
Meters	31,753	32,972		51,642	50,896	
Regulators	20,758	21,521		27,724	25,665	
Others (Refer Note below)		66,022	120,515		97,052	173,613
<b>Consumption</b>						
Meters	38,836	-		38,420	-	
Regulators	22,480	-		24,016	-	
Others (Refer Note below)			137,829	-	-	149,893
<b>Closing Stock</b>						
Meters	13,320	20,390		20,403	26,316	
Regulators	10,257	11,167		11,979	12,181	
Others (Refer Note below)		51,478	83,035		61,852	100,349

Note: Others include spares and support items for meters and regulators.

- 3) Services charges represent amounts paid to Gujarat Gas Company Limited, the holding Company, for use of office premises, common facilities and employees. The same has been disclosed under Schedule 13 - Installation Cost.

## 4) Details of investments as listed in Schedule 4 are as follows:

	As at December 31, 2010			As at December 31, 2009		
	Face Value Rs.	Number	Rs. in thousand	Face Value Rs.	Number	Rs. in thousand
<b>SHARES-FULLY PAID UP</b>						
Unquoted Equity Shares of Prudential Sugar Corporation Limited (formerly Prudential Mouli Sugars Limited)	10	11,600	116	10	11,600	116
<b>TOTAL</b>			116			116

## 5) Auditors' Remuneration:

	Year ended December 31, 2010 (Rs. In thousand)	Year ended December 31, 2009 (Rs. in thousand)
Audit Fees	350	350
Fees for the RBI certification	25	25
Out of Pocket Expenses (including service tax)	31	65
	406	440

## 6) Value of imports calculated on CIF basis:

	Year ended December 31, 2010 (Rs. In thousand)	Year ended December 31, 2009 (Rs. in thousand)
Spares	17,567	39,010

- 7) The provision for income tax has been calculated based on income earned during the year ended December 31, 2010 in accordance with Guidance Note on measurement of Income Tax expense for Interim Financial Reporting. However the tax year end of the company being March 31, 2011, the ultimate liability for the A.Y. 2011 - 12 will be determined on the total income of the company for the year ending March 31, 2011.

**8) Earnings Per Share (EPS):**

Particulars	Year ended December 31, 2010 (Rs. In thousand)	Year ended December 31, 2009 (Rs. in thousand)
Net Profit attributable to Equity Shareholders (Rs. In Thousands)	<b>42,139</b>	28,391
Weighted average number of equity shares outstanding during the year. (No. in Thousands)	<b>2,000</b>	2,000
Basic Earning per Share of Rs 10/- each (in Rs.)	<b>21.07</b>	14.20

The Company does not have any outstanding dilutive potential equity shares. Consequently, the basic and diluted earning per share of the Company remain the same



## 9) Disclosures as per AS - 15(Revised) 'Employee Benefits' for year ended December 31, 2010:

## (i) Disclosures for Defined Benefit Plans

	Year ended December 31, 2010	(Rs in thousand) Year ended December 31, 2009
<b>a Gratuity (Unfunded)</b>		
<u>Change in the defined benefit obligations</u>		
Defined benefit obligation at beginning of the year	664	539
Service cost	47	43
Interest cost	56	44
Actuarial loss/(gain)	3	38
Benefits paid	-	-
Defined benefit obligation at the end of the year	770	664
<u>Change in plan assets</u>	N.A.	NA
Present value of unfunded obligations	770	664
<b>The Net amount recognized in the statement of Profit &amp; Loss are as follows</b>		
Current Service cost	47	43
Interest cost	56	44
Expected return on plan assets	-	-
Net actuarial loss/(gain) recognised	3	38
Net amount recognised during the year	106	125
<b>The principal actuarial assumptions used are as follows</b>		
Discount rate	8.40%	8.25%
Rate of increase in compensation levels (Refer Note )	7.00%	7.00%
<b>b Leave Encashment</b>		
<u>Change in the defined benefit obligations</u>		
Defined benefit obligation at beginning of the year	309	330
Service cost	20	11
Interest cost	26	27
Actuarial loss/(gain)	9	(59)
Benefits paid	-	-
Defined benefit obligation at the end of the year	364	309
<b>The Net amount recognized in the statement of Profit &amp; Loss for year ended are as follows</b>		
Current Service cost	20	11
Interest cost	26	27
Net actuarial loss/(gain) recognised	9	(59)
Net amount recognised during the year	55	(21)
<b>The principal actuarial assumptions used are as follows</b>		
Discount rate	8.40%	8.25%
Rate of increase in compensation levels (Refer Note )	7.00%	7.00%
Note :- The estimates of future salary increase, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.		
<b>(ii) Disclosures for Defined Contribution Plans</b>		
Employer's contribution towards Provident Fund	133	115
	133	115



## (iii) Additional Disclosures as required by AS- 15

		Rs in thousand			
	Year ended 31-Dec-10	Year ended 31-Dec-09	Year ended 31-Dec-08	Year ended 31-Dec-07	
<b>a. Gratuity (Unfunded)</b>					
<b>Change in the defined benefit obligations</b>					
Present Value of defined benefit obligation as at beginning of the year	664	539	361	498	
Current Service cost	47	43	37	30	
Interest Cost	56	44	27	41	
Actuarial (Gains)/Loss	3	38	114	86	
Benefits Paid	-	-	-	(294)	
Present Value of defined benefit obligation as at end of the year	<b>770</b>	<b>664</b>	<b>539</b>	<b>361</b>	
<b>b. Leave Encashment (Unfunded)</b>					
<b>Change in the defined benefit obligations</b>					
Present Value of defined benefit obligation as at beginning of the year	309	330	244	302	
Current Service cost	20	11	27	18	
Interest Cost	26	27	18	25	
Actuarial (Gains)/Loss	9	(59)	41	65	
Benefits Paid	-	-	-	(166)	
Present Value of defined benefit obligation as at end of the year	<b>364</b>	<b>309</b>	<b>330</b>	<b>244</b>	

**10. Deferred Tax:**

(A) The movement in deferred tax asset account is as follows:

	Amount in Rs. thousand	
	Year ended December 31, 2010	Year ended December 31, 2009
Opening Balance	74,408	66,700
Provision for current year deferred tax asset	286	7,708
Closing Balance	74,694	74,408

(B) Break up of deferred tax assets

	Year ended December 31, 2010	Year ended December 31, 2009
<b>Deferred Tax Assets:</b>		
Tax impact of difference between carrying amount of fixed assets in the financial statements and the income tax return	74,317	74,022
Tax impact of expenses charged in the financial statements but allowable as deductions in future years under income tax:		
Provision for doubtful debts	-	35
Expenditure under section 43B of the Income Tax Act	377	351
	74,694	74,408

**11. Segment Reporting under Accounting Standard 17:**

The company is primarily engaged in the business of sale of gas connections. Prior to that, the Company was engaged in the business of Lease financing. Considering the nature of business, its mode of operations, reporting systems and element of risks and returns for its various activities, the company is engaged in one segment only. The company is primarily operating in the domestic market and there are no reportable geographical segments. Accordingly, information relating to segmental reporting as per Accounting Standard 17 is not required to be furnished.

**12. Related Party disclosures under Accounting Standard 18:**

The following transaction were carried out during the year in ordinary course of business.

			Amount (Rs. In thousand)	
Name of Related Party	Nature of Relationship	Nature of Transaction	Year ended December 31, 2010	Year ended December 31, 2009
Gujarat Gas Company Limited	Holding Company	<b>Income</b>		
		Sale of gas connections	276,052	191,347
		Alteration Income	19,986	15,056
		<b>Expenses</b>		
		Service Charges paid for pre regulatory connections	2,493	23,204
		Dividend Paid	2,096	2,795
		Amount receivable at year end	33,755	28,652
		Equity Share Capital held	13,975	13,975

Note : The Company is using the ERP software packages implemented by Gujarat Gas Company Limited being "SAP" & "Gas Distribution and Billing System" since August 2003 , without payment of any consideration.

**13. Disclosures required by the Micro, Small and Medium Enterprises and Development Act, 2006 are as under:**

Particulars	Amount (Rs. in thousand)	
	Year ended December 31, 2010	Year ended December 31, 2009
The principal amount remaining unpaid as at the end of accounting year [including Interest due thereon - 82 thousand (Previous Year - 33 thousand)]	281	4133
Interest paid by the company in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during accounting year	-	-
Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006	-	-
Interest accrued and remaining unpaid at the end of accounting year	82	33
Further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006	-	20

**Note :** The above disclosure has been made based on the information provided by the management.

- 14.** During the year, the Company has applied for de-registration as an Non-Banking Finance Company with Reserve Bank of India, vide application dated June 8, 2010. The Company, registered as an Non-Banking Finance Company, had ceased its leasing and financing activities since the year 2007. Pending RBI's approval, the Company has complied with the requirements of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.

**15. Information required in terms of Paragraph 13 of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007:**

Particulars	(Rs. In thousand)		(Rs. In thousand)	
	Year Ended December 31, 2010		Year Ended December 31, 2009	
Liabilities side :	Amount outstanding	Amount overdue	Amount outstanding	Amount overdue
(1) Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid:				
(a) Debentures				
Secured	Nil	Nil	Nil	Nil
Unsecured (other than falling within the meaning of public deposits*)	Nil	Nil	Nil	Nil
(b) Deferred Credits	Nil	Nil	Nil	Nil
(c) Term Loans	Nil	Nil	Nil	Nil
(d) Inter-corporate loans and borrowing	Nil	Nil	Nil	Nil
(e) Commercial Paper	Nil	Nil	Nil	Nil
(f) Other Loans (specify nature)	Nil	Nil	Nil	Nil

\* Please see Note (a) below

Particulars	(Rs. In thousand)		(Rs. In thousand)	
	Year Ended December 31, 2010		Year Ended December 31, 2009	
Liabilities side :	Amount outstanding	Amount overdue	Amount outstanding	Amount overdue
(2) Break-up of Loans and Advances including bills receivables [other than those included in (4) below] :				
(a) Secured		Nil		Nil
(b) Unsecured		8,865		9,534
(3) Break up of Leased Assets and stock on hire and hypothecation loans counting towards EL/HP activities				
(i) Lease assets including lease rentals under sundry debtors :				
(a) Financial lease		Nil		102
(b) Operating lease		Nil		Nil
(ii) Stock on hire including hire charges under sundry debtors:				
(a) Assets on hire		Nil		Nil
(b) Repossessed Assets		Nil		Nil
(iii) Hypothecation loans counting towards EL/HP activities				
(a) Loans where assets have been repossessed		Nil		Nil
(b) Loans other than (a) above		Nil		Nil
(4) Break-up of Investments :				
Current Investments :		N.A.		N.A.
1 Quoted :				
(i) Shares :				
(a) Equity				
(b) Preference				
(ii) Debentures and Bonds				
(iii) Units of mutual funds				
(iv) Government Securities				
(v) Others (please specify)				
2 Unquoted :				
(i) Shares :				
(a) Equity				
(b) Preference				
(ii) Debentures and Bonds				
(iii) Units of mutual funds				
(iv) Government Securities				
(v) Others (please specify)				
Long Term investments :				
1 Quoted :				
(i) Shares :				
(a) Equity		Nil		Nil
(b) Preference		Nil		Nil
(ii) Debentures and Bonds		Nil		Nil
(iii) Units of mutual funds		Nil		Nil
(iv) Government Securities		Nil		Nil
(v) Others (please specify)		Nil		Nil

2	Unquoted :		
(i)	Shares :		
(a)	Equity	116	116
(b)	Preference	Nil	Nil
(ii)	Debentures and Bonds	Nil	Nil
(iii)	Units of mutual funds	Nil	Nil
(iv)	Government Securities	Nil	Nil
(v)	Others (please specify)	Nil	Nil

(5) Borrower group-wise classification of all leased assets, stock-on-hire and loans and advances :

Please see Note (b) below

Category	Amount net of provisions			Amount net of provisions		
	Secured	Unsecured	Total	Secured	Unsecured	Total
1 Related Parties **						
(a) Subsidiaries	-	-	-	-	-	-
(b) Companies in the same group	-	-	-	-	-	-
(c) Other related parties	-	-	-	-	-	-
2 Other than related parties	-	8,865	8,865	-	9,636	9,636
<b>Total</b>	-	8,865	8,865	-	9,636	9,636

(6) Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted):

Category	(Rs. In thousand) Year Ended December 31, 2010		(Rs. In thousand) Year Ended December 31, 2009	
	Market Value / Break up or fair value of NAV	Book Value (net of provisions)	Market Value / Break up or fair value of NAV	Book Value (net of provisions)
1 Related Parties **				
(a) Subsidiaries	Nil	Nil	Nil	Nil
(b) Companies in the same group	Nil	Nil	Nil	Nil
(c) Other related parties	Nil	Nil	Nil	Nil
2 Other than related parties	Nil	-	Nil	-
<b>Total</b>	-	-	Nil	-

\*\* As per Accounting Standard notified under section 211(3C) of Companies Act, 1956.

	(Rs. In thousand) Year Ended December 31, 2010	(Rs. In thousand) Year Ended December 31, 2009
(7) Other information		
<b>Particulars</b>	<b>Amount</b>	<b>Amount</b>
(i) Gross Non-Performing Assets		
(a) Related parties	Nil	Nil
(b) Other than related parties	Nil	102
(ii) Net Non-Performing Assets		
(a) Related parties	Nil	Nil
(b) Other than related parties	-	-
(iii) Assets acquired in satisfaction of debt	Nil	Nii

**Notes:**

- As defined in Paragraph 2(1)(xii) of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.
  - Provisioning norms followed are as prescribed in the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.
- 16.** Previous year's figure have been regrouped, where necessary, to conform to current year's classification.

**For Price Waterhouse**

Firm Registration No.- 301112E  
Chartered Accountants

**V. Nijhawan**

Partner

**Membership No. F87228**

Place : Gurgaon

Date : February 24, 2011

**For and on behalf of the Board**
**Shaleen Sharma**

Chairman

**Sugata Sircar**

Director

**Chintan Trivedi**

Company Secretary

Place : Ahmedabad

Date : February 24, 2011

Information pursuant to part (IV) of the Companies Act, 1956

## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

### I. REGISTRATION DETAILS

Registration No.	:	21778 of 1994
State Code	:	04
Balance Sheet Date	:	31-12-2010

### II. CAPITAL RAISED DURING THE YEAR

(Amount Rs. in thousands)

Public Issue	:	Nil
Rights Issue	:	Nil
Bonus Issue	:	Nil
Private Placement	:	Nil

### III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS

(Amount Rs. in thousands)

Total Liabilities	:	282,014
Total Assets	:	282,014

#### Sources of Funds

Paid-up Capital	:	20,000
Reserves and Surplus	:	189,181
Secured Loans	:	Nil
Unsecured Loans	:	Nil
Deferred Tax Liability	:	Nil

#### Applications of Funds

Net Fixed Assets	:	296
Investments	:	Nil
Net Current Assets	:	134,191
Miscellaneous Expenditure	:	Nil
Accumulated Losses	:	Nil
Deferred Tax Assets	:	74,694

### IV. PERFORMANCE OF THE COMPANY

(Amount Rs. in thousands)

Total Income	:	282,732
Total Expenditure	:	216,835
Profit Before Tax	:	65,897
Profit After Tax	:	42,139
Earnings Per Share (Rs.)	:	21.07
Dividend Rate (%)	:	20%

### V. GENERIC NAME OF PRINCIPAL PRODUCTS/

#### SERVICES OF THE COMPANY (As per monetary terms)

Item Code No. ( ITC Code )	:	-
Product Description	:	Lease Financing, Hire Purchase & Investments and sale of Gas Connections





GUJARAT GAS

## GUJARAT GAS COMPANY LIMITED

Registered Office: 2, Shantisadan Society, Near Parimal Garden, Ellisbridge, Ahmedabad – 380 006

I/We .....of .....  
being member(s) of the Gujarat Gas Company Limited, hereby appoint ..... of .....  
or failing him ..... of ..... as my / our proxy to  
vote for me / us on my / our behalf, at the THIRTY FIRST ANNUAL GENERAL MEETING of the Company to be held on Thursday,  
28 April 2011 at 10.00 a.m. at H. T. Parekh Convention Centre, Ahmedabad Management Association, ATIRA, Dr. Vikram  
Sarabhai Marg, Vastrapur, Ahmedabad – 380 015 and at any adjournment thereof.

Signed at ..... (place) this ..... day of ....., 2011.

DP ID & Client ID / Membership Folio No.....

No. of Shares held.....

Fifteen Paise  
Revenue  
Stamp

**IMPORTANT**

1. Revenue Stamp of Fifteen paise is to be affixed on this form.
2. The Form should be signed across the stamp as per specimen signature registered with the Company.
3. The Companies Act, 1956 provides that an instrument appointing a proxy shall be deposited at the Registered Office of the Company, not less than FORTY EIGHT HOURS before the time fixed for holding the Meeting.
4. A Proxy need not be a Member.



GUJARAT GAS

## GUJARAT GAS COMPANY LIMITED

Registered Office: 2, Shantisadan Society, Near Parimal Garden, Ellisbridge, Ahmedabad – 380 006

**To be handed over at the entrance of the Meeting Hall**

Name of the attending Member (In Block Letters)	Membership Folio No./ DP ID & Client ID
Name of Proxy (In Block Letters) (To be filled in if the Proxy attends instead of the Member)	No. of Shares held

I hereby record my presence at the THIRTY FIRST ANNUAL GENERAL MEETING of the company at 10.00 a.m. at H. T. Parekh Convention Centre, Ahmedabad Management Association, ATIRA, Dr. Vikram Sarabhai Marg, Vastrapur, Ahmedabad – 380 015 on Thursday, 28<sup>th</sup> April 2011.

.....  
Member's / Proxy's Signature

(To be signed at the time of handing over this slip)