



Rapidly Growing Customer Base. Served with Commitment

This has been a landmark year for Gujarat Gas Company Limited (GGCL). The customer base crossed the 5 lakh mark. The GGCL brand remained strong and the trust of customers inspired the Company to recommit itself to its core values and comprehensive customer service.

The Company's net sales rose by 31% over last year at Rs. 23,819 million. Total volume of gas sold during the year rose to 1246 mmscm. Higher realisation and volume growth in high value market segments helped post a strong turnover. In the CNG segment, 32,000 more vehicles were converted to CNG resulting in a 14% volume rise.

Declining availability of indigenous gas has necessitated the procurement of RLNG (Regassified Liquefied Natural Gas). The Company has very successfully pooled market priced RLNG in its gas sourcing portfolio and adapted its pricing strategy accordingly. While sourcing competitively priced gas is a priority, the focus is on high value market segments to mitigate the rising cost of gas. The Company's sales, margins and earnings were robust for the year 2011 and increased over the previous year. The severe depreciation in the Indian Rupee adversely impacted gas costs and margins temporarily in the fourth quarter.

The Company currently distributes 3.5 mmcmd of natural gas to 3,40,000 industrial, commercial and domestic customers through a pipeline network of 3,980 km, and CNG to over 1,68,000 vehicles through 44 retail outlets. We continue to be India's largest private sector gas distribution company in terms of sales volume.



Future Focus: Modernise and Strengthen Assets

The consumption of Natural Gas is much higher in the Company's areas of operation than the national average. This demand remains strong despite changing economies of gas cost as natural gas continues to command an edge over alternate fuels on several fronts. The Company is exploring all possibilities of growth: geographical expansion, deeper penetration in existing markets, new and higher value product usages.

At this stage of corporate growth, modernisation and expansion are critical to consolidation. The Company expects to receive authorisation from the PNGRB shortly for its current areas as well as for its transmission pipeline. During the year, the Company also participated in a significant geographic expansion opportunity to enable its future growth, by submitting a bid for the Geographic Area of Bhavnagar District. The outcome of the bidding process is awaited.

The Company has invested extensively in extension and reinforcement of its existing network and IT infrastructure. A strong Internal Control Framework, a Governance Process and a Risk Management Process has been established. The IT infrastructure is being upgraded, which includes hardware as well as solutions such as SAP ISU CCS for billing, GIS, etc. These initiatives are expected to bring greater efficiency, scalability and optimisation of the Company's resources.



Wider Scope of Safety. Reduced Carbon Foot Print

The learning culture of the Company emphasizes continued nurturing of an important core value: HSSE. The Company recorded a Total Recordable Case Frequency (TRCF) of 0.13 in alignment with the goal of "Zero Injury." This was made possible by implementing a systematic approach of focusing on one "Life Saver" every quarter on issues like Working at Heights, Electrical Safety, Driving Safety and Excavation Safety. We sought to secure safety through several other measures too like Safety Culture Maturity Survey, third party damage prevention initiatives, promoting HSSE culture among contractors, and a comprehensive safety audit of CNG operations.

The inherently environment-friendly business makes numerous direct and indirect contributions to a greener world. DNV conducted the EHSMS periodic audit across all our installations. Our activities to reduce carbon footprint include observing World Environment Day, tree plantation drives, Save Power day, car pooling, "No Print" day. The wider use of natural gas in the Company's areas of operation contributed towards reduction of around 160 tonnes of CO₂ through various Green House Gas emission reduction projects.



Raise a Safety-smart Workforce. Enable a Better Life

The Company saw a committed CSR vision in 2010 focused towards environment education and skill development. This year too, the Company supported sustainable development projects to benefit the communities in its areas of operation. The Skill Development Project launched two years back, has now been extended to new areas. A programme on gas plumbing was started to equip local unemployed youth with technical and safety skills. Two batches of 83 trainees completed this programme in the year.

Other areas of focus was improving the living conditions of excavation workers by providing 300 tents to contractors, conducted health camps for workers and opened crèches for the safe keep of their children. 'Prakriti', the environment education bus project, implemented by Center for Environment Education, Ahmedabad and supported by us, explored environment issues with 26,000 school children over 168 venues. The company continued its support to the education of children from economically weak background.



Strong Proactive Measures Earn Healthy Growth

The Company delivered a healthy financial performance despite challenges of a rising cost scenario. Strong proactive measures to promptly address the situation helped to perform well on financial parameters. PAT was a robust Rs. 2,748 million compared to Rs. 2,590 million for the previous year.

A portion of the earnings is allocated to finance a resource enhancement plan to support the Company's growth strategy. The Company continued to invest in human resources and in systems and processes that strengthen the integrity, safety, capability and productivity of the Company's assets. Pipeline network was extended, reinforced and upgraded. IT solutions and hardware were also upgraded to raise reliability and scalability.

Investors earned an appreciable dividend yield: an Interim Dividend of Rs.10 per equity share on the face value of Rs. 2 each and a final dividend of Rs. 12 per share.



GUJARAT GAS COMPANY LIMITED

BOARD OF DIRECTORS

Hasmukh Shah, *Chairman*

Jal Patel

Prof. Pradip Khandwalla

Ajit Kapadia

Walter Simpson

Martha Desmond (w.e.f. 3 November 2011)

Sudhir Mankad (w.e.f. 10 January 2012)

Shaleen Sharma, *Managing Director*

Alan Derek Fisher (Upto 3 November 2011)

Bikash C. Bora (Upto 18 August 2011)

Rajeshwari Sharma, *Company Secretary*

GROUP HEADS

Arun Ramakrishnan, *Head – Strategy and Regulations*

Chirag Brahmabhatt, *Head – HR and Administration*

Himanshu K. Upadhyay, *Director – Policy and Corporate Affairs*

Manu Verma, *Director – Commercial*

Nitin Patil, *Director – Technical & Incharge – HSSE*

Sadhan Banerjee, *Director – Management Services*

Siddharth Shetty, *Director – Legal and Governance*

Sugata Sircar, *Director – Finance*

SUBSIDIARY COMPANIES

Gujarat Gas Financial Services Ltd.

BOARD OF DIRECTORS

Shaleen Sharma

Sugata Sircar

Sadhan Banerjee

Gujaratgas Trading Company Ltd.

BOARD OF DIRECTORS

Shaleen Sharma

Sugata Sircar

Prof. Pradip Khandwalla

32nd Annual General Meeting

Date : 26 April 2012

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

BANKERS

HDFC Bank Limited

ICICI Bank Limited

State Bank of India

Kotak Mahindra Bank Limited

AUDITORS

PRICE WATERHOUSE

Chartered Accountants

Building 8, 7th & 8th Floor Tower B,

DLF Cyber City Gurgaon – 122 022

Haryana

REGISTERED 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, 3rd 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

CONTENTS	PAGES
Notice	1
Directors' Report	5
Auditors' Report on Corporate Governance	15
Corporate Governance Report	16
Information for Investors	23
Auditors' Report (Consolidated)	26
Balance Sheet (Consolidated)	27
Profit & Loss Account (Consolidated)	28
Schedules to the Accounts (Consolidated)	31
Auditors Report (GGCL)	55
Balance Sheet (GGCL)	58
Profit & Loss Account (GGCL)	59
Schedules to the Accounts (GGCL)	62
Statement relating to Subsidiary Company (GTCL)	90
Statement relating to Subsidiary Company (GFSL)	91
Directors' report of Subsidiary Company (GTCL)	92
Auditors' Report of Subsidiary Company (GTCL)	93
Accounts of Subsidiary Company (GTCL)	96
Directors' report of Subsidiary Company (GFSL)	106
Auditors' Report of Subsidiary Company (GFSL)	108
Accounts of Subsidiary Company (GFSL)	111

NOTICE

NOTICE is hereby given that the Thirty Second Annual General Meeting of the Members of Gujarat Gas Company Limited will be held on Thursday, 26 April 2012 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 2011, the Balance Sheet as that date and the Auditors' Report thereon.
2. To declare Dividend on Preference Shares.
3. To confirm payment of Interim Dividend and declare Final Dividend on Equity Shares.
4. To appoint a Director in place of Mr. Jal Patel, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Prof. Pradip Khandwalla, 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 Ms. Martha Desmond, 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 her 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 an Ordinary Resolution:
"RESOLVED THAT Mr. Sudhir Mankad, 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."

By Order of the Board

Gujarat Gas Company Limited
Rajeshwari Sharma
Company Secretary

Date : 14 March 2012

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 2011.
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 Second Annual General Meeting.
5. Members are advised that pursuant to Section 205A read with Section 205C of the Companies Act, 1956, the dividend amounts which remain unpaid/unclaimed for a period of seven years, are required to be transferred to the Investor Education and Protection Fund of the Central Government ('IEPF'). After such transfer, no claim of the members whatsoever shall lie on the said amount. Therefore, Members are advised to encash their Dividend Warrants immediately on receipt. Members who have not encashed their Dividend Warrants for the Financial Year ended 31 December 2004, 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 2004, it will not be possible to entertain the claims received by the Company Secretary after 10 June 2012.
6. The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the Companies and has issued circulars stating that service of notice/ documents including Annual Reports can be sent by e-mail to its members. To support this green initiative of the Government in full measure, members who have not registered their

e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants. Members who hold shares in physical form are requested to get their e-mail addresses registered with Karvy Computershare Private Limited, RTA of the Company.

7. The Board of Directors, in its meeting held on 3 November 2011, had declared an Interim Dividend of Rs. 10.00 per Share on the paid-up Equity Share Capital of the Company, which was paid on 22 November 2011. Members who have not received or not encashed their dividend warrants may approach Karvy Computershare Pvt. Ltd, Registrar & Share Transfer Agent of the Company, for revalidating the warrants or for obtaining duplicate warrants.
8. SEBI has made it mandatory for the transferee(s) to furnish a copy of PAN Card to the Company/ RTAs for registration of transfers and for securities market transactions and off market/ private transactions involving transfer of shares of listed companies in physical form. Accordingly, members holding shares in physical mode should attach a copy of their PAN Card for every transfer request sent to the Company / RTA.
9. Members are advised to submit their Electronic Clearing System (ECS) mandates, to enable the Company to make remittance by means of ECS. Those holding the shares in physical form may obtain and send the ECS mandate form to Karvy Computershare Pvt. Ltd, RTA of the Company. Those holding shares in Electronic form may obtain and send the ECS mandate form directly to their Depository Participant (DP). Those who have already furnished the ECS mandate form to the Company /RTA/DP with complete details need not send it again.

The Shareholders who do not wish to opt for ECS facility may please mail their bankers' name, branch address and account number to Karvy Computershare Private Limited, RTA of the Company to enable them to print these details on the dividend warrants.
10. 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. Limited, Hyderabad, the RTA. Nomination form may be downloaded from the Company's website www.gujaratgas.com under the investors section.
11. 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.
12. Members are requested to notify immediately any change of address:
 - i) to their Depository Participant (DP) in respect of shares held in dematerialized form, and
 - ii) to the Company at its Registered Office or to its RTA, Karvy Computershare Pvt. Ltd in respect of their physical shares, if any, quoting their folio number.

EXPLANATORY STATEMENT

Annexed to the Notice convening the Thirty Second Annual General Meeting to be held on Thursday, 26 April 2012:

ITEM NO. 4

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

Brief resume and nature of expertise

Mr. Jal Patel is an Associate Member of the Institute of Chartered Accountants of India and an Associate Member of the Institute of Company Secretaries of India. He possesses professional experience of more than 48 years.

Since 1962, he was associated with the German FAG Group of Bearing Companies and has handled various managerial functions. In 1977, he took over as the Managing Director. Subsequently he was promoted as the Vice Chairman and Managing Director before retiring in the year 2000. His area of expertise includes Finance, Accounts and Administration.

He is also actively involved with various social and welfare associations and federations as well as various trusts.

Mr. Jal Patel does not hold any shares or beneficial interest in any shares of your Company. He is on the Board of your Company from March 2001. He is also the Chairman of the Audit Committee and a member of the Shareholder's Grievance Committee of your Company since April 2001. He is also the member of the Compensation Committee and the Chairman of the Remuneration Committee of the Company.

Apart from Gujarat Gas Company Ltd., Mr. Jal Patel holds directorships and memberships of the following companies/ committees.

Directorships

Sr. No.	Name of the Company	Designation
1.	ABC Bearings Limited	Director
2.	Shri Dinesh Mills Limited	Director
3.	INEOS ABS (India) Limited	Director
4.	Jewel Consumer Care Pvt. Limited	Director
5.	Munjal Auto Industries Limited	Director
6.	Eimco Elecon India Limited	Director

Committee Memberships

Sr. No.	Name of the Company	Committee	Designation
1	ABC Bearings Limited	Audit Committee	Chairman
2	Shri Dinesh Mills Limited	Shareholder Grievance Committee	Member
3	INEOS ABS (India) Limited	Audit Committee and Shareholder Grievance Committee	Member
4	Eimco Elecon India Limited	Audit Committee	Chairman

Your Directors recommend the re-appointment of Mr. Jal Patel, as a Director of the Company.

No Director other than Mr. Jal Patel, is in any way interested or concerned in the said resolution.

ITEM NO. 5

Prof. Pradip Khandwalla, Director, retires by rotation and being eligible offers himself for re-appointment.

Brief resume and nature of expertise

Prof. Pradip Khandwalla is an Associate Member of the Institute of the Chartered Accountants of India. He has done his MBA from Wharton, Pennsylvania and Ph.D from Carnegie-Mellon, USA.

Prof. Khandwalla's research and teaching contributions have been in organizational theory and design and restructuring of organizations for management of excellence, innovative turn-around management, effective management of public enterprises and governmental organizations and creativity and innovations. He has been consultant to many Indian and international organizations in the areas of team building, innovative excellence, management and organizational restructuring and creative training.

He taught at McGill University, Canada for several years. He was associated with the Indian Institute of Management, Ahmedabad, as a professor from 1975 to 2002. He was L&T Chair Professor of Organisational behavior at IIMA from 1985 to 1991 and then the Director of IIMA up to 1996.

He has made an excellent contribution in the areas of management, organizational sciences etc., by authoring over a dozen books and 80 papers and articles in Indian and foreign journals and learned anthologies. He has served on the editorial/advisory boards of several Indian and international journals. He has been awarded the "Lifetime Achievement Award in the field of HR" by the World HRD Congress for his immense contributions in enriching the field of management science, organizational behavior and leadership.

He has served on the Board of Directors of numerous companies and on the governing councils of several institutions. He has served as a member of Government of India's National Renewal Fund and as the trustee of India Brand Equity Fund Trust. He has won many international and Indian awards. Several International Who's Who carry his biographical entry.

Prof. Khandwalla does not hold any shares or beneficial interest in any shares of your Company. He is on the Board of Directors of your Company since March 2001. He is also the Chairman of the Shareholder's Grievance Committee and a member of the Audit Committee of your Company since April 2001. He is also the Chairman of the Compensation Committee and a member of the Remuneration Committee of the Company.

Apart from Gujarat Gas Company Limited, Prof. Pradip Khandwalla holds directorships of the following companies/committees.

Directorships

Sr. No.	Name of the Company	Designation
1.	Gujaratgas Trading Company Limited	Director
2.	Micro Inks Limited	Director
3.	Grow Talent Company Limited	Director
4.	Cadila Pharmaceuticals Limited	Director
5.	Aga Khan Rural Support Programme (India) Section 25	Director

Committee Memberships

Sr. No.	Name of the Company	Committee	Designation
1.	Micro Inks Limited	Audit Committee	Member
2.	Cadila Pharmaceuticals Limited	Audit Committee	Member

Your Directors recommend the re-appointment of Prof. Pradip Khandwalla, as a Director of the Company.

No Director other than Prof. Pradip Khandwalla is in any way interested or concerned in the said resolution.

ITEM NO. 7

Ms. Martha Desmond was appointed as an Additional Director of the Company, by the Board of Directors at its meeting held on 3 November 2011. As per the provisions of section 260 of the Companies Act, 1956, and the Articles of Association of the Company, she 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 her candidature for appointment as the Director of the Company.

Brief resume and nature of expertise

Ms. Martha Desmond is the Deputy Managing Director, BG India and is responsible for supporting the delivery of upstream and midstream BG businesses and leading strategic projects to improve performance across the BG portfolio in India.

She joined the BG Group, UK in the BG Advance team in 2006 from Thames Water Plc, where she had served as Business Services Director for the International Region for over five years. Her Career experience spans over a wide variety of business activities in the past 10 years including mergers and acquisitions and restructures and divestments. At BG Group, she pioneered various path breaking HR initiatives across the technical functions leading to the strong positioning that the technical community enjoys in the Industry. Her last assignment at BG Group was as HR Director – Central functions.

She does not hold any shares or beneficial interest in any shares of your Company. She is a member of the Pricing Committee of your Company.

Apart from Gujarat Gas Company Limited, She is also a director in Mahanagar Gas Limited (MGL) and holds memberships of the Committees of the Board of Directors of MGL, viz. HR Sub – Committee, Nomination Committee and the Shareholders Issues & Grievances Redressal Committee.

Your Directors recommend the appointment of Ms. Martha Desmond as the Director of your Company.

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

- a) Mr. Hasmukh Shah
- b) Mr. Walter Simpson
- c) Mr. Shaleen Sharma
- d) Ms. Martha Desmond

ITEM NO. 8

Mr. Sudhir Mankad was appointed as an Additional Director of the Company, by the Board of Directors at its meeting held on 10 January 2012. 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. Sudhir Mankad is a retired IAS officer and has been engaged in the profession of Public Administration and Industrial Policy Management. He holds a Masters degree in History from Delhi University and a Diploma in Development Studies from Cambridge University.

He has served in senior positions, both in Government of India and in the Government of Gujarat. His last assignment was of the Chief Secretary, Government of Gujarat. He has served as Director / Chairman on the Board of several cement, power, fertiliser and finance companies. He is the Chairman of Bhavnagar Energy Co. Ltd and Gujarat International Finance Tec-City Ltd. He is also the Chairman of Gujarat Institute of Desert Ecology (GUIDE) and is associated with several educational institutions.

He does not hold any shares and beneficial interest in any shares of your Company. Apart from Gujarat Gas Company Limited, he holds the following directorships and memberships:

Directorships

Sr. No.	Name of the Company	Designation
1.	Gujarat International Finance Tec-City Co Ltd.	Chairman
2.	Bhavnagar Energy Company Ltd.	Chairman
3.	IL&FS Education and Technology Services Ltd.	Director
4.	Deepak Nitrite Limited	Director
5.	Gruh Finance Limited	Director
6.	Shri Dinesh Mills Limited	Director
7.	Navin Fluorine International Limited	Director
8.	IL&FS Skills Development Corporation Limited	Director

Membership of Committees

Sr. No.	Name of the Company	Committee	Designation
1.	Deepak Nitrite Limited	Audit Committee	Member
2.	Gruh Finance Limited	Shareholder Governance Committee	Member

Your Directors recommend the appointment of Mr. Sudhir Mankad, as the Director of the Company.

No Director other than Mr. Sudhir Mankad is in any way interested or concerned in the said resolution.

By Order of the Board

Gujarat Gas Company Limited
Rajeshwari Sharma
Company Secretary

Date : 14 March 2012

Place : Ahmedabad

DIRECTORS' REPORT

DEAR SHAREHOLDERS,

Your Directors have pleasure in presenting the 32nd Annual Report and the audited accounts for the year ended on 31 December 2011.

1. FINANCIAL RESULTS

(Rs. in Millions)

Particulars	Consolidated Financials		Stand-alone Financials	
	Current Year	Previous Year	Current Year	Previous Year
Total income	24,750.78	18,717.25	24,704.43	18,676.94
Gross profit before interest, depreciation and tax	4,534.24	4,380.06	4,496.63	4,346.37
Less: Interest	1.49	4.62	1.49	4.62
Depreciation	602.04	542.05	593.33	530.66
Profit before tax	3,930.71	3,833.39	3,901.81	3,811.09
Tax expenses	1,182.46	1,243.24	1,163.00	1,223.80
Net Profit	2,748.25	2,590.15	2,738.81	2,587.29
Minority Interest	13.48	12.69	-	-
Profit attributable to Group	2,734.77	2,577.46	2,738.81	2,587.29
Add: Undistributed profit of earlier years	5,967.67	5,462.26	5,842.33	5,315.26
Balance available for Appropriation	8,702.44	8,039.72	8,581.14	7,902.55
Less: Appropriations:				
Transfer to general reserve	277.13	261.94	274.00	259.00
Special reserve as stipulated by RBI	-	8.43	-	-
Preference dividend	10.80	10.80	10.80	10.80
Proposed Equity dividend	1,539.00	1,539.00	1,539.00	1,539.00
Corporate dividend tax on proposed dividend	252.08	251.88	251.42	251.42
Interim Dividend	1,282.50	-	1,282.50	-
Corporate dividend tax on interim dividend	208.05	-	208.05	-
Surplus retained	5,132.88	5,967.67	5,015.37	5,842.33
Earning per Share (Rs.)	21.23	20.00	21.26	20.08

2. DIVIDEND

During CY 2011, your Company paid on 22 November 2011, the Interim Dividend of Rs. 10/- per share of the face value of Rs. 2/- each and the Board of Directors have further recommended a final dividend of Rs. 12/- per share of the face value of Rs. 2/- each, on the paid up equity share capital, subject to approval of shareholders, thus paying a total dividend of Rs. 22/- per share of the face value of Rs. 2/- on the paid up equity share capital for the CY 2011. A sum of Rs. 274 million is proposed to be transferred to the General Reserve during the year.

Your Directors further recommend for consideration of the shareholders at the Annual General Meeting, the payment of 7.50% dividend i.e. Rs. 0.75 per Redeemable Cumulative Non-convertible Preference Share of Rs. 10 each.

The total payout on account of above dividends is of Rs. 1788.66 Million, including corporate dividend tax of Rs. 249.66 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

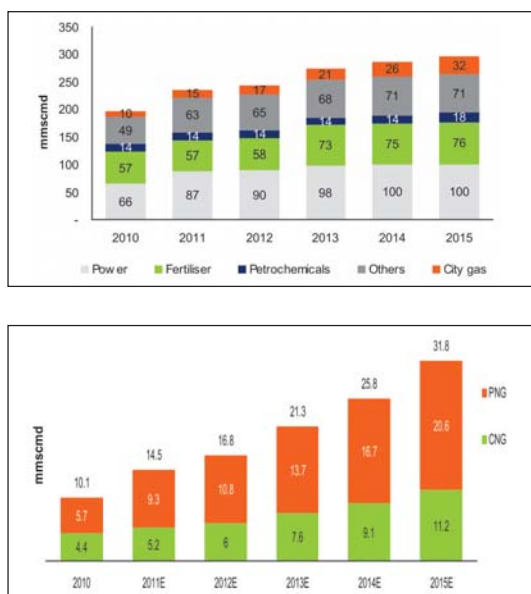
3.1. Industry Outlook and Developments

The Oil and Gas sector in India has been instrumental in fuelling the growth of the Indian economy and hence presents a significant opportunity for investors in the years to come. The New Exploration Licensing Policy (NELP), conceived to address the increasing demand supply gap of energy in India, has attracted the interest of both domestic private sector players and some foreign players during the nine rounds of bidding. Significant investments are also planned in Refining, LNG regasification capacity expansion and City Gas Distribution (CGD).

India's consumption of natural gas has risen faster than any other fuel in recent years. Natural gas contribution towards India's primary energy basket is forecast to grow from 11% currently to ~20% of the primary energy basket by the year 2025. On the supply side, for a brief

period during 2009-10, it seemed like the gas supply fulfilled the demand mainly due to significant increase in production from the prolific eastern offshore KG-D6 fields. However, the current supplies from these fields have been fully absorbed and the gas demand in the medium to long term is expected to be significantly higher than supplies. 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 import of 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 in addition to supplies under the longer term contracts.

The projected gas demand is likely to increase from 196 mmscmd in 2010 to 297 mmscmd in 2015 (CRISIL estimates) confirming a clear market preference for this environmentally friendly source of energy. Demand for natural gas in the CGD segment is expected to grow at a compounded annual growth rate of 26% over the same period. The estimated growth in demand for the natural gas industry and for the CGD sector is shown below:



(CRISIL estimates)

The Petroleum and Natural Gas Regulatory Board (PNGRB) was constituted in 2007, which has, among other mandates in the downstream hydrocarbon sector, the mandate of regulating the CGD business. The PNGRB has outlined its vision of expanding the CGD network to over 300 cities in India, a part of which, bidding has been initiated through four rounds for 28 cities. The demand for natural gas remains strong even with the changing economies of gas cost as the product retains an overall benefit to alternate fuels on several aspects.

3.2. Opportunities and Challenges

The CGD industry in India is at a nascent stage; currently accounting for only about 8%-9% of the gas consumed in the country. The per capita for natural gas consumption is 56 scm/year compared to the global average of 429 scm/year. While the per capita consumption in Gujarat at 398 scm/year is significantly higher than the national average, the high rate of urban and industrial growth in the state enables a steady increase in demand for natural gas.

CGD projects in the state and in India present significant opportunities for investment.

Natural gas is used in various applications and replaces different alternate fuels. Your Company has been focusing on increasing penetration in high value segments in its markets. This not only helps in increasing value but also helps in mitigating the increasing cost of gas.

Your company continues to assess new geographical areas for expansion of its pipeline network and will be deciding on bidding for new areas as and when the PNGRB invites bids for new CGDs.

The Ministry of Petroleum & Natural Gas (MoPNG) is encouraging supply of Compressed Natural Gas (CNG) for the transport segment and Piped Natural Gas (PNG) for the residential segment. The MoPNG has finalised the 'Vision-2015' for the oil sector for 'Consumer Satisfaction and Beyond', wherein 200 cities are to be provided CNG by the year 2015. 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, which are located in the heart of India's only CNG Corridor, to sustain the growth momentum in this business.

The continued focus on strong industrial growth in the state of Gujarat and the conducive business cum socio-political environment attracts large investments to the state. Recent announcements indicate plans for significant additional investments in manufacturing and urban facilities. It is expected that these investments will create an even stronger demand for natural gas in the Gujarat state in the years to come.

The declining availability of gas from its indigenous sources will continue to pose a challenge to the growth of this business. The supply shortfall will largely be met with imported RLNG. Your Company has been procuring RLNG since 2009 and has established strong credentials with various RLNG suppliers for supply security; RLNG is now a significant portion of your Company's portfolio and is successfully sold in its markets.

Your Company is aware of the challenges in obtaining licenses for new areas, in running its operations at a high level of safety & integrity and in augmenting its gas supplies. Mitigation plans are in place to address these challenges.

3.3 Operations and Market Performance

Your Company maintained its status as the largest private sector 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 by successfully procuring RLNG at competitive prices through medium term 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.

Despite significant challenges like expensive gas supplies compared to previous years, your Company was able to grow gas sales volumes by 3% 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 325,000. More than 165,000 vehicles now ply in your Company's operating areas on CNG. Your Company has c. 330,000 customers, including industrial and commercial units. Sales volumes grew by 12% in the residential segment and 14% in the CNG segment.

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.

Your Company follows a comprehensive management assurance process which deals with the broad aspects of risks, compliances and assurances. The Internal Control Framework has identified various areas where internal controls are critical including Financial Control Assurance (FCA) processes which clearly lay down the procedures

to be followed for activities which have a bearing on control risk. Various policies and operating procedures have also been laid down to ensure internal control and compliance to statutory requirements as to the company's policies and standards.

Your Company believes in automating controls to the extent possible. The Company has implemented various software solutions like SAP R3 and Procurement, Gas Distribution Billing System (GDBS), Geographical Information System (GIS), etc. A process of gaining assurance has been implemented through the Letter of Assurance procedure, which is wide in scope and includes internal control and risk management. The procedure cascades the responsibilities for ensuring compliance to critical processes through the levels of management.

The Company has implemented a comprehensive compliance matrix for various groups and activities. Compliances by various groups are regularly reviewed by the Internal Audit team with reference to the Compliance Matrix. Review of the compliances made by various groups and periodic update of the Compliance Matrix helps in sustaining a strong compliance environment. The Internal Audit Team carries out reviews of internal controls as a part of an approved audit plan. Regular reviews of audit non-conformities and the findings of investigations carried out by the internal audit team, provides the feedback to the management and the Audit Committee on the status of internal controls in place, and helps in ensuring corrective action.

Risk management is considered to be an effective tool in your Company to deliver its business plan and annual objectives. A register is prepared to capture the risks perceived for the business with inputs from various groups. The same is reviewed by the group heads and by the Executive Committee. The most critical risks are reviewed by the Audit Committee on a quarterly basis.

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 minimize 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:

- o believes that all injuries are preventable;
- o provides healthy, safe and secure work environments;
- o makes a positive contribution to the protection of the environment; and
- o goes beyond compliance with local environmental regulation to meet internationally accepted best practices

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 organisations.

Total Recordable Case Frequency (TRCF) for 2011 was 0.13 against target of Zero (0) 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 focused on employee engagement programs, such as campaigning for HSSE "Life Savers" such as Working at Height, Electrical Safety and Excavation. An Industrial Hygiene Survey was carried out for the Adajan Office in Surat in line with the Health Risk Control plan. A Safety Culture Maturity Survey was carried out across your Company's offices and sites and workshops were conducted with employees and contractors. The Company has progressed safety initiatives like third party damage prevention, enhancing HSSE culture among contractors, and driving safety. A thorough safety audit of the CNG operations was also carried out by a third party and crisis management capabilities of the business as a whole was strengthened through training of responsible persons and crisis management exercises during the year.

Contribution to Environment

Det Norske Veritas (DNV) has carried out "EHSMS periodic audit" for OHSAS-18001-2007 and Environment Management System (ISO 14001-2004) across your Company's installations and offices in December. Celebration of World Environment Day on June 5 was done at all locations followed by events like tree plantation activities, "Save Power" day, car pooling, "No Print" day - all leading an effort to reduce the carbon foot print.

Your Company has undertaken or contributed indirectly in various initiatives during the year, which include a significant contribution towards reduction of 160.78 tones of CO₂ through various Green House Gas emissions reduction projects.

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 in 2011 also. This year, your Company supported extension of the programme to two new NGOs- specifically Sewa Rural's *Vivekananda* Gramin Tekniki Kendra (Gumandev-Bharuch) and Vocational Training Center, Vaghaldhara. The programme on gas plumbing aims to equip local unemployed youth with technical and safety skills. Two batches totalling 83 trainees completed this programme in the year.

Your Company supported operation of "Prakriti" - the environment bus. This project was implemented by the Centre for Environmental Education, Ahmedabad (CEE) and aimed to create interest on environmental issues amongst school-going children. "Prakriti" covered 168 venues and was visited by 26000 persons.

Your Company continued to support initiatives for education of children from economically weak backgrounds.

Your Company has also supported improvements in living conditions of excavation labour. More than 300 improved tents were issued to contractors and health camps and crèches covering camp residents were initiated.

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. 1326.65 mn as against Rs. 1730.32 mn during the previous year. Total income for the year was Rs. 1336.38 mn including other income of Rs. 9.73 mn as against total income of Rs. 1736.64 mn including other income of Rs. 6.33mn in the previous year.

Profit before tax (PBT) was Rs. 9.99 mn during the year as against Rs. 7.01 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 earlier had the status of a certified Non Banking Financial Company (NBFC), it has surrendered its NBFC status to the Reserve Bank of India as it has stopped providing lease finance since April 2007.

During the year under review, the Net Total Income was Rs. 78.29 mn. as compared to Rs. 73.59 mn. in the year 2010 and the profit after tax was Rs. 44.75 mn. as compared to Rs. 42.14 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 increased over the previous year. Investments were made in extension of pipeline network and in reinforcements and upgradation of existing network as required. Investments were also made to upgrade the IT solutions and hardware of your Company to enhance reliability and enable scalability. A portion of the cash profits generated during the year has been paid out as interim dividend. 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 2011 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-1 and forms part of this report.

7.2 Human Relations and Particulars of Employees

Your Company employed 604 employees as on 31 December 2011. During the year, your Company continued its focus on building capabilities and developing competencies of its employees through a robust Annual Development Review process. The Company also carried out an employee engagement survey through M/s Towers Watson, wherein 91 % employees participated

and the engagement score is 86 % which is higher than the national average score. To promote diversity and encouraging women employees, your Company has introduced Women's Network for all women employees. The Company has also introduced Flexi pay empowering employees to decide on their pay structure.

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

There is no employee 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 and so no details are required to be given.

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

The details of the Options granted up to 31 December 2011 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 - 2 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. IDBI Trusteeship Services Limited (ITSL), having its registered office at Asian building, Ground Floor, 17, R. Kamani Marg, Ballard Estate, Mumbai was appointed as an External Trustee of the Trust w.e.f. 28 April 2011, for providing the trusteeship services to the Trust for the agreed remuneration.

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/- 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 Trustee(s) are held in their capacity as the Trustee(s) 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 2011 in the name of the Trustee(s) of the Trust.

Under the ESOP, these Equity Shares are subsequently sold following the Mandate from the Option holders or transferred to the Option holders, as the case may be, at the time of the Exercise of the Options upon Vesting. Accordingly, the Trustee(s) sold 7,14,250 equity shares till December 2011, 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.

The Trustee(s) are authorized to execute the purchase and sale of shares of the Company, on behalf of the Option holders, in accordance with the ESOP.

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

7.4 Directors' Responsibility Statement

Your Directors hereby state:

- i. that in the preparation of the annual accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- ii. 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 2011 and of the profit of the Company for the year ended on that date;
- iii. 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;
- iv. 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

Prof. Pradip Khandwalla and Mr. Jal Patel, 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: 23 February 2012
Place: Ahmedabad

ANNEXURE-1
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	Developed RFID Technology for validating CNG tank installations in vehicles prior to CNG filling. Pilot trial successfully conducted for 500 vehicles for a period of 3 months. Trial witnessed by representatives from other City Gas Distribution companies and statutory authorities like PNGRB and PESO.
B	Benefits derived as a result of the above efforts	Enhance the safety of Natural Gas Vehicles, passengers & general public.
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
	Total Foreign Exchange outgo	21.66
		56.04

For and on behalf of the Board

HASMUKH SHAH
CHAIRMAN

Date : 23 February 2012
Place : Ahmedabad

ANNEXURE-2

Statement as at 31 December 2011 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) 84,000 Options (2011)
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 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 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 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 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 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 Rs. 391.00 being the closing price of the Shares on the NSE having largest trading volumes on 27 October 2010).</p> <p>Rs. 337.00, for 84,000 Options granted in April 2011, (Rs. 337.00 calculated at 10% discount of Rs. 374.45 being the closing price of the Shares on the NSE having largest trading volumes on 27 April 2011).</p>
c) Total number of Options vested	3,38,750 numbers (2010) 7,24,500 numbers (2011)
d) Total number of Options exercised	2,80,000 numbers (2010) 4,34,250 numbers (2011)
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>



Under the ESOP, further options vested on 11 May 2011, 1 August 2011 and 1 November 2011. Accordingly, the 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 6,250 equity shares in March 2011, 91,500 equity shares in August 2011, 5,000 equity shares in September 2011 and 3,31,500 equity shares in December 2011, 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.

f)	Total number of Options lapsed	98,500 (till 31 December 2010) 1,07,000 (during CY 2011)
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 (2010) Rs. 42.90 Mn (2011)
i)	Total number of Options in force	1,786,000 (2010) 1,328,750 (2011)
j)	Employee wise details of options granted to:-	Himanshu Upadhyay – 65,000 (Vested and Exercised – 12,500) – (2010) (Vested and Exercised – 3,750) – (2011) Outstanding as on date – 48,750
	(i) senior managerial personnel;	Nitin Patil – 50,000 (Vested and Exercised – 12,500) – (2011) Outstanding as on date – 37,500
	(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	The weighted average exercise price per Option is Rs. 162/- of the outstanding options as at 31-Dec-2011. The weighted average fair value per Option at the grant date is Rs 60/-

	either equals or exceeds or is less than the market price of the stock	of the outstanding options as at 31-Dec-2011.										
n)	A description of the method and significant assumptions used during the year to estimate the fair values of options	<p>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 :</p> <p>For stock options granted on April 28, 2011:</p> <table><tr><td>(i) Risk-free interest rate</td><td>8.39%</td></tr><tr><td>(ii) Expected life</td><td>3 years</td></tr><tr><td>(iii) Expected volatility</td><td>34.32%</td></tr><tr><td>(iv) Expected dividends</td><td>2.50%</td></tr><tr><td>(v) The price of the underlying share in market at the time of Option grant - Rs.374.00 (closing price on BSE on 27 April 2011)</td><td></td></tr></table>	(i) Risk-free interest rate	8.39%	(ii) Expected life	3 years	(iii) Expected volatility	34.32%	(iv) Expected dividends	2.50%	(v) The price of the underlying share in market at the time of Option grant - Rs.374.00 (closing price on BSE on 27 April 2011)	
(i) Risk-free interest rate	8.39%											
(ii) Expected life	3 years											
(iii) Expected volatility	34.32%											
(iv) Expected dividends	2.50%											
(v) The price of the underlying share in market at the time of Option grant - Rs.374.00 (closing price on BSE on 27 April 2011)												

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 : 23 February 2012
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, 2011, as stipulated in Clause 49 of the Listing Agreements of the said Company with stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's directors. Our examination was carried out in accordance with the Guidance Note on Certification 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 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 : 23 February 2012

Place : Gurgaon

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. Mr. B.C. Bora an Independent Director of the Company resigned as the Director of the Company on 18 August 2011 and Mr. Sudhir Mankad has been appointed as an Independent Director in his place on 10 January 2012. The said appointment was within the permissible time frame as per Clause 49 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 private and foreign companies as on 31 December 2011 are given below:

Names of the Directors	Category	Number of Directorships held (other than GGCL)	Number of Board Committees (other than GGCL) in which Chairman / Member	
			Membership	Chairmanship
Mr. Hasmukh Shah, Chairman	Promoter & non-executive directors	7	2	2
Mr. Martha Desmond		1	1	-
Mr. Walter Simpson		7	1	-
Prof. Pradip Khandwalla	Non-executive and independent directors	5	2	-
Mr. Jal Patel		6	3	2
Mr. Ajit Kapadia		9	-	1
Mr. Shaleen Sharma, Managing Director	Promoter and executive director	2	-	1

The above details represents Membership/ Chairmanship of two Committees viz. Audit Committee and Shareholder's/ Investor's Grievance Committee as per Clause 49 of the Listing Agreement.

During the year, Six Board Meetings were held on 19 January 2011, 28 February 2011, 28 April 2011, 11 August 2011, 3 November 2011 and 9 December 2011.

Details of attendance of the directors at the Board Meetings held during the Calendar Year 2011 and at the last Annual General Meeting are given below:

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	6	6	Yes
Mr. Derek Fisher	4	3	Yes
Mr. Walter Simpson	6	6	Yes
Prof. Pradip Khandwalla	6	5	Yes
Mr. Jal Patel	6	6	Yes
Mr. Ajit Kapadia	6	5	Yes
Mr. B. C. Bora	4	4	Yes
Mr. Shaleen Sharma	6	6	Yes
Ms. Martha Desmond	2	2	-

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

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	28 February 2011	3	3
2	28 April 2011	3	3
3	11 August 2011	3	3
4	3 November 2011	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 Ms. Martha Desmond. 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 details of managerial remuneration paid to the Managing Director in the year 2011 are given below.

Details of remuneration package of the Managing Director

Elements of remuneration package	C.Y.2011 Amount Rs.
Fixed Component	15,086,691
Basic salary	9,099,655
Contribution to PF and other funds	3,751,071
Perquisites and allowances	2,235,965
Performance linked incentive	1,910,812
Total	16,997,503

Other Details

Criteria

Major criteria for performance bonus	<ul style="list-style-type: none"> • Health, safety, security & environment. • Profit before tax. • Return on average capital employed. • Volume throughput. • Opex / volume. • Investment (Capex)
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 2011 amounted to Rs. 9,52,000/-.

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 2010 was paid to these non-executive directors, after the approval of the Board and shareholders:

Mr. Hasmukh Shah,	Chairman	Rs 8.0 lakhs
Mr. Jal Patel,	Chairman, Audit Committee	Rs 6.5 lakhs
Prof 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 was within one percent of the net profits for CY 2010 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 252 complaints during the year 2011. 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 28 February 2011, 28 April 2011, 11 August 2011 and 3 November 2011.

7. General Body Meetings

Location and time of last three AGMs / EGMs

Date	Time	Venue
28 April 2011 (AGM)	10.00 a.m.	
22 April 2010 (AGM)	10.00 a.m.	H.T. Parekh Convention Centre, Ahmedabad Management Association,
30 April 2009 (AGM)	10.00 a.m.	ATIRA, Vastrapur, Ahmedabad-380 015
23 October 2008 (Extraordinary General Meeting)	09.30 a.m.	

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

Annual General Meeting held on 28 April 2011

A resolution for grant of approval to the payment of commission for the period of three financial years effective from the financial year ending 31 December 2010 to the Chairman and Independent Directors of the Company.

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.

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 2011 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 2011. 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 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 receive 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 2011 is annexed to this report.

For and on behalf of the Board

HASMUKH SHAH
CHAIRMAN

Date: 23 February 2012
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 CY2011.

For Gujarat Gas Company Limited

Shaleen Sharma
Managing Director

Date : 3 February 2012
Place : Ahmedabad

INFORMATION FOR INVESTORS

1. Annual General Meeting details

At 10.00 a.m. on Thursday, 26 April 2012 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 2012:

10 January 2012 (already held)	23 February 2012 (already held)
26 April 2012	26 July 2012
25 October 2012	20 December 2012

3. Book Closure Date

The Register of Members and Share Transfer Book of the Company shall remain closed from 20 March 2012 to 22 March 2012(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 10 May 2012

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 2011-12 and will be paid for the year 2012-13 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 2011 is given below:

Month	Highest (Rs.)	Lowest (Rs.)
January	419.00	345.00
February	363.00	310.05
March	419.00	350.00
April	394.00	362.00
May	419.50	336.20
June	399.95	365.00
July	430.60	382.65
August	462.00	386.00
September	463.00	417.20
October	448.35	410.00
November	459.00	360.00
December	377.00	330.00

7. Performance in Comparison to BSE Sensex

Performance of share price of your Company in comparison to BSE Sensex for the year 2011 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: 040-44655000, Fax Number: 040-23420814

9. Distribution of shareholding

Distribution of Shareholding as on 31 December 2011 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	23,882	1,854,400	8,396,080	10,250,480	7.99
Foreign Institutional Investors (FIIs)	54	0	20,665,674	20,665,674	16.11
Non-resident Indians (NRIs)	509	7000	265,961	272,961	0.21
Indian Companies	585	8010	3,557,439	3,565,449	2.78
Mutual Funds & UTI	38	1000	6,276,407	6,277,407	4.89
Public Financial Institutions, Government Companies and Banks	2	0	138,335	138,335	0.11
Foreign Promoters	1	0	83,518,750	83,518,750	65.12
Others	550	15,000	3,545,944	3,560,944	2.79
Total	25,621	1,885,410	126,364,590	128,250,000	100.00

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

<u>Ankleshwar</u> Surati Bhagol, Umarwada Road, Near Piraman Naka, Ankleshwar District -Bharuch	<u>Amboli</u> Plot no. 70-71, Amboli, Taluka: Ankleshwar District -Bharuch	<u>Vadoli</u> Block No. 546/1, Village-Vadoli, Olpad – Kim State Highway Taluka-Olpad, District-Surat
<u>Sachin</u> Block No. 248, GIDC Sachin, Village – Unn, Magdalla-Sachin Road, Surat	<u>Palsana</u> Survey No. 168 & 168/P, Village-Lingad, Taluka-Palsana, District-Surat	<u>Atodara</u> R. S. No. 64/1, & 64/2, Village-Atodara, Olpad- Sayan Road, Taluka-Olpad, District-Surat
<u>Rahadpore</u> Survey no. 75 / 123, At and Post Rahadpore, Palej-Tankaria Road, Bharuch	<u>Surat</u> Plot No. 87-88, Mayavanshi Mohallo, Adajan Gam, Surat	<u>Jhagadia</u> Plot No-773/A & 773/B, GIDC Jhagadia, District-Bharuch
<u>Mora (Surat)</u> Survey No. 150, Opp. Reliance Gate No 3-B, Surat-Hazira Road, Mora, Surat	<u>Valia</u> Plot No. 192, Kosamdi Village, Taluka-Ankleshwar, District-Bharuch	<u>Hazira</u> 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 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. 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, 2002 and 2003 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 2004 to the Investor Education and Protection Fund on or after 10 June 2012 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.

18. Green Initiative

The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the Companies and has issued circulars stating that service of notices/ documents including Annual Report can be sent by e-mail to its members. To support this green initiative of the Government in full measure members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holding with the Depository through their concerned Depository Participant.

For and on behalf of the Board

HASMUKH SHAH
CHAIRMAN

Date : 23 February 2012
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 (the "Company") and its subsidiaries hereinafter referred to as the "Group" (refer Note 25 on Schedule 20 to the attached consolidated financial statements) as at December 31, 2011, the related 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 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. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard-21 Consolidated Financial Statements notified under sub-section 3C of Section 211 of the Companies Act, 1956.
4. In our opinion and to the best of our information and according to the explanations given to us, in our opinion, the attached 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 state of affairs of the Group as at December 31, 2011;
 - (b) in the case of the consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date; and
 - (c) in the case of the consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

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

V. Nijhawan
Partner
Membership Number: F87228

Place : Gurgaon
Date : February 23, 2012



CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2011

	Schedule	As at 31-12-2011 Rs. in million	As at 31-12-2010 Rs. in million
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Capital	1	400.50	400.50
Stock Options Outstanding Account	2	48.51	37.96
Reserves and Surplus	3	7,582.81	8,152.92
		8,031.82	8,591.38
Minority Interest		74.40	63.00
(Refer Note 26 on Schedule 20)			
Deferred Tax Liability (Net)		738.99	669.08
(Refer Note 14 and 34 on Schedule 20)			
DEPOSITS			
(Refer Note 42 on Schedule 20)			
From Customers		2,525.19	2,034.81
From GAIL (India) Limited		38.69	38.69
		2,563.88	2,073.50
TOTAL		11,409.09	11,396.96
APPLICATION OF FUNDS			
FIXED ASSETS			
	4		
Gross Block		11,087.35	10,191.28
Less : Depreciation		4,120.59	3,547.33
Less : Impairment Loss		-	29.37
		6,966.76	6,614.58
Less : Lease Terminal Adjustment Account		255.45	255.45
Net Block		6,711.31	6,359.13
Capital work in progress		1,084.89	780.23
Capital Inventory		530.90	600.72
		8,327.10	7,740.08
INVESTMENTS	5	5,011.79	5,487.74
AMOUNT RECOVERABLE FROM ESOP TRUST		302.42	343.02
(Refer Note 31 on Schedule 20)			
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	6	157.51	105.91
Lease Receivable	7	34.02	72.97
Sundry Debtors	8	1,839.10	1,411.17
Cash and Bank Balances	9	142.49	93.62
Loans and Advances	10	193.16	193.14
Other Current Assets	11	0.09	0.07
		2,366.37	1,876.88
LESS: CURRENT LIABILITIES AND PROVISIONS	12		
Current Liabilities		2,660.65	2,141.42
Provisions		1,937.94	1,909.34
		4,598.59	4,050.76
NET CURRENT ASSETS		(2,232.22)	(2,173.88)
MISCELLANEOUS EXPENDITURE	13	-	-
(To the extent not written off or adjusted)			
TOTAL		11,409.09	11,396.96
Significant Accounting Policies and Notes to the Consolidated Financial Statements	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 : Gurgaon

Date : February 23, 2012

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

For and on behalf of the Board

Hasmukh Shah
Chairman

Jal Patel Sugata Sircar
Director Finance Director

Place : Ahmedabad

Date : February 23, 2012

Shaleen Sharma
Managing Director

Rajeshwari Sharma
Company Secretary

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2011

	Schedule	Year ended 31-12-2011 Rs. in million	Year ended 31-12-2010 Rs. in million
INCOME:			
Income from Operations	14	24,185.91	18,493.26
Other Income	15	564.87	223.99
		<u>24,750.78</u>	<u>18,717.25</u>
EXPENDITURE:			
Material consumed/processed (Refer Note 22 on Schedule 20)		18,395.41	12,864.56
Personnel Expenses	16	607.81	498.48
Operating and Other Expenses	17	1,213.32	973.26
Depreciation		602.04	542.05
Finance Charges	18	1.49	4.62
Deferred Revenue Expenditure Written off		-	0.89
		<u>20,820.07</u>	<u>14,883.86</u>
Profit before Taxes		3,930.71	3,833.39
Tax Expense	19	1,182.46	1,243.24
Profit after Taxes		2,748.25	2,590.15
Minority Shareholders Interest		13.48	12.69
Profit attributable to the Group		2,734.77	2,577.46
Profit brought forward		5,967.67	5,462.26
Profit available for Appropriations		8,702.44	8,039.72
APPROPRIATIONS :			
Interim Dividend		1,282.50	-
Corporate Dividend Tax on Interim Dividend		208.05	-
Proposed Dividend			
- Preference Shares		10.80	10.80
- Equity Shares		1,539.00	1,539.00
Corporate Dividend Tax on Proposed Dividend		252.08	251.88
Special Reserve (As stipulated by RBI)		-	8.43
General Reserve		277.13	261.94
Profit Carried Forward		5,132.88	5,967.67
		<u>8,702.44</u>	<u>8,039.72</u>
Basic/ Diluted Earnings per Share of Rs. 2/- each (Rs.)		21.23	20.00
(Refer Note 13 and 27 on Schedule 20)			
Significant Accounting Policies and Notes to the Consolidated Financial Statements	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 : Gurgaon
Date : February 23, 2012

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

Jal Patel Sugata Sircar
Director Finance Director

Place : Ahmedabad
Date : February 23, 2012

Shaleen Sharma
Managing Director

Rajeshwari Sharma
Company Secretary

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2011

	Year ended 31-12-2011 Rs. in million	Year ended 31-12-2010 Rs. in million
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Net Profit before Tax	3,930.71	3,833.39
Adjustments for:		
Depreciation for the year	602.04	542.05
Provision for Gratuity	14.07	(0.14)
Provision for Leave Encashment	10.13	7.27
(Profit)/Loss on sale of Fixed Assets (Net)	7.04	5.92
Provision for doubtful debts	-	2.00
Provision for Stock Options Account	25.55	25.91
Other Provision	2.18	2.18
Provision for Wealth Tax	0.40	0.40
Provision for Diminution in value of Fixed Assets / Capital Work in Progress	35.21	10.03
Bad Debts written off	2.01	-
Inventory written off	2.49	2.46
Deferred Revenue Expenditure written off	-	0.89
Interest Expense	1.49	4.62
Inventory written back	(28.42)	-
Profit on sale of investment (Net)	(51.37)	(18.12)
Provision / Liabilities no longer required Written Back	(108.94)	(1.01)
Tax Deducted at Source from Income Received	(7.41)	(5.55)
Dividend Income	(308.23)	(157.04)
Interest Income	(36.65)	(22.25)
Operating Profit before working capital changes	4,092.30	4,233.01
Adjustments for changes in working capital		
(Increase) / Decrease in Sundry Debtors	(268.03)	(324.04)
(Increase) / Decrease in Amount Recoverable from ESOP trust	13.15	(107.34)
(Increase) / Decrease in Loan and Advances	4.85	188.72
(Increase) / Decrease in Other Current Assets	0.01	-
(Increase) / Decrease in Inventories	(25.67)	2.55
Increase / (Decrease) in Current Liabilities	331.89	95.10
Cash generated from operations	4,148.50	4,088.00
Taxes paid (Net of refunds)	(1,110.15)	(1,236.16)
Net Cash from Operating Activities	3,038.35	2,851.84
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(1,129.84)	(1,134.15)
Sale of Fixed Assets	23.03	14.50
Purchase of Investments	(27,987.71)	(19,561.05)
Sale of Investments	28,515.02	18,329.01
Net investment in Finance Lease (Net of Capital Recovery)	38.95	26.48
Interest received	36.39	22.11
Dividends received	308.23	157.04
Net Cash used in Investing Activities	(195.93)	(2,146.06)

C. CASH FLOW FROM FINANCING ACTIVITIES

	Year ended 31-12-2011 Rs. in million	Year ended 31-12-2010 Rs. in million
Deposits accepted during the year (Net)	490.37	520.00
Interest Paid	(1.49)	(4.62)
Dividend Paid (including Corporate Dividend Tax)	(3,282.43)	(1,206.68)
Net Cash generated used in Financing Activities	(2,793.55)	(691.30)
NET INCREASE IN CASH AND CASH EQUIVALENTS	48.87	14.48
Cash and Cash Equivalents at the beginning of the year	93.62	79.14
Cash and Cash Equivalents at the end of the year	142.49	93.62
Cash and Cash Equivalents comprise		
Cash in hand	0.16	0.22
Balances with Scheduled Banks :		
- In Current accounts	100.93	47.61
- In Dividend Accounts (Refer Note c below)	21.20	9.99
- In Term Deposits (Refer Note d below)	20.20	35.80
Total Cash and Cash Equivalents as per Cash Flow Statement	142.49	93.62

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.
- Term Deposits include balance in escrow account as stipulated by RBI Rs. Nil (Previous year Rs. 0.50 million).
- 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 Statement referred to in our report of even date

For Price Waterhouse
Firm Registration Number-301112E
Chartered Accountants

V. Nijhawan
Partner
Membership No. F87228
Place : Gurgaon
Date : February 23, 2012

For and on behalf of the Board

Hasmukh Shah Chairman	Shaleen Sharma Managing Director
Jal Patel Director	Sugata Sircar Finance Director
Place : Ahmedabad	Rajeshwari Sharma Company Secretary
Date : February 23, 2012	



SCHEDULES FORMING PART OF BALANCE SHEET (CONSOLIDATED)

	Rs. in million	As at 31-12-2011 Rs. in million	As at 31-12-2010 Rs. in million
SCHEDULE - 1			
CAPITAL			
Authorised			
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
TOTAL		450.00	450.00
Issued, Subscribed and Paid up			
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 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]			
TOTAL		400.50	400.50
SCHEDULE - 2			
STOCK OPTIONS OUTSTANDING ACCOUNT			
(Refer Note 31 on Schedule 20)			
Stock Options Outstanding Account		79.38	92.90
Less : Deferred Stock Option Outstanding Account		30.87	54.94
TOTAL		48.51	37.96
SCHEDULE - 3			
RESERVES AND SURPLUS			
GENERAL RESERVE			
As per last Balance Sheet	2,097.39		1,833.54
Add : Transferred from Profit & Loss Account	277.13		261.94
Add : Transferred from Special Reserve	87.86		-
(Refer Note 41 on Schedule 20)			
Add : Adjustment to Amount recoverable from ESOP Trust	(12.45)		1.91
(Refer Note 31 on Schedule 20)			
		2,449.93	2,097.39
SPECIAL RESERVE (AS REQUIRED BY RBI)	87.86		87.86
Less : Transferred to General Reserve	(87.86)		-
		-	87.86
PROFIT AND LOSS ACCOUNT		5,132.88	5,967.67
TOTAL		7,582.81	8,152.92

GUJARAT GAS COMPANY LIMITED (CONSOLIDATED)

SCHEDULES FORMING PART OF BALANCE SHEET (CONSOLIDATED)

SCHEDULE - 4

FIXED ASSETS

(Refer Notes 3,4,5,11, 15, 20, 24, 35 (ii) & 40 on Schedule 20)

(Rs. in million)

Particulars	GROSS BLOCK			DEPRECIATION			IMPAIRMENT LOSS			NET BLOCK		
	As at 01-01-2011	Additions For the year	Deduction/ Adjustments For the year	As at 31-12-2011	For the year	Deduction/ Adjustments For the year	As at 31-12-2011	As at 01-01-2011	For the year	Adjustments/ Reversals	As at 31-12-2011	As at 31-12-2010
TANGIBLE ASSETS												
Land (Refer Note 1 below)	343.14	21.39	(37.34)	401.87	-	-	-	-	-	-	401.87	343.14
Buildings	335.39	3.61	-	339.00	58.63	8.17	-	66.80	-	-	272.20	276.76
Plant and Machinery	8,097.34	880.77	13.69	8,964.42	2,826.12	526.59	6.01	3,346.70	-	-	5,617.72	5,271.22
Furniture, Fixtures and Fittings	68.39	4.29	2.20	70.48	29.81	5.69	2.15	33.35	-	-	37.13	38.58
Vehicles	112.39	13.78	9.27	116.90	40.53	11.91	5.44	47.00	-	-	69.90	71.86
Assets given on Finance lease												
(Prior to April 1, 2001)												
Plant and Machinery	855.50	-	-	855.50	449.41	12.70	-	462.11	-	-	393.39	406.09
Assets given on Operating lease												
(After April 1, 2001)												
Plant and Machinery	130.87	-	63.05	67.82	46.57	7.02	15.18	38.41	29.37	29.37	29.41	54.93
(Refer Note 2 below)												
INTANGIBLE ASSETS												
Goodwill	1.22	-	-	1.22	1.22	-	-	1.22	-	-	-	-
Right of Use of Land	61.34	-	37.34	24.00	-	-	-	-	-	-	24.00	61.34
Software/Licences	185.70	60.44	-	246.14	95.04	29.96	-	125.00	-	-	121.14	90.66
	10,191.28	984.28	88.21	11,087.35	3,547.33	602.04	28.78	4,120.59	29.37	29.37	6,966.76	6,614.58
(Less) / Add :												
Lease Terminal Adjustment	-	-	-	-	255.45	-	-	255.45	-	-	(255.45)	(255.45)
TOTAL	10,191.28	984.28	88.21	11,087.35	3,802.78	602.04	28.78	4,376.04	29.37	29.37	6,711.31	6,359.13
Capital Work in Progress												
(Refer Note 3 and 5 below)											1,084.89	780.23
Capital Inventory											530.90	600.72
(Refer Note 4 below)												
TOTAL	10,191.28	984.28	88.21	11,087.35	3,802.78	602.04	28.78	4,376.04	29.37	29.37	8,327.10	7,740.08
Previous Year	9,139.87	1,116.27	64.86	10,191.28	3,296.43	542.05	35.70	3,802.78	34.63	15.29	6,359.13	

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. 13.73 million (Previous year Rs. 18.51 million) for which agreement to lease has been terminated.
- Capital Work in Progress includes Capital Advances Rs. 141.94 million (Previous year Rs. 137.21 million). Capital Advances are net of provision for doubtful recovery of Rs. 35.21 million (Previous year Nil).
- Capital Inventory includes material in transit amounting to Rs. 63.99 million (Previous year Rs. 63.69 million).
- Capital Work in Progress includes certain assets of Rs. 254.90 million (Previous year Nil) which are held for disposal.

SCHEDULES FORMING PART OF BALANCE SHEET (CONSOLIDATED)

	Rs. in million	As at 31-12-2011 Rs. in million	As at 31-12-2010 Rs. in million
SCHEDULE - 5			
INVESTMENTS			
(Refer Note 6 and 28 on Schedule 20)			
A Long Term Investments (At Cost) :			
Equity Shares			
Trade -Unquoted	85.00		85.00
Less: Provision	75.00		75.00
		10.00	10.00
Other than Trade (Un Quoted)	0.12		0.12
Less: Provision	0.12		0.12
		-	-
Long Term Investments (A)		10.00	10.00
B Current Investments :			
(At Cost or fair market value whichever is lower, determined categorywise)			
Other than Trade (Unquoted)			
Units of Mutual Funds		5,001.79	5,477.74
Current Investment (B)		5,001.79	5,477.74
Total Investment (A+B)		5,011.79	5,487.74
Aggregate cost of Unquoted Investments		5,086.91	5,562.86
SCHEDULE - 6			
INVENTORIES			
(Refer Note 7 on Schedule 20)			
Stores and Pipe Fittings		157.51	105.91
TOTAL		157.51	105.91
SCHEDULE - 7			
LEASE RECEIVABLE			
(Refer Note 35 (i) on Schedule 20)			
(Unsecured - considered good, unless otherwise stated)			
Lease Receivable			
- Considered Good		34.02	72.97
TOTAL		34.02	72.97

SCHEDULES FORMING PART OF BALANCE SHEET (CONSOLIDATED)

	Rs. in million	As at 31-12-2011 Rs. in million	As at 31-12-2010 Rs. in million
SCHEDULE - 8			
SUNDRY DEBTORS			
Secured - Considered Good			
Secured - Considered Good			
Exceeding Six Months		9.92	3.73
Others		1,211.08	1,061.79
Unsecured - Considered Good			
Exceeding Six Months		3.29	0.77
Others		614.81	344.88
[Includes Rs. 400.96 million (Previous year Rs. 269.57 million) secured by bank guarantees]			
Unsecured - Considered Doubtful			
Exceeding Six Months	21.97		23.26
Less : Provision for Doubtful Debt	21.97		23.26
TOTAL		1,839.10	1,411.17
SCHEDULE - 9			
CASH AND BANK BALANCES			
Cash in hand		0.16	0.22
Balances with Scheduled Banks:			
- In Current Accounts		100.93	47.61
- In Dividend Accounts		21.20	9.99
- In Term Deposit*		20.20	35.80
TOTAL		142.49	93.62
* Includes Term Deposit in an Escrow account as stipulated by RBI Rs. Nil (Previous year Rs. 0.50 million)			
SCHEDULE - 10			
LOANS AND ADVANCES			
(Unsecured - considered good, unless otherwise stated)			
Advances recoverable in Cash or in kind or for value to be received		91.00	81.99
Deposit recoverable		24.08	18.63
Balance due with statutory authorities		21.26	40.49
Advance payment of tax and tax deducted at source	7,607.80		6,490.06
Less: Taxation Provision	7,550.98		6,438.03
TOTAL		56.82	52.03
SCHEDULE - 11			
OTHER CURRENT ASSETS			
(Unsecured - considered good, unless otherwise stated)			
Interest Accrued on Term Deposit with Scheduled Bank		0.09	0.07
TOTAL		0.09	0.07

SCHEDULES FORMING PART OF BALANCE SHEET (CONSOLIDATED)

	Rs. in million	As at 31-12-2011 Rs. in million	As at 31-12-2010 Rs. in million
SCHEDULE - 12			
CURRENT LIABILITIES AND PROVISIONS			
(A) CURRENT LIABILITIES			
Sundry Creditors			
- Dues to Micro and Small Enterprises (Refer Note 39 on Schedule 20)	16.20		14.03
- Others Creditors	2,101.52		1,657.04
		2,117.72	1,671.07
Deferred Revenue (Refer Note 10 (c) on Schedule 20)		13.64	13.64
Deposit From Collection Centres and Others		25.38	22.55
Advance From Customers		348.16	128.09
Payable to Retrenched Employees (Refer Note 19 (f) on Schedule 20)		0.68	0.68
Investor Education and Protection Fund*			
- Unpaid Dividend		21.20	9.99
Other Liabilities		133.87	295.40
		2,660.65	2,141.42
* To be credited to Investor Education and Protection Fund, when due.			
(B) PROVISIONS			
Proposed Dividend		1,803.99	1,803.08
Gratuity and Leave Encashment (Refer Note 32 on Schedule 20) [Includes Short term employee benefits Rs. 2.69 million (Previous year Rs. 1.39 million)]		77.37	51.86
Other Provisions (Refer Note 36 on Schedule 20)		55.52	53.34
Provision for Fringe Benefit Tax	33.67		33.67
Less : Advance Payment of Tax	32.61		32.61
		1.06	1.06
		1,937.94	1,909.34
TOTAL		4,598.59	4,050.76
SCHEDULE - 13			
MISCELLANEOUS EXPENDITURE			
(Refer Note 16 on Schedule 20)			
Deferred Revenue Expenditure			
a) Voluntary Retirement Scheme:			
Opening Balance:	-		0.89
Less: Written Off during the year	-		0.89
		-	-
TOTAL		-	-



SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT (CONSOLIDATED)

	Rs. in million	Year ended 31-12-2011 Rs. in million	Year ended 31-12-2010 Rs. in million
SCHEDULE -14			
INCOME FROM OPERATIONS			
(Refer Note 10 on Schedule 20)			
Sales of Natural Gas			
Sales of Natural Gas (Gross)	24,216.45		18,421.70
Less : Excise Duty	397.36		285.35
Sales of Natural Gas (Net)		23,819.09	18,136.35
Service and Fitting Income (Net)		170.84	143.72
Gas Transmission Income		165.54	174.39
Lease Income		21.43	24.20
Income from Finance Leases		9.01	14.60
TOTAL		24,185.91	18,493.26
SCHEDULE -15			
OTHER INCOME			
Income from Investments			
(Refer Note 10 (f) on Schedule 20)			
Long Term Investments			
Dividend from Trade Investment		4.00	6.14
Current Investments			
Dividend from Mutual Funds		304.23	150.91
Interest on Term Deposits		2.52	0.85
[Gross, Tax deducted at source Rs. 0.25 million (Previous year Rs. 0.08 million)]			
Interest on Others (Customer & Staff Advances)		34.13	21.38
(Refer Note 10 (g) on Schedule 20)			
[Gross, Tax deducted at source Rs. 0.03 million (Previous year Rs. 0.02 million)]			
Interest on Income Tax Refund		-	0.71
Profit on Sale of Current Investments	51.58		32.45
Less : Loss on Sale of Current Investments	0.21		14.33
		51.37	18.12
Provision / Liabilities no longer required Written Back		108.94	1.01
Foreign Exchange Fluctuations Gain (Net)		0.24	1.48
Miscellaneous Income		59.44	23.39
TOTAL		564.87	223.99
SCHEDULE -16			
PERSONNEL EXPENSES			
(Refer Note 9 on Schedule 20)			
Salaries, Wages and Bonus		500.35	418.61
(Refer Note 32 (iii) on Schedule 20)			
Contribution to Provident and Other Funds		51.51	30.43
(Refer Note 32 (i) & (ii) on Schedule 20)			
Welfare Expenses		55.95	49.44
(Refer Note 31 on Schedule 20)			
TOTAL		607.81	498.48



SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNTS (CONSOLIDATED)

	Rs. in million	Year ended 31-12-2011 Rs. in million	Year ended 31-12-2010 Rs. in million
SCHEDULE -17			
OPERATING AND OTHER EXPENSES			
Stores and Chemicals consumed		31.34	39.95
Power and Fuel		202.24	174.87
Rent		68.91	30.02
Rates and Taxes		6.37	5.44
Repairs :			
- To Buildings	5.16		6.41
- To Plant and Machinery	167.60		147.11
- To Others	108.09		92.30
		280.85	245.82
Insurance		18.78	15.10
Stationery and Printing		7.70	9.05
Advertisement Expenses		14.34	13.88
Communication Expenses		25.16	17.79
Vehicle Hire Charges		69.01	45.81
Travelling Expenses		34.94	25.32
Donation		5.37	2.39
Legal, Professional and Consultancy Expenses		149.82	129.62
Loss on Sale of Fixed assets (Net)		7.04	5.92
Bad debts / Advances written off		2.01	-
Wealth Tax		0.40	0.40
Other Provisions (Refer Note 36 on Schedule 20)		2.18	2.18
Provision for Doubtful Debts		-	2.00
Provision for Diminution in the value of Fixed Assets / Capital Work in Progress		35.21	10.03
Provision / write off for inventory obsolescence		2.49	2.46
Service Charges		120.57	88.51
Agency & Contract Staff Expenses (including security service charges)		52.07	45.22
Miscellaneous Expenses		76.52	61.48
TOTAL		1,213.32	973.26
SCHEDULE -18			
FINANCE CHARGES			
Interest-Others		1.49	4.62
TOTAL		1.49	4.62
SCHEDULE -19			
TAX EXPENSE			
(Refer Notes 14, 34 and 38 on Schedule 20)			
Current Income Tax		1,112.55	1,176.28
Deferred Income Tax		69.91	66.96
TOTAL		1,182.46	1,243.24

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 Group 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 operating 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 / Softwares are amortized over a period of six years from the date of its availability for use by the Group.
- (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 or 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 recorded at exchange rates prevailing on the transaction date. At the Balance Sheet date, monetary assets and monetary liabilities denominated in foreign currency are translated at the applicable exchange rates prevailing on the Balance Sheet date and the resultant exchange difference, if any, is recognized in the Profit & Loss Account. Exchange differences, if any, arising on settlement of transactions are recognized as income or expense in the year in which they arise.

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 recognised 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 recognised 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 recognised 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 Group's Stock Option Plan are accounted in accordance with the 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 the Institute of Chartered Accountants of India. The Group 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) is recognised on sale of gas to customers from retail outlets.
- (b) Gas transmission income is recognised 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 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.

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 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 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 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 has been amortised in equal installments from the year in which the same was incurred till periods ended December 31, 2010 in accordance with the transitional provision of Accounting Standard-15 on 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. 14.51 million (Previous year Rs. 13.57 million).

(b) Claims of Rs. 29.98 million (Previous year Rs. 27.92 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. 278.70 million (Previous year Rs. 226.95 million).

In respect of holding company, Gujarat Gas Company Limited:

- (i) Includes income tax demand (and interest thereon) of Rs. 38.09 million (Previous year Rs. 38.09 million) relating to Assessment Year 1999-2000 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. 38.09 million (Previous year Rs. 38.09 million) has been paid under protest.

Similar disallowances for A.Y. 1998-99 and A.Y. 2000-01 have been decided by the ITAT in favour of the Company. The appeal for A.Y. 1999-2000 is pending with the ITAT.

- (ii) Includes income tax demand (and interest thereon) for Rs. 16.32 million (Previous year Rs. 11.68 million) for disallowances under Section 14A on account of expenditure incurred for earning exempt income for A.Y. 2004-05, A.Y. 2005-06, A.Y. 2006-07, A.Y. 2007-08 and A.Y. 2008-09. The total amount paid by the Company / adjusted by tax authorities on account of above demand aggregates to Rs. 13.08 million (Previous Year Rs. 7.99 million). The appeal for A.Y. 2005-06, A.Y. 2006-07 and A.Y. 2007-08 has been partially decided in Company's favour by CIT(A) by deleting disallowance as per Rule 8D. Now appeal is pending with ITAT for A.Y. 2004-05, A.Y. 2005-06, A.Y. 2006-07, and A.Y. 2007-08.

For A.Y. 2000-01 the ITAT has disallowed the similar expenses under Section 14A and has instructed the Assessing Officer to re-examine the tax levy as per Rule 8D of the Income Tax Rules, 1962 and hence the amount cannot be quantified at this stage. The Company has preferred an appeal with the High Court against the above order of the ITAT. The ITAT has restored back the similar disallowance for A.Y. 2001-02 to CIT(A) for deciding the matter afresh after considering various judicial pronouncements on this matter. Currently there is no outstanding demand payable for this matter.

- (iii) Includes income tax demand (and interest thereon) for Rs. 12.88 million (Previous year Rs. 12.42 million) for certain disallowances for A.Y. 2000-01, A.Y. 2003-04 to A.Y. 2006-07 and A.Y. 2008-09. 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 the Company / adjusted by tax authorities on account of above demand aggregates to Rs. 12.53 million (Previous year Rs. 8.67 million). The appeal for A.Y. 2008-09, is pending with CIT(A) and for A.Y. 2003-04, A.Y. 2004-05, A.Y. 2005-06 and A.Y. 2006-07 with ITAT.
- (iv) Includes income tax demand for Rs. 6.07 million (Previous Year Nil) for additional tax and interest thereon levied for non deduction of tax on expenditure towards Annual Maintenance Contracts for the A.Y. 2008-09, A.Y. 2009-10 and A.Y. 2010-11. The total amount paid by the Company / adjusted by tax authorities on account of above demand aggregates to Rs. 6.07 million (Previous year Nil). The appeals for above 3 years have been decided by the CIT(A) in Company's favour. Department may prefer an appeal with the ITAT.
- (v) Includes demand of Rs. 6.13 million (Previous Year Nil) towards penalty levied for the A.Y. 1992-93. This matter was decided by the ITAT in favour of the Company. The demand, which was deposited by the Company, has been refunded pursuant to ITAT order. Income tax authorities have preferred an appeal in the High Court against the order by the ITAT. The matter is pending with the High Court. Currently there is no outstanding demand payable for this matter.

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

- i. Includes income tax demand of Rs. 17.49 million (Previous Year Rs. 17.49 million) including interest on tax, relating to A.Y. 1996-97 to A.Y. 2000-01 due to disallowance of depreciation claimed on leased assets. The total amount paid by the Company / adjusted by tax authorities towards above demand aggregates to Rs. 12.56 million (Previous year Rs. 12.56 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 total amount paid by the Company / adjusted by tax authorities towards above demand aggregates to Rs. 4.14 million (Previous year Rs. 4.14 million). 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 total amount paid by the Company / adjusted by tax authorities towards above demand aggregates to Rs. 5.46 million (Previous year Rs. 5.46 million). 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 with the ITAT.

- 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. Recently the Tribunal 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 Tribunal order. Recently the High Court has restored back the matter to the ITAT and matter is pending with the Tribunal.

Further the Assessing Officer has levied a penalty under Section 271(1)(c) of the Income Tax Act 1961, amounting Rs. 10.01 million (Previous year Rs. 10.01 million). The Company preferred an appeal against the above demand and the ITAT has decided the matter in favour of the Company. Currently there is no outstanding demand payable for this matter.

- 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 and professional expenses. The total amount paid by the Company / adjusted by tax authorities towards above demand aggregates to Rs. 8.83 million (Previous year Rs. 8.83 million). Recently the Tribunal 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 Tribunal order. Recently the High Court has restored back the matter to the ITAT and matter is pending with the ITAT.
- v. 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 Tribunal has ruled in favour of the Company and has allowed claim of bad debts. Department may prefer an appeal against the Tribunal's order. The total amount paid by the Company/ adjusted by tax authorities towards above demand aggregates to Rs. 2.86 million (Previous year Rs. 2.86 million).
- vi. 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. The total amount paid by the Company / adjusted by tax authorities towards above demand aggregates to Rs. 0.23 million (Previous year Rs. 0.23 million).
- vii. Includes income tax demand of Rs. 20.14 million (Previous year Rs. 20.14 million) for the 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 the 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.
- viii. 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 Rs. 18.96 million). The CIT (A) has decided the appeal in the Company's favour by allowing the service charges as deductible business expenditure. The Department may prefer an appeal with the ITAT.
Includes income tax demand of Rs. 34.77 million (Previous year Rs. 34.77 million) for the assessment year 2008-09 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. 0.14 million (Previous year NIL). The CIT(A) has decided the appeal in our favour by allowing the service charges as deductible business expenditure. The Department may prefer an appeal with the ITAT.
- ix. Includes income tax demand of Rs. 29.12 million (Previous year NIL) for the A.Y. 2009-10 on account of disallowance of service charges paid to GGCL. The total amount paid by the Company / adjusted by tax authorities towards above demand aggregates to Rs. 3.29 million (Previous year NIL). The Company has preferred an appeal with CIT(A) against the said order.

In respect of subsidiary company, GujaratGas Trading Company Limited:

- i. Income tax demand of Rs. 17.88 million (Previous Year Rs. 12.45 million) for the A.Y. 2008-09 and A.Y. 2009-10 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 total amount paid by the Company / adjusted by tax authorities towards above demand aggregates to Rs. 6.01 million (Previous year NIL). 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 contended that the activities of the Company are chargeable to interest tax and raised a total demand of Rs. 56.40 million for the A.Y. 1995-96 to A.Y. 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. However for A.Y. 1999-2000, CIT(A) ruled against the Company and raised a demand of 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 the 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. Currently there is no outstanding demand payable for this matter.

- (e) Service tax related demand of Rs. 6.80 million (Previous year Nil) on account of disallowance of cenvat credit availed on transportation of natural gas through pipeline for the period from July 2005 to June 2009 issued by Ankleshwar service tax department. The Group has filed an appeal with CESTAT against the said order. The Group has received two more show cause notices issued by Surat service tax department on similar grounds for a total amount of Rs. 108.64 million for the period from June 2005 to September 2010, which may also result in levy of demand on the Group in future.
- (f) The Group 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 Group 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. 442.17 million (Previous year Rs. 285.86 million).
21. The Group has received income tax demand amounting to Rs. 79.21 million (Previous Year Rs. 123.41 million), including interest thereon, due to disallowance of depreciation claimed on assets given on lease for several years. The Group's claim of depreciation on leased asset has been allowed by the High Court for A.Y. 1995-96. During the year, the Department's special leave petition with the Supreme Court against the High Court's order has also been dismissed. Considering that this will have a positive consequential effect on all the subsequent years, demands for tax and interest thereon for the same matter has not been considered as contingent liability in current year.
- 22. Material consumed includes:**
- (a) Rs. 25.09 million (Previous year Rs. 30.25 million) inclusive of VAT towards internal consumption of gas.
- (b) Loss of Rs. 47.61 million (Previous year Gain of Rs. 19.47 million) as foreign exchange fluctuations.
- 23. Obligations on Operating Leases:**
- The Group has taken premises for business and residential use for its employees under cancellable operating lease agreements. The total lease rentals recognised as an expense during the year under the above lease agreements aggregates to Rs. 12.17 million (Previous year Rs. 12.39 million). The lease agreement typically ranges from 1 to 9 years.
24. 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.
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 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, 2011 (Rs. in million)	Year ended December 31, 2010 (Rs. in million)
Opening balance	63.00	51.72
Add: Share in Current Year Profit	13.48	12.69
Less: Share in Proposed Dividend and Corporate Dividend Tax	2.08	1.41
Closing Balance	74.40	63.00

27. Earnings per share:

	Year ended December 31, 2011 (Rs. in million)	Year ended December 31, 2010 (Rs. in million)
Net Profit after tax attributable to the Group (Rs. in million)	2,734.77	2,577.46
Less: Preference Dividend and Corporate Dividend Tax on Preference Dividend (Rs. in million)	12.55	12.55
Net Profit attributable to Equity Shareholders (Rs. in million)	2,722.22	2,564.91
Weighted average number of equity shares outstanding during the year (No. in million)	128.25	128.25
Basic earnings per share of Rs 2/- each (in Rs.)	21.23	20.00

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 Group's joint venture "Petroleum Infrastructure Limited" (incorporated in India with 50% stake being held by the Group) is under liquidation. Therefore, the Group's interest in the joint venture 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". Thus, the investment has been written down to the realizable value.

In case of another joint venture, Sensus Metering Systems India Limited (incorporated in India with 49% stake being held by the Group), the assets of the joint venture have been liquidated and all liabilities have been paid off. The resultant proceeds of joint venture have been distributed to the Group, during the financial year ended on December 31, 2010, which was higher than the carrying value of investment (net of provision made in earlier years for diminution in the value of the investment). Further, it has been dissolved with effect from 20th January 2012 as per the order of the Honourable High Court of Judicature at Bombay, Mumbai.

29. The Group 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 Group.

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. IDBI Trusteeship Services Limited has been entrusted with the trusteeship 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 was approved. 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 realised 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, 2011 is as follows :

	Year ended December 31, 2011		Year ended December 31, 2010	
	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	1,786,000	142	1,663,000	99
Add : Options granted during the year	84,000	337	403,000	285
Less : Options forfeited during the year	107,000	213	-	-
Less : Options expired during the year	-	-	-	-
Less : Options exercised during the year	434,250	99	280,000	95
Options outstanding at end of the year	1,328,750	162	1,786,000	142

Note:

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 28 April 2011 is Rs. 120.38 per option. The weighted average remaining contractual life of options outstanding as on December 31, 2011 is 2.80 years (Previous year 3.46 years).

In accordance with the Guidance Note on Accounting for Employee Share-based Payments issued by the Institute of Chartered Accountants of India and the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 issued by the Securities Exchange Board of India, an amount of Rs. 25.55 million (Previous year Rs. 25.91 million) has been recognised as an expense in Staff Welfare Expenses (Schedule 15) and corresponding liability has been disclosed as Stock Options Outstanding Account (Schedule 2). The balance of Rs. 48.51 million (Previous year Rs. 37.96 million) in Stock Options Outstanding Account (Schedule 2) represents the amortised cost of stock options outstanding. As at December 31, 2011, the Group has made a partial advance of Rs. 302.43 million (Previous year Rs. 343.02 million) on an estimated basis to the Trust for the purchase of shares equivalent to the number of options granted which is utilised for the purpose.

During the year, the Group has adjusted loss of Rs. 12.45 million (Previous year Gain of Rs. 1.91 million) 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, 2011:

(i) Disclosures for Defined Contribution Plans		(Rs. in million)
	Year ended December 31, 2011	Year ended December 31, 2010
Employer's contribution to Provident Fund	25.85	20.85
(ii) Disclosures for Defined Benefit Plans - Gratuity (Funded)		(Rs. in million)
	Year ended December 31, 2011	Year ended December 31, 2010
Change in the defined benefit obligations		
Defined benefit obligation as at beginning of the year	80.02	65.50
Service cost	8.42	6.93
Interest cost	6.91	5.51
Actuarial loss / (gain)	8.16	2.72
Benefits paid	(0.97)	(0.64)
Defined benefit obligation as at year end	102.54	80.02
Change in plan assets		
Fair value of plan assets as at beginning of the year	69.79	55.13
Expected return on plan assets	6.66	5.62
Contributions by employer	11.58	9.72
Actuarial (loss) / gain	(8.83)	(0.04)
Benefits paid	(0.97)	(0.64)
Fair value of plan assets as at year end	78.23	69.79
Present value of unfunded obligations	24.31	10.23
The Net amount recognized in the statement of Profit & Loss is as follows		
Current Service cost	8.42	6.93
Interest cost	6.91	5.51
Expected return on plan assets	(6.66)	(5.62)
Net actuarial loss / (gain) recognised	16.99	2.76
Net amount recognised	25.66	9.58
Actual return on Plan Assets	(2.17)	5.58
The major categories of plan assets as a percentage of total plan assets as at year end are as follows:		
Insurer Managed Funds	100%	100%
The principal actuarial assumptions used are as follows		
Discount Rate	8.65%	8.40%
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.



(iii) Disclosures for Defined Benefit Plans - Leave Encashment (Unfunded)

(Rs. in million)

	Year ended December 31, 2011	Year ended December 31, 2010
Change in the defined benefit obligations		
Defined benefit obligation as at beginning of the year	40.24	32.96
Service cost	3.60	3.71
Interest cost	3.48	2.77
Actuarial loss/(gain)	3.88	1.46
Benefits paid	(0.83)	(0.66)
Defined benefit obligation as at year end	50.37	40.24
The Net amount recognized in the statement of Profit & Loss is as follows		
Current Service cost	3.60	3.71
Interest cost	3.48	2.77
Net actuarial loss/(gain) recognised	3.88	1.46
Net amount recognised	10.96	7.94
The principal actuarial assumptions used are as follows		
Discount Rate	8.65%	8.40%
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 31-12-2011	Year ended 31-12-2010	Year ended 31-12-2009	Year ended 31-12-2008	Year ended 31-12-2007
Present Value of defined benefit obligation as at beginning of the year	80.02	65.50	52.87	38.54	35.45
Current Service cost	8.42	6.93	5.92	5.33	4.11
Interest Cost	6.91	5.51	4.36	2.89	2.89
Actuarial (Gains) / Loss	8.16	2.72	3.50	8.14	(0.51)
Benefits Paid	(0.97)	(0.64)	(1.15)	(2.03)	(3.40)
Present Value of defined benefit obligation as at end of the year	102.54	80.02	65.50	52.87	38.54

Change in plan assets - Gratuity (Funded)

(Rs. in million)

	Year ended 31-12-2011	Year ended 31-12-2010	Year ended 31-12-2009	Year ended 31-12-2008	Year ended 31-12-2007
Fair value of plan assets as at beginning of the year	69.79	55.13	37.29	32.65	24.21
Expected return on plan assets	6.66	5.62	4.16	3.32	2.70
Contributions by employer	11.58	9.72	10.53	8.96	6.80
Actuarial (Loss) / Gain	(8.83)	(0.04)	4.30	(5.60)	2.04
Benefits paid	(0.97)	(0.64)	(1.15)	(2.04)	(3.10)
Fair value of plan assets as at year end	78.23	69.79	55.13	37.29	32.65
Present value of unfunded obligations	24.31	10.23	10.37	15.58	5.89

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

	Year ended 31-12-2011	Year ended 31-12-2010	Year ended 31-12-2009	Year ended 31-12-2008	Year ended 31-12-2007
Present Value of defined benefit obligation as at beginning of the year	40.24	32.96	27.27	22.66	17.39
Current Service cost	3.60	3.71	2.27	2.05	4.87
Interest Cost	3.48	2.77	2.25	1.70	1.42
Actuarial (Gains) / Loss	3.88	1.46	2.11	2.43	1.62
Benefits Paid	(0.83)	(0.66)	(0.94)	(1.57)	(2.64)
Present Value of defined benefit obligation as at end of the year	50.37	40.24	32.96	27.27	22.66

- (v) Contributions expected to be paid to the Gratuity plan during the year ending December 31, 2012 can not be ascertained at this stage.

**33. Related Party Transactions :**

The Group is controlled by BG Asia Pacific Holdings Pte. Limited which owns 65.12% of the Gujarat Gas Company Limited'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, 2011	Year ended December 31, 2010
BG International Limited	Under common control	Expense : Reimbursement of salary for seconded personnel (Paid) (including Tax Deducted at Source)	9.08	14.63
		Reimbursement of Software License charges	7.30	6.62
		Income : Service charges for secondment of employees	7.70	-
		Reimbursement of Expenses (Received)	1.54	-
		Amount payable at the year end	133.75	128.55
BG Asia Pacific Holdings Pte. Limited	Holding company	Dividend paid - Equity	1,837.26	668.09
		- Preference	10.80	10.80
		Share Capital held - Equity	167.03	167.03
		- Preference	144.00	144.00
Sensus Metering Systems India Limited	Joint Venture	Provision no logner required written back	-	0.86
BG Energy Holdings Limited	Under common control	Commission on purchases* Commission on corporate guarantee given to supplier* *Included in gas purchases	3.76 1.22	6.06 2.34
		Amount payable at the year end	3.69	16.13
Petroleum Infrastructure Limited	Joint Venture	Bad debts recovered Investment at year end Provision for diminution in value of investment	- 75.00 75.00	0.50 75.00 75.00
Mahanagar Gas Limited	Under common control	Sale of material	5.04	-
BG India Energy Solutions Private Limited	Under common control	Purchase of Natural Gas (Net of VAT) Amount payable at the year end	10,819.00 772.90	4,399.18 410.95



(Rs. in million)

Name of the Related Party	Nature of Relationship	Nature of Transaction	Year ended December 31, 2011	Year ended December 31, 2010
BG Exploration and Production India Limited	Under common control	Income: Service charges for secondment of employees	14.67	10.50
		Reimbursement of Expenses (Received)	2.46	3.57
		Expenses: Legal and Professional	82.35	61.70
		Reimbursement of Expenses (Paid)	8.59	7.46
		Amount payable at the year end	64.51	55.41
Shaleen Sharma	Key Management Personnel	Remuneration as Managing Director	17.00	17.03
Nirja Sharma	Relative of Key Management Personnel	Lease Rent paid	-	0.09
Gujarat Gas Company Limited Employee Stock Option Welfare Trust	Enterprise controlled by the Company	Advance paid for purchase of shares (Net) Amount received for options exercised [Excluding adjustment of Rs. 27.45 million (Previous year Rs. 7.32 million) on account of exercise of option during the year] Amount Receivable at the year end	- 13.15 302.42	107.34 - 343.02
Gujarat Gas Company Limited Employees Gratuity Trust Fund	Enterprise controlled by the Company	Contribution paid	11.58	9.72

Note:

The above do not include BG North Sea Holdings Limited and BG Energy Holdings Limited, who are holding company of BG Asia Pacific Holdings Pte. Limited but with whom no transaction have occurred during the year.



	Year ended December 31, 2011 (Rs. in million)	Year ended December 31, 2010 (Rs. in million)
34. Deferred Tax :		
(A) The movement in deferred tax account is as follows:		
Opening Balance	669.08	560.26
Provision for current year deferred tax liability (Net)	69.91	66.96
Adjustment for prior year (with provision for taxation)	-	41.86
Closing Balance	<u>738.99</u>	<u>669.08</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	824.50	773.53
Deferred Tax Assets	<u>(85.51)</u>	<u>(104.45)</u>
	<u>738.99</u>	<u>669.08</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	824.50	773.53
TOTAL (A)	<u>824.50</u>	<u>773.53</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	7.13	7.72
Provision for diminution in the value of Fixed assets / Capital Work in Progress	11.42	44.65
Expenditure under Section 43B of the Income Tax Act	66.96	52.08
TOTAL (B)	<u>85.51</u>	<u>104.45</u>
Net Deferred Tax Liability	<u>TOTAL (A-B)</u>	<u>669.08</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 :

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, 2011				Year ended December 31, 2010				(Rs. in million)
	Gross Investment in the lease	Unearned Finance Income	Taxes	Present Value of Minimum Lease Payments receivable	Gross Investment in the lease	Unearned Finance Income	Taxes	Present Value of Minimum Lease Payments receivable	
Total	39.35	4.27	1.06	34.02	92.08	16.26	2.85	72.97	
Out of the above, receivable:									
Not Later than 1 year	29.59	-	-	25.17	42.64	-	-	30.67	
Later than 1 year and not later than 5 years	9.76	-	-	8.85	49.44	-	-	42.30	
Later than 5 years	-	-	-	-	-	-	-	-	

ii) Asset given on operating lease :

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, which are cancellable.

	Year ended December 31, 2011 Rs. in million	Year ended December 31, 2010 Rs. in million
--	---	---

36. Pursuant to AS 29, the disclosure relating to Provisions are given below:

Opening Balance	53.34	51.16
Additions during the Year	2.18	2.18
Closing Balance	55.52	53.34

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	11.71	13.67
- Allowances	0.63	1.16
- Perquisites	0.91	0.94
- Contribution to P.F. and other funds	3.75	1.26
	17.00	17.03
ii) Commission to Non Whole Time Directors	3.10	3.10
iii) Directors' Sitting Fees	1.02	0.96

38. The provision for income tax has been calculated based on income earned during the year ended December 31, 2011 in accordance with Guidance Note on measurement of Income Tax expense for Interim Financial Reporting. However, the tax year end of the Companies being March 31, 2012 the ultimate liability for the Assessment Year 2012-13 will be determined based on the total income of the Companies for the year ending March 31, 2012. The provision for wealth tax has been made based on the net wealth as on December 31, 2011. However the ultimate liability for the Assessment Year 2012-13 will be determined based on the net wealth as on March 31, 2012.

39. Disclosures as required by the Micro, Small and Medium Enterprises Development Act, 2006 are as under:

	(Rs. in million)	
Particulars	Year ended December 31, 2011	Year ended December 31, 2010
The principal amount remaining unpaid as at the end of accounting year [Including Interest due thereon - Rs. 0.11 million (Previous year - Rs. 0.08 million)]	16.31	14.11
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*	0.11	0.08
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: 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.** The Group has made an 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 has been exploring options of utilising this investment. The Board of Directors, in this regard, has now approved the sale of these assets. The management is of the opinion that there is more than reasonable certainty of monetising these assets in the near future through an outright sale. Hence, the impairment provision of Rs. 105.04 million (Previous Year Rs. 105.04 million) lying in the books of accounts against these assets, has been reversed and the investment is now being held for disposal.
- 41.** One of the subsidiary company Gujarat Gas Financial Services Limited (GFSL) had applied for de-registration as a Non Banking Financing Company (NBFC) with the Reserve Bank of India (RBI), vide application dated June 8, 2010. GFSL has ceased the leasing and financing activities since the year 2007. RBI approved the de-registration vide order dated April 28, 2011.
- Since GFSL was registered as NBFC, GFSL had been following the prudential norms and other requirements (including transfer of 20 % of PAT to a special reserve as per section 45IC of the Reserve Bank of India Act, 1934) till the time of de-registration. Considering that the provisions of NBFC are no longer applicable to GFSL, the amount set aside as Special Reserve has been transferred to General Reserve.
- 42.** 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.
- 43.** 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.
- 44.** 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 : Gurgaon
Date : February 23, 2012

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 23, 2012

Auditors' Report To the Members of Gujarat Gas Company Limited

1. We have audited the attached Balance Sheet of Gujarat Gas Company Limited (the "Company") as at December 31, 2011, 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 (together the "Order"), 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 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, as on December 31, 2011 and taken on record by the Board of Directors, none of the directors is disqualified as on December 31, 2011 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, 2011;
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (ii) 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 : Gurgaon
Date : February 23, 2012

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, 2011]

- i) a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.
- b) The fixed assets (excluding assets given on leases) are physically verified by the Management according to a phased programme designed to cover all the items over a period of 3 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 of 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 substantially 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, 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) According to the information and explanations given to us, there have been no contracts or arrangements referred to in Section 301 of the Act during the year to be entered in the register required to be maintained under that Section. Accordingly, the question of commenting on transactions made in pursuance of such contracts or arrangements does not arise.
- 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 dues of taxes as at December 31, 2011 which have not been deposited on account of a dispute, are 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	Income Tax and interest thereon	3.96	Assessment Year 2008-09	CIT (Appeals)
Finance Act, 1994	Service Tax	6.80	2005-2009	CESTAT
Central Excise Act, 1944	Excise Duty	0.63	October 2006	Commissioner (Appeals)

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

- x) The Company has no accumulated losses as at December 31, 2011 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 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 provisions 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 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

Place : Gurgaon
Date : February 23, 2012

V. Nijhawan
Partner
Membership Number: F87228



BALANCE SHEET AS AT DECEMBER 31, 2011

	Schedule	Rs. in million	As at 31-12-2011 Rs. in million	As at 31-12-2010 Rs. in million
SOURCES OF FUNDS				
SHAREHOLDERS' FUNDS				
Capital	1	400.50		400.50
Stock Options Outstanding Account	2	48.51		37.96
Reserves and Surplus	3	7,346.20		7,911.61
			7,795.21	8,350.07
			800.52	718.52
DEFERRED TAX LIABILITY (Net)				
(Refer Notes 12 and 29 on Schedule 19)				
DEPOSITS				
(Refer Note 47 on Schedule 19)				
From Customers		2,525.19		2,034.81
From GAIL (India) Limited		38.69		38.69
			2,563.88	2,073.50
			11,159.61	11,142.09
TOTAL				
APPLICATION OF FUNDS				
FIXED ASSETS				
Gross Block	4	10,606.94		9,669.54
Less : Depreciation		3,748.47		3,181.42
Less : Impairment Loss		-		29.37
		6,858.47		6,458.75
Less : Lease Terminal Adjustment Account		118.86		118.86
Net Block		6,739.61		6,339.89
Capital work in progress		1,084.88		780.23
Capital Inventory		449.85		517.68
			8,274.34	7,637.80
INVESTMENTS	5		4,903.14	5,348.74
AMOUNT RECOVERABLE FROM ESOP TRUST			302.42	343.02
(Refer Note 26 on Schedule 19)				
CURRENT ASSETS, LOANS AND ADVANCES				
Inventories	6	157.51		105.91
Lease Receivables	7	34.02		72.97
Sundry Debtors	8	1,839.08		1,411.17
Cash and Bank Balances	9	92.64		48.59
Loans and Advances	10	148.48		156.89
		2,271.73		1,795.53
LESS: CURRENT LIABILITIES AND PROVISIONS				
Current Liabilities	11	2,658.35		2,076.67
Provisions		1,933.67		1,906.33
		4,592.02		3,983.00
NET CURRENT ASSETS			(2,320.29)	(2,187.47)
MISCELLANEOUS EXPENDITURE	12		-	-
(To the extent not written off or adjusted)				
TOTAL			11,159.61	11,142.09
Significant Accounting Policies and Notes to Accounts	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 : Gurgaon

Date : February 23, 2012

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 23, 2012

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2011

	Schedule	Rs. in million	Year ended 31-12-2011 Rs. in million	Year ended 31-12-2010 Rs. in million
INCOME:				
Income from Operations (Gross)	13	24,556.80		18,745.69
Less : Excise Duty on Gas Sales		397.36		285.35
Income from Operations (Net)		24,159.44		18,460.34
Other Income	14	544.99		216.60
			24,704.43	18,676.94
EXPENDITURE:				
Material consumed / processed (Refer Note 19, 25 and 39 on Schedule 19)		18,396.78		12,866.44
Personnel Expenses	15	603.63		495.23
Operating and Other Expenses	16	1,207.39		968.01
Depreciation		593.33		530.66
Finance Charges	17	1.49		4.62
Deferred Revenue Expenditure Written off		-		0.89
			20,802.62	14,865.85
Profit before Taxes			3,901.81	3,811.09
Tax Expense	18		1,163.00	1,223.80
Profit after Taxes			2,738.81	2,587.29
Profit brought forward			5,842.33	5,315.26
Profit available for Appropriations			8,581.14	7,902.55
APPROPRIATIONS :				
Proposed Dividend				
- Preference Shares			10.80	10.80
- Equity Shares			1,539.00	1,539.00
Corporate Dividend Tax on Proposed Dividend			251.42	251.42
Interim Dividend			1,282.50	-
Corporate Dividend Tax on Interim Dividend			208.05	-
Transfer to General Reserve			274.00	259.00
Profit Carried Forward			5,015.37	5,842.33
			8,581.14	7,902.55
Basic / Diluted Earnings per Share of Rs. 2/- each (Rs.)				
(Refer Notes 11 and 22 on Schedule 19)			21.26	20.08
Significant Accounting Policies and Notes to Accounts 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 : Gurgaon
Date : February 23, 2012

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 23, 2012

**CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2011**

	Year ended 31-12-2011 Rs. in million	Year ended 31-12-2010 Rs. in million
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Net Profit before Tax	3,901.81	3,811.09
Adjustments for:		
Depreciation for the year	593.33	530.66
Provision for Gratuity	13.85	(0.25)
Provision for Leave Encashment	10.03	7.21
Provision for Diminution in the value of Fixed Assets / Capital Work in Progress	35.21	10.03
(Profit) / Loss on sale of Fixed Assets (Net)	6.79	5.92
Provision for Doubtful Debts	-	2.00
Provision for Stock Options Account	25.55	25.91
Provision for Wealth Tax	0.40	0.40
Other Provisions	2.18	2.18
Bad Debts written off	2.01	-
Provision / write off for inventory obsolescence	2.49	2.46
Deferred Revenue Expenditure written off	-	0.89
Interest Expense	1.49	4.62
Inventory written back	(28.42)	-
Profit on sale of investment (Net)	(51.37)	(18.12)
Provisions / Liabilities no longer required written back	(108.94)	(0.91)
Tax Deducted at Source (TDS) on Income Received	(7.41)	(5.55)
Dividend Income	(301.30)	(152.82)
Interest Income	(34.13)	(21.37)
Operating Profit before working capital changes	4,063.57	4,204.35
Adjustments for changes in working capital		
(Increase)/Decrease in Sundry Debtors	(429.92)	(274.20)
(Increase)/Decrease in Amount Recoverable from ESOP trust	13.15	(107.34)
(Increase)/Decrease in Loan and Advances	12.74	188.72
(Increase)/Decrease in Inventories	(25.67)	2.54
Increase/(Decrease) in Current Liabilities	556.39	44.73
Cash generated from operations	4,190.26	4,058.80
Taxes paid (Net of refunds & TDS)	(1,078.32)	(1,209.82)
Net Cash from Operating Activities	3,111.94	2,848.98
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(1,170.43)	(1,188.68)
Sale of Fixed Assets	23.02	14.50
Purchase of Investments	(27,944.05)	(19,499.09)
Sale of Investments	28,441.02	18,290.01
Net investment in Finance Lease (Net of Capital Recovery)	38.95	26.48
Interest received	34.13	21.37
Dividends received	301.30	152.82
Net Cash used in Investing Activities	(276.06)	(2,182.59)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Deposits accepted during the year (Net)	490.38	520.00
Interest Paid	(1.49)	(4.62)
Dividend Paid (including Corporate Dividend Tax)	(3,280.72)	(1,205.34)
Net Cash generated from / (used in) Financing Activities	(2,791.83)	(689.96)

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

Balances with Scheduled Banks :

- In Current Accounts

- In Dividend Accounts

(Refer note C below)

Total Cash and Cash Equivalents as per Cash Flow Statement

Year ended 31-12-2011 Rs. in million	Year ended 31-12-2010 Rs. in million
44.05	(23.57)
48.59	72.16
92.64	48.59
0.13	0.20
71.95	38.88
20.56	9.51
92.64	48.59

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 outflows. Fixed Assets / Capital Work in Progress

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

For Price Waterhouse
Firm Registration Number – 301112E
Chartered Accountants

V. Nijhawan
Partner
Membership No. F87228

Place : Gurgaon
Date : February 23, 2012

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 23, 2012



SCHEDULES FORMING PART OF BALANCE SHEET

	As at 31-12-2011 Rs. in million	As at 31-12-2010 Rs. in million
SCHEDULE - 1		
SHARE CAPITAL		
Authorised		
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
TOTAL	450.00	450.00
Issued, Subscribed and Paid up		
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 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]	144.00	144.00
TOTAL	400.50	400.50
SCHEDULE - 2		
STOCK OPTIONS OUTSTANDING ACCOUNT (Refer Note 26 on Schedule 19)		
Stock Options Outstanding Account	79.38	92.90
Less : Deferred Stock Option Outstanding Account	30.87	54.94
TOTAL	48.51	37.96
SCHEDULE - 3		
RESERVES AND SURPLUS		
GENERAL RESERVE		
As per last Balance Sheet	2,069.28	1,808.37
Add : Transferred from Profit and Loss Account	274.00	259.00
Add/(Less) : Adjustment to Amount recoverable from ESOP Trust (Refer Note 26 on Schedule 19)	(12.45)	1.91
	2,330.83	2,069.28
PROFIT AND LOSS ACCOUNT	5,015.37	5,842.33
TOTAL	7,346.20	7,911.61

GUJARAT GAS COMPANY LIMITED

SCHEDULES FORMING PART OF BALANCE SHEET

SCHEDULE - 4

FIXED ASSETS

(Refer Notes 2,3,9,13,17,20,31(ii) and 45 on Schedule 19)

(Rs. in million)

Particulars	GROSS BLOCK			DEPRECIATION			IMPAIRMENT LOSS			NET BLOCK		
	As at 01-01-2011	Additions For the year	Deduction/ Adjustments For the year	As at 31-12-2011	For the year	Deduction/ Adjustments For the year	As at 31-12-2011	As at 01-01-2011	For the year	Adjustments/ Reversals	As at 31-12-2011	As at 31-12-2010
Tangible Assets:												
Land (Refer Note 1 below)	343.14	21.39	(37.34)	-	-	-	-	-	-	-	-	343.14
Buildings	335.39	3.61	-	58.63	8.17	-	66.80	-	-	-	-	276.76
Plant and Machinery	8,15,405	919.35	11.94	2,82,630	530.60	4.46	3,35,244	-	-	-	-	5,32,775
Furniture, Fixtures and Fittings	67.41	4.29	1.22	28.90	5.67	1.23	33.34	-	-	-	-	38.51
Vehicles	112.01	13.78	9.25	40.15	11.91	5.41	46.65	-	-	-	-	71.86
Assets given on Finance Lease (Prior to April 1, 2001)												
Plant and Machinery	279.63	-	-	85.83	-	-	85.83	-	-	-	-	193.80
Asset given on Operating Lease (After April 1, 2001)												
Plant and Machinery (Refer Note 2 below)	130.87	-	63.05	46.57	7.02	15.18	38.41	29.37	-	29.37	-	54.93
Intangible Assets:												
Software / License	185.70	60.44	-	95.04	29.96	-	125.00	-	-	-	-	90.66
Right of use of Land	61.34	-	37.34	-	-	-	-	-	-	-	-	61.34
	9,66,954	1,02,286	85.46	3,18,142	593.33	26.28	3,74,847	29.37	-	29.37	6,85,847	6,45,875
(Less) / Add:												
Lease Terminal Adjustment	-	-	-	118.86	-	-	118.86				(118.86)	(118.86)
TOTAL	9,66,954	1,02,286	85.46	3,30,028	593.33	26.28	3,86,733	29.37	-	29.37	6,73,961	6,33,989
Capital Work in Progress (Refer Notes 3 & 5 below)											1,08,488	78,023
Capital Inventory (Refer Note 4 below)											44,985	51,768
TOTAL	9,66,954	1,02,286	85.46	3,30,028	593.33	26.28	3,86,733	29.37	-	29.37	-	7,63,780
Previous Year	8,58,093	1,15,347	64.86	2,80,532	530.66	35.70	3,30,028	34.63	10.03	15.29	29.37	6,33,989

NOTES :

- Land includes Leasehold Land Rs. 0.18 million (Previous year Rs. 0.18 million).
- Assets given on Operating lease include Natural gas fired cogeneration unit at its net realisable value of Rs. 13.73 million (Previous year Rs. 18.51 million) for which agreement to lease has been terminated.
- Capital Work in Progress includes Capital Advances Rs. 141.94 million (Previous year Rs. 137.21 million). Capital Advances are net of provision for doubtful recovery of Rs. 35.21 million (Previous year Nil).
- Capital Inventory includes material in transit amounting to Rs. 63.99 million (Previous year Rs. 63.69 million).
- Capital Work in Progress includes certain assets of Rs. 254.90 million (Previous year Nil) which are held for disposal.



SCHEDULES FORMING PART OF BALANCE SHEET

	Rs. in million	As at 31-12-2011 Rs. in million	As at 31-12-2010 Rs. in million
SCHEDULE - 5			
INVESTMENTS			
(Refer Notes 4, 24 and 30 on Schedule 19)			
A Long Term Investments :			
(At Cost)			
Equity Shares			
Trade -Unquoted	100.27		100.27
Less: Provision	75.00		75.00
Long Term Investments (A)		25.27	25.27
B Current Investments :			
(At Cost and Fair market value whichever is lower, determined categorywise)			
Other than Trade (Unquoted)			
Units of Mutual Funds		4,877.87	5,323.47
Current Investment (B)		4,877.87	5,323.47
Total Investment (A+B)		4,903.14	5,348.74
Aggregate cost of Unquoted Investments		4,978.14	5,423.74
SCHEDULE - 6			
INVENTORIES			
(Refer Note 5 on Schedule 19)			
Stores and Pipe Fittings		157.51	105.91
TOTAL		157.51	105.91
SCHEDULE - 7			
LEASE RECEIVABLES			
(Refer Note 31 (i) on Schedule 19)			
(Unsecured - considered good, unless otherwise stated)			
Lease Receivables		34.02	72.97
- Considered Good			
TOTAL		34.02	72.97
SCHEDULE - 8			
SUNDRY DEBTORS			
For Sales and Service Charges			
Secured - Considered Good			
Exceeding Six Months		9.92	3.73
Others		1,211.08	1,061.79
Unsecured - Considered Good			
Exceeding Six Months		3.29	0.77
Others		614.79	344.88
[includes Rs. 400.96 million]			
(Previous year Rs. 269.57 million) secured by bank guarantees]			
Unsecured - Considered Doubtful			
Exceeding Six Months	21.97		23.26
Less: Provision for Doubtful Debt	21.97		23.26
TOTAL		1,839.08	1,411.17

SCHEDULES FORMING PART OF BALANCE SHEET

	Rs. in million	As at 31-12-2011 Rs. in million	As at 31-12-2010 Rs. in million
SCHEDULE - 9			
CASH AND BANK BALANCES			
Cash in hand		0.13	0.20
Balances with Scheduled Banks :			
- In Current Accounts		71.95	38.88
- In Dividend Accounts		20.56	9.51
TOTAL		92.64	48.59
SCHEDULE - 10			
LOANS AND ADVANCES			
(Unsecured - considered good, unless otherwise stated)			
Advances recoverable in Cash or in kind or for value to be received		67.23	73.20
Deposit recoverable		24.08	18.63
Balance due with Government Authorities		21.25	27.92
Advance payment of tax and tax deducted at source	7,153.74		6,073.56
Less: Provision for Taxation	7,117.82		6,036.42
TOTAL		35.92	37.14
		148.48	156.89
SCHEDULE - 11			
CURRENT LIABILITIES AND PROVISIONS			
(A) CURRENT LIABILITIES			
Sundry Creditors			
- Dues to Micro and Small Enterprises (Refer Note 44 on Schedule 19)	14.83		13.83
- Other Creditors	1,934.68		1,475.58
		1,949.51	1,489.41
Deferred Revenue (Refer Note 8(c) on Schedule 19)		13.64	13.64
Deposit From Collection Centres and Others		25.38	22.55
Advance From Customers		328.98	93.12
Dues to Subsidiaries		199.71	161.91
Investor Education and Protection Fund*			
- Unpaid Dividend		20.56	9.51
Other Liabilities		120.57	286.53
		2,658.35	2,076.67
* To be credited to Investor Education and Protection Fund, when due.			
(B) PROVISIONS			
Proposed Dividend		1,801.22	1,801.22
[Including Corporate Dividend Tax Rs. 251.42 million (Previous year Rs. 251.42 million)]			
Gratuity and Leave encashment		75.89	50.73
[Includes short term employee benefit Rs. 2.70 million (Previous year Rs. 1.42 million)]			
(Refer Note 27 (ii and iii) on Schedule 19)			
Other Provisions (Refer Note 32 on Schedule 19)		55.52	53.34
Provision for Fringe Benefit Tax	33.60		33.60
Less: Advance Payment of Tax	32.56		32.56
TOTAL		1.04	1.04
		1,933.67	1,906.33
		4,592.02	3,983.00



SCHEDULES FORMING PART OF BALANCE SHEET

	Rs. in million	As at 31-12-2011 Rs. in million	As at 31-12-2010 Rs. in million
SCHEDULE - 12			
MISCELLANEOUS EXPENDITURE			
(Refer Note 14 on Schedule 19)			
Voluntary Retirement Scheme:			
Opening Balance	-		0.89
Less: Written Off during the year	-		0.89
		-	-
TOTAL		-	-

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

	Rs. in million	Year ended 31-12-2011 Rs. in million	Year ended 31-12-2010 Rs. in million
SCHEDULE - 13			
INCOME FROM OPERATIONS			
(Refer Note 8 on Schedule 19)			
Natural Gas Sales (Gross)		24,216.45	18,421.70
Gas Transmission Income		165.54	174.39
Service and Fitting Income (Net)		144.37	110.80
Lease Income		21.43	24.20
Income from Finance Leases		9.01	14.60
TOTAL		24,556.80	18,745.69
SCHEDULE - 14			
OTHER INCOME			
Income from Investments			
(Refer Note 8(f) on Schedule 19)			
Long Term			
Dividend from Subsidiary Company		2.80	2.10
Dividend from Trade Investment		4.00	6.14
Current			
Dividend from Mutual Funds		294.50	144.58
Interest on Others (including Customers and Staff advances)		34.13	21.37
[Gross, Tax deducted at source Rs. 0.03 million (Previous year Rs. 0.02 million)]			
Profit on Sale of Current Investments	51.58		32.45
Less : Loss on Sale of Current Investments	(0.21)		(14.33)
		51.37	18.12
Provisions / Liabilities no longer required written back		108.94	0.91
Foreign Exchange Fluctuations Gain (Net)		0.24	1.14
Miscellaneous Income		49.01	22.24
TOTAL		544.99	216.60

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

	Rs. in million	Year ended 31-12-2011 Rs. in million	Year ended 31-12-2010 Rs. in million
SCHEDULE - 15			
PERSONNEL EXPENSES			
(Refer Note 7 on Schedule 19)			
Salaries, Wages and Bonus		496.66	415.75
(Refer Note 27 (iii) on Schedule 19)			
Contribution to Provident and Other Funds		51.12	30.19
(Refer note 27 (i) & (ii) on Schedule 19)			
Welfare Expenses		55.85	49.29
(Refer note 26 on Schedule 19)			
TOTAL		603.63	495.23
SCHEDULE - 16			
OPERATING AND OTHER EXPENSES			
Stores and Chemicals consumed		31.34	39.95
Power and Fuel		202.24	174.87
Rent		68.91	30.02
Rates and Taxes		2.64	2.61
Repairs :			
- To Buildings	5.16		6.41
- To Plant and Machinery	167.60		147.11
- To Others	108.09		92.30
		280.85	245.82
Insurance		18.78	15.07
Printing and Stationery		7.70	9.05
Advertisement Expenses		14.34	13.88
Communication Expenses		25.16	17.79
Vehicle Hire Charges		69.01	45.81
Travelling Expenses		34.94	25.32
Donation		5.37	2.39
Legal, Professional and Consultancy Expenses		148.07	127.62
Loss on Sale of Fixed Assets (Net)		6.79	5.92
Bad debts / Advances written off		2.01	-
Wealth Tax		0.40	0.40
Other Provisions		2.18	2.18
(Refer Note 32 on Schedule 19)			
Provision for Doubtful Debts		-	2.00
Provision for Diminution in the value of Fixed Assets / Capital Work in Progress		35.21	-
Assets written off		-	10.03
Provision / write off for inventory obsolescence		2.49	2.46
Service Charges		120.57	88.51
Agency & Contract Staff Expenses (including security service charges)		52.07	45.22
Miscellaneous Expenses		76.32	61.09
TOTAL		1,207.39	968.01

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

		Year ended 31-12-2011 Rs. in million	Year ended 31-12-2010 Rs. in million
SCHEDULE - 17			
FINANCE CHARGES			
Interest - Others		1.49	4.62
TOTAL		1.49	4.62
SCHEDULE - 18			
TAX EXPENSE			
(Refer Notes 12, 29 and 43 on Schedule 19)			
Current Income tax		1,081.00	1,152.00
Deferred Income tax		82.00	71.80
TOTAL		1,163.00	1,223.80

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 operating 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 the asset.
- (c) No depreciation is being charged on Right of Use of Land being perpetual in nature.
- (d) Licenses / Softwares are amortised 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 recorded at exchange rates prevailing on the transaction date. At the Balance Sheet date, monetary assets and monetary liabilities denominated in foreign currency are translated at the applicable exchange rates prevailing on the Balance Sheet date and the resultant exchange difference, if any, is recognized in the Profit & Loss Account. Exchange differences, if any, arising on settlement of transactions are recognized as income or expense in the year in which they arise.

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 recognised 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 recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised 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 recognised 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 the 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) is recognised on sale of gas to customers from retail outlets.

(b) Gas transmission income is recognised 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 recognised 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 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 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 recognised on the basis of certainty of collection.

9. 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.

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 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 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 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' 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 had been amortised in equal installments from the year in which the same was incurred till periods ended December 31, 2010 in accordance with the transitional provision of Accounting Standard – 15 on 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. 14.51 million (Previous year Rs. 13.57 million).
- (b) Claims of Rs. 29.98 million (Previous year Rs. 27.92 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. 79.49 million (Previous year Rs. 62.19 million)
 - (i) Includes income tax demand (and interest thereon) of Rs. 38.09 million (Previous year Rs. 38.09 million) relating to Assessment Years 1999-2000 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. 38.09 million (Previous year Rs. 38.09 million) has been paid under protest.
Similar disallowances for A.Y. 1998-99 and A.Y. 2000-01 have been decided by the ITAT in favour of the Company. The appeal for A.Y. 1999-2000 is pending with the ITAT.
 - (ii) Includes income tax demand (and interest thereon) for Rs. 16.32 million (Previous year Rs. 11.68 million) for disallowances under Section 14A on account of expenditure incurred for earning exempt income for A.Y. 2004-05, A.Y. 2005-06, A.Y. 2006-07, A.Y. 2007-08 and A.Y. 2008-09. The total amount paid by Company / adjusted by tax authorities on account of above demand aggregates to Rs. 13.08 million (Previous Year Rs. 7.99 million). The appeal for A.Y. 2005-06, A.Y. 2006-07 and A.Y. 2007-08 has been partially decided in Company's favour by CIT(A) by deleting disallowance as per Rule 8D. Now appeal is pending with ITAT for A.Y. 2004-05, A.Y. 2005-06, A.Y. 2006-07 and A.Y. 2007-08.
For A.Y. 2000-01 the ITAT has disallowed the similar expenses under Section 14A and has instructed the Assessing Officer to re-examine the tax levy as per Rule 8D of the Income Tax Rules, 1962 and hence the amount cannot be quantified at this stage. The Company has preferred an appeal with the High Court against the above order of the ITAT. The ITAT has restored back the similar disallowance for A.Y. 2001-02 to CIT(A) for deciding the matter afresh after considering various judicial pronouncements on this matter. Currently there is no outstanding demand payable for this matter.
 - (iii) Includes income tax demand (and interest thereon) for Rs. 12.88 million (Previous year Rs. 12.42 million) for certain disallowances for A.Y. 2000-01, A.Y. 2003-04 to A.Y. 2006-07 and A.Y. 2008-09. 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. 12.53 million (Previous year Rs. 8.67 million). The appeal for A.Y. 2008-09, is pending with CIT(A) and for A.Y. 2003-04, A.Y. 2004-05, A.Y. 2005-06 and A.Y. 2006-07 with ITAT.
 - (iv) Includes income tax demand for Rs. 6.07 million (Previous Year Nil) for additional tax and interest thereon levied for non deduction of tax on expenditure towards Annual Maintenance Contracts for the A.Y. 2008-09, A.Y. 2009-10 and A.Y. 2010-11. The total amount paid by Company / adjusted by tax authorities on account of above demand aggregates to Rs. 6.07 million (Previous year Nil). The appeals for above 3 years have been decided by the CIT(A) in Company's favour. Department may prefer an appeal with the ITAT.

- (v) Includes demand of Rs. 6.13 million (Previous Year Nil) towards penalty levied for the A.Y. 1992-93. This matter was decided by the ITAT in favour of the Company. The demand, which was deposited by the Company, has been refunded pursuant to ITAT order. Income tax authorities have preferred an appeal in the High Court against the order by the ITAT. The matter is pending with the High Court. Currently there is no outstanding demand payable for this matter
- (d) Service tax related demand of Rs 6.80 million (Previous year Nil) on account of disallowance of cenvat credit availed on transportation of natural gas through pipeline for the period from July 2005 to June 2009 issued by Ankleshwar service tax department. The Company has filed an appeal with CESTAT against the said order. The Company has received two more show cause notices issued by Surat service tax department on similar grounds for a total amount of Rs. 108.64 million for the period from June 2005 to September 2010, which may also result in levy of demand on the Company in future.
17. Estimated amount of contracts net of advances remaining to be executed on capital account and not provided for Rs. 442.17 million (Previous year Rs. 285.86 million).
18. The Company has received income tax demand amounting to Rs 79.21 million (Previous Year Rs 123.41 million), including interest thereon, due to disallowance of depreciation claimed on assets given on lease for several years. The Company's claim of depreciation on leased asset has been allowed by the High Court for A.Y. 1995-96. During the year, the Department's special leave petition with the Supreme Court against the High Court's order has also been dismissed. Considering that this will have a positive consequential effect on all the subsequent years, demands for tax and interest thereon for the same matter has not been considered as contingent liability in current year.
19. **Material consumed includes :**
- (a) Rs. 25.09 million (Previous year Rs. 30.25 million) inclusive of VAT towards internal consumption of Gas.
- (b) Loss of Rs. 47.61 million (Previous year Gain Rs. 19.47 million) as foreign exchange fluctuations.
20. 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.
21. **Obligations on Operating Leases :**
- The Company has taken premises for business and residential use for its employees under cancelable operating lease agreements. The total lease rentals recognized as an expense during the year under the above lease agreements aggregates to Rs. 12.17 million (Previous year Rs. 12.39 million). The lease agreement typically ranges from 1 to 9 years.

22. Earnings per share (EPS):

	Year ended December 31, 2011	Year ended December 31, 2010
Net Profit after tax (Rs. in million)	2,738.81	2,587.29
Less: Preference Dividend and Corporate Dividend		
Tax on Preference Dividend (Rs. in million)	12.55	12.55
Net Profit attributable to Equity Shareholders (Rs. in million)	2,726.26	2,574.74
Weighted average number of equity shares outstanding during the year (No. in million)	128.25	128.25
Basic earnings per share of Rs. 2/- each (in Rs.)	21.26	20.08

The Company does not have any outstanding dilutive potential equity shares. Consequently the basic and diluted earnings 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 17 on Segment Reporting are not relevant to the Company.

24. Accounting for Joint Ventures :

The Company's joint venture "Petroleum Infrastructure Limited" (incorporated in India with 50% stake being held by the Company) is under liquidation. Therefore, the Company's interest in the joint venture 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". Thus, the investment has been written down to the realizable value.

In case of another joint venture, Sensus Metering Systems India Limited (incorporated in India with 49% stake being held by the Company), the assets of the joint venture have been liquidated and all liabilities have been paid off. The resultant proceeds of joint venture have been distributed to the Company, during the financial year ended on December 31, 2010, which was higher than the carrying value of investment (net of provision made in earlier years for diminution in the value of the investment). Further, it has been dissolved with effect from 20th January 2012 as per the order of the Honourable High Court of Judicature at Bombay, Mumbai.

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. IDBI Trusteeship Services Limited has been entrusted with the trusteeship 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 was approved. 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, 2011 is as follows:

	Year ended December 31, 2011		Year ended December 31, 2010	
	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	1,786,000	142	1,663,000	99
Add: Options granted during the year	84,000	337	403,000	285
Less: Options forfeited during the year	107,000	213	-	-
Less: Options expired during the year	-	-	-	-
Less: Options exercised during the year	434,250	99	280,000	95
Options outstanding at end of the year	1,328,750	162	1,786,000	142

Note:

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 28 April 2011 is Rs 120.38 per option. The weighted average remaining contractual life of options outstanding as on December 31, 2011 is 2.80 years (Previous year 3.46 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 the Securities Exchange Board of India, an amount of Rs. 25.55 million (Previous year Rs. 25.91 million) has been recognised as an expense in Staff Welfare Expenses (Schedule 15) and corresponding liability has been disclosed as Stock Options Outstanding Account (Schedule 2). The balance of Rs. 48.51 million (Previous year Rs. 37.96 million) in Stock Options Outstanding Account (Schedule 2) represents the amortised cost of stock options outstanding. As at December 31, 2011, the Company has made a partial advance of Rs. 302.43 million (Previous year Rs. 343.02 million) on an estimated basis to the Trust for the purchase of shares equivalent to the number of options granted which is utilized for the purpose.

During the year, the Company has adjusted loss of Rs. 12.45 million (Previous year Gain of Rs 1.91 million) 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, 2011:

(i) Disclosures for Defined Contribution Plans		(Rs. in million)
	Year ended December 31, 2011	Year ended December 31, 2010
Employer's contribution to Provident Fund	25.69	20.72
(ii) Disclosures for Defined Benefit Plans - Gratuity (Funded)		(Rs. in million)
	Year ended December 31, 2011	Year ended December 31, 2010
Change in the defined benefit obligations		
Defined benefit obligation as at beginning of the year	79.24	64.83
Service cost	8.37	6.88
Interest cost	6.85	5.45
Actuarial loss/(gain)	8.04	2.72
Benefits paid	(0.97)	(0.64)
Defined benefit obligation as at year end	101.53	79.24
Change in plan assets		
Fair value of plan assets as at beginning of the year	69.79	55.13
Expected return on plan assets	6.66	5.62
Contributions by employer	11.58	9.72
Actuarial (loss)/gain	(8.83)	(0.04)
Benefits paid	(0.97)	(0.64)
Fair value of plan assets as at year end	78.23	69.79
Present value of unfunded obligations	23.30	9.45
The Net amount recognized in the statement of Profit & Loss is as follows		
Current Service cost	8.37	6.88
Interest cost	6.85	5.45
Expected return on plan assets	(6.66)	(5.62)
Net actuarial loss/(gain) recognised	16.87	2.76
Net amount recognised	25.43	9.47
Actual return on Plan Assets	(2.17)	5.58
The major categories of plan assets as a percentage of total plan assets as at year end are as follows:		
Insurer Managed Funds	100%	100%
The principal actuarial assumptions used are as follows:		
Discount Rate	8.65%	8.40%
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.

(iii) Disclosures for Defined Benefit Plans - Leave Encashment (Unfunded)

(Rs. in million)

	Year ended December 31, 2011	Year ended December 31, 2010
Change in the defined benefit obligations		
Defined benefit obligation as at beginning of the year	39.86	32.64
Service cost	3.58	3.69
Interest cost	3.45	2.74
Actuarial loss/(gain)	3.83	1.45
Benefits paid	(0.83)	(0.66)
Defined benefit obligation as at year end	49.89	39.86
The Net amount recognized in the statement of Profit & Loss is as follows		
Current Service cost	3.58	3.69
Interest cost	3.45	2.74
Net actuarial loss/(gain) recognised	3.83	1.45
Net amount recognised	10.86	7.88
The principal actuarial assumptions used are as follows:		
Discount Rate	8.65%	8.40%
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 31-12-2011	Year ended 31-12-2010	Year ended 31-12-2009	Year ended 31-12-2008	Year ended 31-12-2007
Present Value of defined benefit obligation as at beginning of the year	79.24	64.83	52.33	38.18	34.95
Current Service cost	8.37	6.88	5.88	5.29	4.08
Interest Cost	6.85	5.45	4.32	2.86	2.85
Actuarial (gain)/loss	8.04	2.72	3.46	8.03	(0.60)
Benefits Paid	(0.97)	(0.64)	(1.16)	(2.03)	(3.10)
Present Value of defined benefit obligation as at end of the year	101.53	79.24	64.83	52.33	38.18

Change in plan assets - Gratuity (Funded)

(Rs. in million)

	Year ended 31-12-2011	Year ended 31-12-2010	Year ended 31-12-2009	Year ended 31-12-2008	Year ended 31-12-2007
Fair value of plan assets as at beginning of the year	69.79	55.13	37.29	32.65	24.21
Expected return on plan assets	6.66	5.62	4.16	3.32	2.70
Contributions by employer	11.58	9.72	10.53	8.96	6.80
Actuarial (loss)/gain	(8.83)	(0.04)	4.30	(5.60)	2.04
Benefits paid	(0.97)	(0.64)	(1.15)	(2.04)	(3.10)
Fair value of plan assets as at year end	78.23	69.79	55.13	37.29	32.65
Present value of unfunded obligations	23.30	9.45	9.70	15.04	5.53

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

(Rs. in million)

	Year ended 31-12-2011	Year ended 31-12-2010	Year ended 31-12-2009	Year ended 31-12-2008	Year ended 31-12-2007
Present Value of defined benefit obligation as at beginning of the year	39.86	32.64	26.93	22.41	17.10
Current Service cost	3.58	3.69	2.26	2.02	4.85
Interest Cost	3.45	2.74	2.22	1.68	1.39
Actuarial (gains)/loss	3.83	1.45	2.17	2.39	1.54
Benefits Paid	(0.83)	(0.66)	(0.94)	(1.57)	(2.47)
Present Value of defined benefit obligation as at end of the year	49.89	39.86	32.64	26.93	22.41

- (v) Expected contributions to be paid to the Gratuity plan during the year ending December 31, 2012 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, 2011	Year ended December 31, 2010
BG International Limited	Under common control	Expense: Reimbursement of salary for seconded personnel (Paid) (including Tax Deducted at Source)	9.08	14.63
		Reimbursement of Software License charges	7.30	6.62
		Income: Service charges for secondment of employees	7.70	-
		Reimbursement of Expenses (Received)	1.54	-
		Amount payable at the year end	133.75	128.55
BG Asia Pacific Holdings Pte. Limited	Holding company	Dividend paid - Equity	1,837.26	668.09
		- Preference	10.80	10.80
		Share Capital held - Equity	167.03	167.03
		- Preference	144.00	144.00
Gujarat Gas Financial Services Limited (Refer Note 1)	Subsidiary	Income: Service Charges for domestic gas connections	5.67	2.49
		Dividend	2.80	2.10
		Expense : Cost of domestic gas connections (Paid)	274.33	276.05
		Reimbursement of Alteration charges	21.06	19.99
		Investment at year end	14.00	14.00
		Amount payable at the year end	66.38	33.75
Gujaratgas Trading Company Limited (Refer Note 1)	Subsidiary	Income: Service charges (including service tax)	0.33	0.33
		Expense: Purchase of Natural Gas (Net of VAT)	1,326.65	1,730.32
		Investment at year end	1.27	1.27
		Amount payable at the year end	133.34	128.16
Sensus Metering Systems India Limited (Refer Note 24 on Schedule 19)	Joint Venture	Provision no longer required written back	-	0.86
Petroleum Infrastructure Limited	Joint Venture	Bad debts recovered	-	0.50
		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	Sale of material	5.04	-



(Rs. in million)				
Name of the Related Party	Nature of Relationship	Nature of Transaction	Year ended December 31, 2011	Year ended December 31, 2010
BG India Energy Solutions Pvt. Limited	Under common control	Purchase of Natural Gas (Net of VAT) Amount payable at the year end	10,819.00 772.90	4,399.18 410.95
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	14.67 2.46 82.35 8.59 64.51	10.50 3.57 61.70 6.46 54.41
Shaleen Sharma	Key Management Personnel	Remuneration as Managing Director	17.00	17.03
Nirja Sharma	Relative of Key Management Personnel	Lease Rent paid	-	0.09
Gujarat Gas Company Limited Employee Stock Option Welfare Trust	Enterprise controlled by the Company	Advance paid for purchase of shares Amount received for options exercised [Excluding adjustment of Rs. 27.45 million (Previous year Rs. 7.32 million) on account of exercise option during the year] Amount receivable at the year end	- 13.15 302.42	107.34 - 343.02
Gujarat Gas Company Limited Employees Gratuity Trust Fund	Enterprise controlled by the Company	Contribution paid	11.58	9.72

Note:

- 1 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.
- 2 The above do not include BG North Sea Holdings Ltd and BG Energy Holdings Ltd, who are holding company of BG Asia Pacific Holdings Pte. Ltd but with whom no transaction have occurred during the year.

	Year ended December 31, 2011 (Rs. in million)	Year ended December 31, 2010 (Rs. in million)
29. Deferred Tax:		
(A) The movement in deferred tax account is as follows:		
Opening Balance	718.52	604.86
Provision for current year deferred tax liability (Net)	82.00	71.80
Adjustment for prior year (with provision for taxation)	-	41.86
Closing Balance	<u>800.52</u>	<u>718.52</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	885.52	822.60
Deferred Tax Assets	<u>(85.00)</u>	<u>(104.08)</u>
	<u>800.52</u>	<u>718.52</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	885.52	822.60
Total (A)	<u>885.52</u>	<u>822.60</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	7.13	7.72
Provision for Diminution in the value of		
Fixed Assets / Capital Work in Progress	11.42	44.65
Expenditure under Section 43B of the Income Tax Act	66.45	51.71
Total (B)	<u>85.00</u>	<u>104.08</u>
Net Deferred Tax Liability (A-B)	<u>800.52</u>	<u>718.52</u>

		As at December 31, 2011 (Rs. in million)	As at December 31, 2010 (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-up in Gujarat Gas Financial Services Limited	14.00	14.00	
9,000 Equity Shares of Rs. 100/- each fully paid-up in Gujaratgas Trading Company Limited	1.27	1.27	
2. In Equity Shares of Joint Venture (Unquoted) :			
7,500,000 Equity Shares of Rs. 10/- each fully paid-up in Petroleum Infrastructure Limited	75.00	75.00	
Less : Provision	75.00	75.00	
3. Other (Unquoted)			
20,000,000 Equity Shares of Rs. 1/- each fully paid-up in Gujarat State Petroleum Corporation Limited	10.00	10.00	
Long Term Investments (A)	25.27	25.27	
B Current Investments (At cost or market value whichever is lower, determined categorywise)			
Other than Trade - Unquoted			
- Units of Mutual Funds	4,877.87	5,323.47	
Current Investment (B)	4,877.87	5,323.47	
Total Investment (A+B)	4,903.14	5,348.74	
Notes :			
1 Aggregate cost of Unquoted Investments	4,978.14	5,423.74	
2 Quantitative Movement of Current Investments from January 1, 2011 to December 31, 2011 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 hand at the year end	Cost of Units in hand at the year end at lower of cost or fair market value (Rs. in million)
Axis Treasury Advantage Fund Inst. Dividend	-	-	27,069	27,069	-	-
Birla SL Cash Plus Inst. Premium Dividend	-	-	19,774,328	19,774,328	-	-
Birla SL Fixed Term Plan Series CF Growth	6,979,128	69.79	-	6,979,128	-	-
Birla SL Medium Term Plan Inst. Fortnightly Dividend	5,023,706	51.04	28,477	5,052,183	-	-
Birla SL Quarterly Interval Series 4 Dividend	3,000,000	30.00	-	3,000,000	-	-
Birla SL Cash Manger IP Dividend	-	-	12,308,808	12,050,308	258,500	25.86
Birla SL Fixed Term Plan Series CC Growth	3,000,000	30.00	-	3,000,000	-	-
Birla SL Fixed Term Plan Series CD Growth	3,000,000	30.00	-	3,000,000	-	-
Birla SL Fixed Term Plan Series CU Growth	-	-	5,000,000	-	5,000,000	50.00
Birla SL Fixed Term Plan Series CW Growth	-	-	4,000,000	-	4,000,000	40.00
Birla SL Fixed Term Plan Series DL Growth	-	-	3,015,449	1	3,015,448	30.15
Birla SL Fixed Term Plan Series DN Growth	-	-	5,327,424	1	5,327,423	53.27
Birla SL Interval Income Fund Inst. Quarterly Series 1 Dividend	5,000,000	50.00	-	5,000,000	-	-
Birla SL Interval Income Fund Retail Quarterly Series1 Dividend	3,000,000	30.00	-	3,000,000	-	-
Birla SL Savings Fund Inst. Dividend	-	-	12,591,705	12,591,705	-	-
Birla SL Short Term FMP Series 2 Dividend	3,000,000	30.00	-	3,000,000	-	-
Birla SL Short Term FMP Series 4 Dividend	-	-	3,500,000	-	3,500,000	-
Birla SL Short Term FMP Series 5 Dividend	-	-	2,334,960	2,334,960	-	-
Birla SL Short Term FMP Series 7 Dividend	-	-	3,000,000	3,000,000	-	-
Birla SL Short Term FMP Series 20 Dividend	-	-	3,000,000	-	3,000,000	30.00
Birla SL Short Term FMP Series 13 Dividend	-	-	2,000,000	2,000,000	-	-
Birla SL Dynamic Bond Fund Retail Plan Dividend	3,150,955	32.51	-	-	3,150,955	32.51
Birla SL Income Plus Quarterly Dividend	1,777,798	21.19	-	1,777,798	-	-
Birla SL Savings Fund Inst. Growth	5,861,608	100.93	-	5,275,449	586,159	100.93
Birla SL Short Term Fund Inst. Dividend	-	-	91,793,720	91,024,732	768,988	76.94
Birla SL Short Term Opportunities Fund Inst. Dividend	9,302,514	93.08	2,049,519	11,352,033	-	-
Birla SL Short Term FMP Series 3 Dividend	5,001,514	50.02	-	5,001,514	-	-
BNP Paribas Fixed Term Fund Ser 19E Dividend	3,000,000	30.00	-	3,000,000	-	-
BNP Paribas Fixed Term Fund Ser 19F Dividend	-	-	2,000,000	2,000,000	-	-
DSP BR Money Manager Fund Inst. Plan Dividend	-	-	58,015	58,015	-	-
DWS Fixed Term Fund Series 90 Growth	-	-	3,000,000	-	3,000,000	30.00
DWS Insta Cash Plus Fund Inst. Dividend	-	-	70,688,365	61,227,348	9,461,017	95.10
DWS Money Plus Fund Inst. Dividend	-	-	5,005,490	5,005,490	-	-
DWS Treasury Fund Cash Inst. Dividend	4,481,033	45.03	9,520,188	14,001,221	-	-
DWS Treasury Fund Investment Inst. Dividend	-	-	2,030,024	-	2,030,024	20.38
DWS Ultra Short Term Fund Inst. Dividend	-	-	409,984,863	348,226,674	61,758,189	618.69
Fidelity Cash Fund Inst. Dividend	-	-	5,001,584	5,001,584	-	-
Fidelity FMP Series 3 Plan F Growth	2,000,000	20.00	-	2,000,000	-	-
Fidelity FMP Series 4 Plan A Dividend	3,001,319	30.01	-	3,001,319	-	-
Fidelity FMP Series 4 Plan D Dividend	2,750,000	27.50	-	2,750,000	-	-
Fidelity FMP Series 4 Plan B Dividend	3,043,917	30.44	-	3,043,917	-	-
Fidelity Ultra Short Term Debt Fund Super Inst. Dividend	32,644,383	326.61	106,599,821	139,244,204	-	-
Fortis Money Manager Plus Inst. Dividend	-	-	17,077,620	17,077,620	-	-
HDFC Floating Rate Income STP Wholesale Plan Dividend	-	-	2,997,549	2,997,549	-	-
IDFC Money Manager Fund TP Super Inst. Plan C Dividend	24,255,719	242.59	38,310,994	62,566,713	-	-
IDFC Savings Advantage Fund Plan A Dividend	65,441	66.01	22,256	87,697	-	-
IDFC Ultra Short Term Fund Dividend	-	-	4,833,639	-	4,833,639	48.40
IDFC Ultra Short Term Fund Dividend	3,816,162	38.51	-	3,816,162	-	-
JM Fixed Maturity Fund Series XX Plan B Growth	-	-	2,000,000	-	2,000,000	20.00
JM High Liquidity Super Inst. Dividend	-	-	96,423,388	78,436,245	17,987,143	180.17
JM Money Manager Fund Regular Plan Dividend	8,319,157	83.28	5,749,285	4,095,413	9,973,029	99.84
JM Money Manager Fund Super Plan Dividend	3,997,547	40.02	5,235,738	4,223,035	5,010,250	50.16
JM Money Manager Super Plus Plan Dividend	943,625	9.44	98,264,847	79,111,416	20,097,056	201.08
JPMorgan India Fixed Maturity Plan 367D Series 1 Growth	-	-	3,000,000	-	3,000,000	30.00
JPMorgan India Fixed Maturity Plan 95D Series 1 Dividend	-	-	2,000,000	2,000,000	-	-
JPMorgan India Liquid Fund Super Inst. Dividend	-	-	73,307,791	62,305,034	11,002,757	110.11
JPMorgan India Treasury Fund Super Inst. Dividend	-	-	126,163,596	93,423,632	32,739,964	327.69
Kotak FMP 370 Days Series 6 Growth	2,000,000	20.00	-	2,000,000	-	-
Kotak Liquid Inst. Premium Dividend	-	-	48,285,420	42,147,622	6,137,798	75.05
Kotak FMP Series 59 Dividend	-	-	3,000,000	-	3,000,000	30.00
Kotak Flexi Debt Scheme Inst. Growth	13,560,374	151.28	-	-	13,560,374	151.28
Kotak Flexi Debt Scheme Inst. Dividend	-	-	281,014,541	258,643,107	22,371,434	224.78
Kotak FMP 370 Days Series 8 Growth	2,000,272	20.00	-	2,000,272	-	-
Kotak FMP 370Days Series 2 Growth	5,000,000	50.00	-	5,000,000	-	-



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 hand at the year end	Cost of Units in hand at the year end at lower of cost or fair market value (Rs. in million)
Kotak FMP 370Days Series 3 Growth	5,000,000	50.00	-	5,000,000	-	-
Kotak FMP 6M Series 11 Dividend	-	-	4,000,000	4,000,000	-	-
Kotak FMP Series 40 Growth	-	-	5,000,000	-	5,000,000	50.00
Kotak FMP Series 42 Growth	-	-	2,000,019	-	2,000,019	20.00
Kotak FMP Series 43 Growth	-	-	3,000,000	-	3,000,000	30.00
Kotak Quarterly Interval Plan Series 10 Dividend	5,750,000	57.50	-	5,750,000	-	-
Kotak Quarterly Interval plan Series 1 Dividend	5,000,000	50.00	-	5,000,000	-	-
Kotak Quarterly Interval Plan Series 2 Dividend	1,999,780	20.00	-	1,999,780	-	-
Kotak Quarterly Interval Plan Series 3 Dividend	3,499,580	35.00	-	3,499,580	-	-
Kotak Quarterly Interval plan Series 4 Dividend	8,000,000	80.00	-	8,000,000	-	-
Kotak Quarterly Interval Plan Series 6 Dividend	5,000,000	50.00	-	5,000,000	-	-
Kotak Quarterly Interval Plan Series 8 Dividend	8,000,000	80.00	-	8,000,000	-	-
Kotak Quarterly Interval Plan Series 9 Dividend	4,999,612	50.00	-	4,999,612	-	-
Kotak Quarterly Interval Plan Series 7 Dividend	4,999,750	50.00	-	4,999,750	-	-
L&T Liquid Super Inst. Dividend	-	-	250,307	250,307	-	-
L&T Ultra STF Inst. Dividend	-	-	9,627,504	9,627,504	-	-
Prudential ICICI Flexible Income Plan Dividend	-	-	3,021,394	3,021,394	-	-
Prudential ICICI Banking and PSU Debt Fund Dividend	20,150,882	201.83	-	20,150,882	-	-
Prudential ICICI Blended Plan B Inst. Dividend	10,567,349	109.75	6,417,676	15,684,710	1,300,315	13.01
Prudential ICICI Flexible Income Plan Premium Growth	599,938	101.23	-	-	599,938	101.23
Prudential ICICI Insti.Liquid Super Inst. Dividend	-	-	414,186	414,186	-	-
Prudential ICICI Interval Fund Annual Interval Plan I Inst. Dividend	3,997,433	40.00	-	3,997,433	-	-
Prudential ICICI Interval Fund I Quarterly Interval Plan Inst. Dividend	2,027,289	20.27	32,733	2,060,022	-	-
Prudential ICICI Interval Fund II Quarterly Plan Inst. Dividend	4,060,204	40.60	80,356	4,140,560	-	-
Prudential ICICI Interval Fund IV Quarterly Plan B Inst. Dividend	7,000,258	70.00	-	7,000,258	-	-
Prudential ICICI Long Term Floating Rate Plan C Dividend	3,071,398	30.73	116,586	3,187,984	-	-
Reliance Fixed Horizon Fund XIX Series 10 Growth	-	-	3,000,000	-	3,000,000	30.00
Reliance Fixed Horizon Fund XIX Series 11 Growth	-	-	5,000,000	-	5,000,000	50.00
Reliance Fixed Horizon Fund XIX Series 8 Growth	-	-	5,000,000	-	5,000,000	50.00
Reliance Fixed Horizon Fund XIX Series 9 Growth	-	-	5,001,080	-	5,001,080	50.01
Reliance Fixed Horizon Fund XVIII series 2 Dividend	-	-	2,600,000	2,600,000	-	-
Reliance Fixed Horizon Fund XVIII Series 7 Dividend	-	-	5,000,000	5,000,000	-	-
Reliance Fixed Horizon Fund XX Series 13 Growth	-	-	6,001,087	-	6,001,087	60.01
Reliance Fixed Horizon Fund XX series 15 Growth	-	-	2,000,000	-	2,000,000	20.00
Reliance Fixed Horizon Fund XX Series 4 Dividend	-	-	4,001,449	-	4,001,449	40.01
Reliance Fixed Horizon Fund XX Series 5 Dividend	-	-	5,000,000	-	5,000,000	50.00
Reliance Fixed Horizon Fund XX Series 6 Dividend	-	-	3,000,000	-	3,000,000	30.00
Reliance Fixed Horizon Fund XX Series 7 Dividend	-	-	2,000,000	2,000,000	-	-
Reliance Fixed Horizon Fund XX series 8 Dividend	-	-	5,000,000	-	5,000,000	50.00
Reliance Fixed Horizon Fund XV Series 3 Dividend	6,000,470	60.00	-	6,000,470	-	-
Reliance Fixed Horizon Fund XV Series 7 Growth	2,000,000	20.00	-	2,000,000	-	-
Reliance Fixed Horizon Fund XVI Series 1 Growth	4,000,532	40.01	-	4,000,532	-	-
Reliance Fixed Horizon Fund XVIII Series 11 Dividend	-	-	5,000,000	5,000,000	-	-
Reliance Fixed Horizon Fund XVIII Series 8 Dividend	-	-	3,000,000	3,000,000	-	-
Reliance Fixed Horizon Fund XX Series 1 Dividend	-	-	2,000,000	2,000,000	-	-
Reliance Fixed Horizon Fund XX Series 2 Dividend	-	-	4,000,000	4,000,000	-	-
Reliance Interval Fnd Quarterly plan Series I Inst. Dividend	8,025,621	80.34	1,996,487	10,022,108	-	-
Reliance Liquid Plus Inst. Dividend	50,162	50.23	551,952	602,114	-	-
Reliance Liquidity Fund Dividend	-	-	51,664,488	51,664,488	-	-
Reliance Medium Term Fund Dividend	-	-	7,055,205	7,055,205	-	-
Reliance Money Manager Fund Inst. Growth	122,338	151.25	-	-	122,338	151.25
Reliance Monthly Interval Fund Series II Inst. Dividend	4,499,780	45.01	6,996,971	11,496,751	-	-
Reliance Monthly Interval Fund Series I Inst. Dividend	9,996,997	100.00	-	9,996,997	-	-
Reliance Quarterly Interval Fund series II Inst. Dividend	4,998,555	50.01	-	4,998,555	-	-
Reliance Quarterly Interval Fund series III Inst. Dividend	6,996,971	70.00	-	6,996,971	-	-
Religare Active Income Fund Inst. Dividend	4,051,580	40.62	41,805	4,093,385	-	-
Religare Active Income Fund Inst. Dividend	5,882,488	60.00	-	5,882,488	-	-
Religare Fixed Maturity Plan Series II Plan A 13 Months Growth	3,000,000	30.00	-	3,000,000	-	-
Religare Fixed Maturity Plan Series II Plan F 13 Months Growth	3,000,000	30.00	-	3,000,000	-	-
Religare Fixed Maturity plan series III D 370 Days Growth	2,000,000	20.00	-	2,000,000	-	-
Religare Fixed Maturity Plan Series IV A Dividend	5,000,000	50.00	-	5,000,000	-	-
Religare Fixed Maturity Plan Series IV C Dividend	4,700,000	47.00	-	4,700,000	-	-
Religare Fixed Maturity Plan series IX Plan C Dividend	-	-	2,000,000	-	2,000,000	20.00



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 hand at the year end	Cost of Units in hand at the year end at lower of cost or fair market value (Rs.inmillion)
Religare Fixed Maturity Plan Series VI Plan D Growth	-	-	3,000,000	-	3,000,000	30.00
Religare Fixed Maturity Plan Series VI Plan E Growth	-	-	2,000,000	-	2,000,000	20.00
Religare FMP series V Plan C Dividend	-	-	3,000,000	3,000,000	-	-
Religare Liquid Fund Inst. Dividend	-	-	991,508	891,499	100,009	100.09
Religare Ultra Short Term Fund Inst. Dividend	19,483,208	195.17	68,875,614	88,208,673	150,149	150.41
SBI Debt Fund Series 90 Days 35 Dividend	5,000,000	50.00	-	5,000,000	-	-
SBI Debt Fund Series 90 Days 36 Dividend	4,000,000	40.00	-	4,000,000	-	-
SBI Debt Fund Series 90 Days 37 Dividend	5,000,000	50.00	-	5,000,000	-	-
SBI Debt Fund Series 90 Days 38 Dividend	-	-	5,000,000	5,000,000	-	-
SBI Debt Fund Series 90 Days 42 Dividend	-	-	10,000,000	10,000,000	-	-
SBI DEBT Fund Series 90 Days 44 Dividend	-	-	3,000,000	3,000,000	-	-
SBI Debt Fund Series 180 days 20 Dividend	-	-	3,000,000	3,000,000	-	-
SBI Debt Fund Series 180 days 22 Dividend	-	-	3,000,000	-	3,000,000	30.00
SBI Debt Fund Series 367 Days 6 Growth	-	-	4,004,294	-	4,004,294	40.04
SBI Debt Fund Series 90 Days 44 Dividend	-	-	4,000,000	4,000,000	-	-
SBI Debt Fund Series 90 Days 45 Dividend	-	-	10,000,000	10,000,000	-	-
SBI Debt Fund Series 90 Days 41 Dividend	-	-	4,000,000	4,000,000	-	-
SBI Magnum Income FR Savings Plus Bond Plan Dividend	-	-	6,051,358	3,001,176	3,050,182	30.69
SBI Premier Liquid Fund Inst. Dividend	-	-	9,024,046	6,027,466	2,996,580	30.06
SBI SHF Ultra Short Term Fund Inst. Dividend	-	-	36,258,870	28,694,814	7,564,056	75.69
Sundaram BNP Interval Fund Quarterly Plan D Inst. Dividend	4,000,386	40.00	-	4,000,386	-	-
Sundaram BNP Money Fund Inst. Dividend	-	-	97,448,289	97,448,289	-	-
Sundaram BNP Paribas Liquid Plus Super Inst. Dividend	12,168,433	122.13	409,081,319	389,083,242	32,166,510	322.86
Sundaram BNP Ultra ST Fund Retail Dividend	-	-	695,802	695,802	-	-
Sundaram Bond Saver Institutional Bonus	465,435	5.00	-	465,435	-	-
Sundaram Interval Fund Quarterly Plan C Inst. Dividend	2,000,000	20.00	-	2,000,000	-	-
Sundaram Interval Fund Quarterly Plan E Inst. Dividend	2,000,210	20.00	-	2,000,210	-	-
TATA Fixed Income Portfolio Fund Scheme A2 Inst. Dividend	1,999,999	20.00	-	1,999,999	-	-
TATA Fixed Income Portfolio Fund Scheme A3 Inst. Dividend	5,000,000	50.00	-	5,000,000	-	-
TATA Fixed Income Portfolio Fund Scheme A3 Regular Dividend	2,942,215	30.00	-	2,942,215	-	-
TATA Fixed Income Portfolio Fund Scheme B2 Inst. Dividend	3,994,767	40.00	-	3,994,767	-	-
TATA Fixed Income Portfolio Fund Scheme B2 Regular Dividend	-	-	1,984,029	1,984,029	-	-
TATA Fixed Income Portfolio Fund Scheme B3 Inst. Dividend	1,996,466	20.00	-	1,996,466	-	-
TATA Fixed Income Portfolio Fund Scheme B3 Inst. Dividend	3,000,000	30.00	1,999,320	4,999,320	-	-
Tata Fixed Income Portfolio Fund Scheme C2 Inst. Dividend	-	-	4,972,453	4,972,453	-	-
TATA Fixed Maturity Plan Series 26 A Growth	2,000,000	20.00	-	2,000,000	-	-
TATA Fixed Maturity Plan Series 26 C Growth	3,000,000	30.00	-	3,000,000	-	-
TATA Fixed Maturity Plan Series 27 Scheme A Growth	3,000,000	30.00	-	3,000,000	-	-
TATA Fixed Maturity Plan Series 28 Scheme A Dividend	-	-	4,250,199	4,250,199	-	-
TATA Fixed Maturity Plan Series 31 Scheme C Growth	-	-	5,000,000	-	5,000,000	50.00
TATA Fixed Maturity Plan Series 36 Scheme C Growth	-	-	3,000,000	-	3,000,000	30.00
TATA Fixed Maturity Plan Series 37 Scheme A Growth	-	-	3,251,916	-	3,251,916	32.52
Tata Floater Fund Dividend	2,993,139	30.04	109,905,920	110,894,764	2,004,295	20.11
Tata Liquid Super High Invest Dividend	-	-	296,260	296,260	-	-
Templeton India TMA Inst. Dividend	-	-	486,687	486,687	-	-
Templeton Ultra Short Bond Fund Super Inst. Dividend	-	-	206,568,461	182,122,624	24,445,837	244.74
UTI FIIF Series II Quarterly Interval Plan VII Inst. Dividend	3,000,157	30.00	-	3,000,157	-	-
UTI FIIF Annual Interval Plan Series I Inst. Growth	1,553,419	20.00	-	1,553,419	-	-
UTI FIIF Monthly Interval Plan II Inst. Dividend	3,750,000	37.50	-	3,750,000	-	-
UTI FIIF Series II Quarterly Interval Plan IV Inst. Dividend	7,000,102	70.00	-	7,000,102	-	-
UTI FIIF Series II Quarterly Interval Plan V Inst. Dividend	9,051,294	90.52	-	9,051,294	-	-
UTI FIIF Monthly Interval Plan Series I Inst. Dividend	6,000,357	60.01	-	6,000,357	-	-
UTI FIIF Quarterly Interval Plan Series I Inst. Dividend	4,999,720	50.00	-	4,999,720	-	-
UTI FIIF Quarterly Interval Plan Series VI Inst. Dividend	8,999,823	90.00	-	8,999,823	-	-
UTI Floating Rate Fund Short Term Inst. Dividend	51,496	51.54	1,483,355	1,534,851	-	-
UTI Liquid Cash Plan Inst. Dividend	-	-	294,473	294,473	-	-
UTI Money Market Fund Dividend	-	-	189,510	129,642	59,868	60.07
UTI FIIF Quarterly Plan Series-III Inst. Dividend	3,000,000	30.00	-	3,000,000	-	-
UTI Short Term Income Fund Inst. Income Dividend	2,049,513	20.90	142,837	-	2,192,350	22.38
UTI Treasury Advantage Fund Inst. Growth	-	-	759,685	739,394	20,291	20.30
TOTAL	483,525,278	5,323.47	2,789,213,963	2,864,636,531	408,102,710	4,877.87

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.

(Rs. in million)								
	Year ended December 31, 2011				Year ended December 31, 2010			
	Gross Investment in the lease	Unearned Finance Income	Taxes	Present Value of Minimum Lease Payments receivable	Gross Investment in the lease	Unearned Finance Income	Taxes	Present Value of Minimum Lease Payments receivable
Total	39.35	4.27	1.06	34.02	92.08	16.26	2.85	72.97
Out of the above, receivable:								
Not Later than 1 year	29.59	-	-	25.17	42.64	-	-	30.67
Later than 1 year and not later than 5 years	9.76	-	-	8.85	49.44	-	-	42.30
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, which are cancellable.

32. Pursuant to AS-29, the disclosure relating to Provisions are given below:

	Year ended December 31, 2011 Rs. in million	Year ended December 31, 2010 Rs. in million
Opening Balance	53.34	51.16
Additons during the Year	2.18	2.18
Closing Balance	55.52	53.34

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, 2011 Rs. in million	Year ended December 31, 2010 Rs. in million
33. Managerial Remuneration			
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			
Profit before Tax as per Profit and Loss Account		3,901.81	3,811.09
Add:			
Depreciation as per Books of account	593.33		530.66
Provision for doubtful debts	-		2.00
Provision for Diminution in the value of Fixed Assets / Capital Work in Progress	35.21		10.03
Commission to Non Whole-Time Directors	3.10		3.10
Directors' Sitting Fees	0.95		0.89
Other Provision	2.18		2.18
		634.77	548.86
Less:			
Depreciation under Section 350 of the Companies Act, 1956	593.33		530.66
		593.33	530.66
Profit as per Section 349		3,943.25	3,829.29
Add : Director's remuneration		17.00	17.03
Profit as per Section 198		3,960.25	3,846.32
Maximum Commission under Section 309 of the Companies Act, 1956 @ 1%		39.60	38.46
Commission Payable to Non Whole-Time Directors: (Subject to the approval of Board of Directors and Shareholders)		3.10	3.10
b) Remuneration Paid To Directors			
i) Managing Director			
- Salary and Bonus	11.01		13.43
- Allowances	1.87		1.93
- Perquisites	0.37		0.41
- Contribution to P.F. and other funds	3.75		1.26
		17.00	17.03
ii) Commission to Non Whole-Time Directors		3.10	3.10
iii) Directors' Sitting Fees		0.95	0.89
34. Payments to Auditors			
- Audit Fees	5.30		4.50
- Reimbursement of Expenses (Including Service Tax)	1.04		0.72
		6.34	5.22
35. Value of Imports calculated on C.I.F. Basis			
Capital Goods		5.75	28.34
Spare parts		2.29	21.69
		8.04	50.03

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

	Year ended December 31, 2011		Year ended December 31, 2010	
	Percentage	Rs. in million	Percentage	Rs. in million
(a) Raw Materials - Natural Gas				
- Indigenous	100%	18,396.78	100%	12,866.44
(b) Stores and spares				
- Imported	2%	1.41	11%	5.19
- Indigenous	98%	55.19	89%	40.93
TOTAL	100%	56.60	100%	46.12

37. Purchases, Production / Processed and Sales :

	Year ended December 31, 2011		Year ended December 31, 2010	
	Qty (in LSCM)	Rs. in million	Qty (in LSCM)	Rs. in million
Natural Gas				
Purchased / Processed	12,734.06	18,396.78	12,285.37	12,866.44
Sales*	12,457.08	23,819.09	12,123.60	18,136.36

* Excluding line loss and internal consumption of 276.98 LSCM (Previous year 161.77 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:

	Qty. (in LSCM)	Rs. in million
Natural Gas	12,734.06	18,396.78
	(12,285.37)	(12,866.44)

Previous year figures are in brackets

40. Expenditure in foreign currency (on payment basis)

	Year ended December 31, 2011 Rs. in million	Year ended December 31, 2010 Rs. in million
(i) Travelling expenses	1.61	0.86
(ii) Subscription	0.37	0.22
(iii) Training	0.16	0.11
(iv) Legal & Professional	3.82	4.82
(v) Repairs	6.13	-
(vi) Telecommunication	1.53	-

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

Particulars	Rs. in million	No. of Non Resident Shareholders	No. of Shares	Period/Year ended
Equity				
- Final Dividend	1,002.14	1	83,511,750	December 31, 2010
	(668.09)	(1)	(83,511,750)	December 31, 2009
- Interim Dividend	835.12	1	83,511,750	November 30, 2011
- Preference Dividend	10.80	1	14,400,000	December 31, 2010
	(10.80)	(1)	(14,400,000)	December 31, 2009

Previous year figures are in brackets

42. The subsidiary company Gujarat Gas Financial Services Limited has proposed final dividend at 30% 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, 2011 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, 2012 the ultimate liability for the Assessment Year 2012-13 will be determined based on the total income of the Company for the year ending March 31, 2012. The provision for wealth tax has been made based on the net wealth as on December 31, 2011. However the ultimate liability for the Assessment Year 2012-13 will be determined based on the net wealth as on March 31, 2012.
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, 2011	Year ended December 31, 2010
Principal amount remaining unpaid as at the end of accounting year [including Interest due thereon - Nil (Previous Year - Nil)]	14.83	13.83
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	-	-

45. The Company has made an 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 has been exploring options of utilising this investment. The Board of Directors, in this regard, has now approved the sale of these assets. The management is of the opinion that there is more than reasonable certainty of monetising these assets in the near future through an outright sale. Hence, the impairment provision of Rs. 105.04 million (Previous year Rs. 105.04 million) lying in the books of accounts against these assets, has been reversed and the investment is now being held for disposal.
46. The amount of foreign currency payables that are not hedged by a derivative instrument as on December 31, 2011 are as under :

Particulars	As at December 31, 2011	As at December 31, 2010
Value in Rs. million	2.48	1.20
	(Includes USD 31,980 and EURO 11,001)	(Includes USD 20,340 and EURO 3,693)

47. 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.
48. 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	For and on behalf of the Board	
V. Nijhawan Partner Membership No. F87228	Hasmukh Shah Chairman	Shaleen Sharma Managing Director
Place : Gurgaon Date : February 23, 2012	Jal Patel Director	Sugata Sircar Finance Director
		Rajeshwari Sharma Company Secretary
	Place : Ahmedabad Date : February 23, 2012	

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

I. REGISTRATION DETAILS		
Registration No.	:	3623
State Code	:	04
Balance Sheet Date	:	31-12-2011
II. CAPITAL RAISED DURING THE YEAR (Amount Rs. in million)		
Public Issue	:	Nil
Rights Issue	:	Nil
Bonus Issue	:	Nil
Private Placement	:	Nil
III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount Rs. in million)		
Total Liabilities	:	15,751.63
Total Assets	:	15,751.63
Sources of Funds		
Paid-up Capital	:	400.50
Reserves and Surplus	:	7,346.20
Stock Options Outstanding Account	:	48.51
Secured Loans	:	Nil
Deferred Tax Liability	:	800.52
Unsecured Loans	:	Nil
Deposits	:	2,563.88
Applications of Funds		
Net Fixed Assets	:	8,274.34
Investments	:	4,903.14
Amount Recoverable from ESOP Trust	:	302.42
Net Current Assets	:	(2,320.29)
Miscellaneous Expenditure	:	Nil
Accumulated Losses	:	Nil
IV. PERFORMANCE OF THE COMPANY (Amount Rs. in million)		
Total Turnover	:	24,704.43
Total Expenditure	:	20,802.62
Profit Before Tax	:	3,901.81
Profit After Tax	:	2,738.81
Earnings Per Share (Rs.) (Annualized)	:	21.26
Dividend Rate (%)	:	1,100%
V. GENERIC NAME OF PRINCIPAL PRODUCTS/ SERVICES OF THE COMPANY (As per monetary terms)		
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 2011
2. (a) No. of Equity Shares held by Gujarat Gas Company Limited in the subsidiary as on 31st December, 2011	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, 2011 of the subsidiary.	Rs. 9.91 million (Previous year Rs. 6.15 million)
(b) Profits for the previous financial years of the subsidiary since it became subsidiary of Gujarat Gas Company Limited.	Rs. 113.02 million (Previous year Rs. 106.87 million)
4. Net Aggregate amount of Profit of the subsidiary so far as dealt with or provision is made for those Profits in Gujarat Gas Company Limited's accounts	
(a) For the subsidiary's Financial year ended on 31st December, 2011	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 23, 2012

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 2011
2.	(a) No. of Equity Shares held by Gujarat Gas Company Limited in the subsidiary as on 31st December, 2011	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, 2011 of the subsidiary.	Rs. 30.60 million (Previous year Rs. 28.98 million)
	(b) Profits for the previous financial years of the subsidiary since it became subsidiary of Gujarat Gas Company Limited.	Rs. 137.60 million (Previous year Rs. 111.41 million)
4.	Net Aggregate amount of Profit of the subsidiary so far as dealt with or provision is made for those Profits in Gujarat Gas Company Limited's accounts.	
	(a) For the subsidiary's Financial year ended on 31st December, 2011	Rs. 2.80 million (Previous year Rs. 2.10 million)
	(b) For its previous financial years since it became the subsidiary of Gujarat Gas Company Ltd.	Rs. 66.94 million (Previous year Rs. 64.14 million)

For and on behalf of the Board

Hasmukh Shah
Chairman

Shaleen Sharma
Managing Director

Place : Ahmedabad
Date : February 23, 2012

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 31st Annual Report together with the audited accounts of Gujaratgas Trading Company Limited for the year ended on 31 December 2011

FINANCIAL RESULTS

(Rs. in Lac)

Particulars	Current year ended on 31.12.2011	Previous year ended on 31.12.2010
Total income	13,363.77	17,366.44
Profit before tax	99.89	70.10
Tax (Current)	0.76	8.60
Profit after tax	99.13	61.50
Add: Profit brought forward from previous year	863.53	802.03
Profit available for appropriation	962.66	863.53
Transfer to general reserve	-	-
Proposed dividend	-	-
Corporate dividend tax	-	-
Surplus retained	962.66	863.53

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. 13,266.53 lacs as against Rs. 17,303.16 lacs during the previous year. The total income for the year was Rs. 13,363.77 lacs including other income of Rs. 97.24 lacs as against total income of Rs. 17,366.44 lacs including other income of Rs. 63.28 lacs in the previous year. The Profit before tax (PBT) was Rs. 99.89 lacs during the year as against Rs. 70.10 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 earnings whereas foreign exchange outgo was to the extent of Rs. 174.13 lacs.

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

- i. that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii. 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 2011 and of the profit of the company for the year ended on that date;
- iii. 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;
- iv. 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

Mr. Shaleen Sharma 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 the 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: 23 February 2012
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 (the "Company") as at December 31, 2011, 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 (together the "Order"), 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 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, as on December 31, 2011 and taken on record by the Board of Directors, none of the directors is disqualified as on December 31, 2011 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, 2011;
 - (ii) in the 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

Joy Kumar Jain
Partner
Membership Number: F87659

Place : Ahmedabad
Date : February 23, 2012



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, 2011]

- 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) According to the information and explanations given to us, there have been no contracts or arrangements referred to in Section 301 of the Act during the year to be entered in the register required to be maintained under that Section. Accordingly, the question of commenting on transactions made in pursuance of such contracts or arrangements does not arise.
- 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 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, 2011 which have not been deposited on account of a 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 and Interest thereon	5,498	Assessment Year 2007-08	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Income Tax and Interest thereon	7,632	Assessment Year 2008-09	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Income Tax and Interest thereon	4,230	Assessment Year 2009-10	Commissioner of Income Tax (Appeals)

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

- viii) The Company has no accumulated losses as at December 31, 2011 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 explanation 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 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 clause (i) and (ii) of paragraph 4 of the Companies (Auditor's 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 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 23, 2012

Joy Kumar Jain
Partner
Membership Number: F87659



GUJARATGAS TRADING COMPANY LIMITED
BALANCE SHEET AS AT DECEMBER 31, 2011

	Schedule	Rs. in thousand	As at 31-12-2011 Rs. in thousand	As at 31-12-2010 Rs. in thousand
<u>SOURCES OF FUNDS</u>				
SHAREHOLDERS' FUNDS				
Capital	1	900		900
Reserves and Surplus	2	122,916		113,003
			123,816	113,903
TOTAL			123,816	113,903
<u>APPLICATION OF FUNDS</u>				
INVESTMENTS				
	3		123,915	154,253
CURRENT ASSETS, LOANS AND ADVANCES				
Sundry Debtors	4	133,338		128,158
Cash and Bank Balances	5	16,712		1,430
Loans and Advances	6	12,574		12,574
		162,624		142,162
LESS: CURRENT LIABILITIES AND PROVISIONS				
Current Liabilities	7	146,292		159,623
Provisions		16,431		22,889
		162,723		182,512
NET CURRENT ASSETS			(99)	(40,350)
TOTAL			123,816	113,903
Significant Accounting Policies and				
Notes to Accounts	10			

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

For Price Waterhouse
Firm Registration Number – 012754N
Chartered Accountants

Joy Kumar Jain
Partner
Membership No. F87659

Place : Ahmedabad
Date : February 23, 2012

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 23, 2012



GUJARATGAS TRADING COMPANY LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2011

	Schedule	Rs. in thousand	Year ended 31-12-2011 Rs. in thousand	Year ended 31-12-2010 Rs. in thousand
INCOME:				
Sale of Natural Gas (Traded) (Refer Note 4(i) and (ii) on Schedule 10)		1,326,653		1,730,316
Other Income	8	9,724	1,336,377	6,328
				1,736,644
EXPENDITURE:				
Purchase of Natural Gas (Refer Note 15 on Schedule 10) [Includes foreign exchange loss of Rs. 17,798 thousand (Previous year gain of Rs. 9,709 thousand)]		1,325,283		1,728,443
Operating and Other Expenses	9	1,105	1,326,388	1,191
			9,989	1,729,634
Profit before Taxes				7,010
Tax Expense (Refer Note 6, 13 and 17 on Schedule 10)				
Current Tax			76	236
Deferred Tax			-	624
			76	860
Profit after Taxes			9,913	6,150
Profit Brought Forward			86,353	80,203
Profit Carried Forward			96,266	86,353
Basic/Diluted Earning per Share of Rs. 100/- each (Rs.) (Refer Note 5 and 9 on Schedule 10)			1,101.44	683.33
Significant Accounting Policies and Notes to Accounts	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

Joy Kumar Jain
Partner
Membership No. F87659

Place : Ahmedabad
Date : February 23, 2012

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 23, 2012



CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2011

	Year ended on 31-12-2011 Rs. in thousand	Year ended on 31-12-2010 Rs. in thousand
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Net Profit before Tax	9,989	7,010
Adjustments for:		
Profit on sale of investment (Net)	(2)	(3)
Dividend Income	(9,722)	(6,325)
Operating Profit before working capital changes	265	682
Adjustments for changes in working capital		
(Increase)/Decrease in Sundry Debtors	(5,180)	117,089
(Increase)/Decrease in Loan and Advances	-	4,287
Increase/(Decrease) in Current Liabilities	(13,331)	(102,604)
Cash generated from Operations	(18,246)	19,454
Taxes (paid)/refunded (net of TDS)	(6,534)	(4,382)
Net Cash from Operating Activities	(24,780)	15,072
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Investments	(43,660)	(61,958)
Sale of Investments	74,000	39,000
Dividends received	9,722	6,325
Net Cash from Investing activities	40,062	(16,633)
NET INCREASE IN CASH AND CASH EQUIVALENTS	15,282	(1,561)
Cash and Cash Equivalents at the beginning of the year	1,430	2,991
Cash and Cash Equivalents at the end of the year	16,712	1,430
Cash and Cash Equivalents comprise		
Cash in hand	2	2
Balances with Scheduled Banks		
- In Current Accounts	16,710	1,428
Total Cash and Cash Equivalents as per Cash Flow Statement	16,712	1,430

Notes to Cash Flow Statement:

- 1 Cash and Cash equivalents represent 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 outflows.
- 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

Joy Kumar Jain
Partner
Membership No. F87659

Place : Ahmedabad
Date : February 23, 2012

For and on behalf of the Board

Shaleen Sharma Sugata Sircar
Chairman Director

Place : Ahmedabad
Date : February 23, 2012



SCHEDULES FORMING PART OF BALANCE SHEET

SCHEDULE - 1		As at 31-12-2011 Rs. in thousand	As at 31-12-2010 Rs. in thousand
CAPITAL			
Authorised			
10,000 (Previous year 10,000) Equity Shares of Rs.100/- each		1,000	1,000
TOTAL		<u>1,000</u>	<u>1,000</u>
Issued, Subscribed and Paid up			
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.]			
TOTAL		<u>900</u>	<u>900</u>
SCHEDULE - 2			
RESERVES AND SURPLUS			
General Reserve		26,650	26,650
Profit and Loss Account		96,266	86,353
TOTAL		<u>122,916</u>	<u>113,003</u>
SCHEDULE - 3			
INVESTMENTS			
(Refer Note 2 and 14 on Schedule 10)			
Current Investments			
(At cost or fair market value whichever is lower, determined categorywise)			
Unquoted - other than trade			
Units of Mutual Funds		123,915	154,253
TOTAL		<u>123,915</u>	<u>154,253</u>
Aggregate cost of Unquoted Investments		<u>123,915</u>	<u>154,253</u>
SCHEDULE - 4			
SUNDRY DEBTORS			
Unsecured - Considered Good			
Exceeding Six Months		-	-
Others		133,338	128,158
[Includes Rs.133,338 thousand (Previous year Rs. 128,158 thousand) due from Gujarat Gas Company Ltd, maximum balance due during the year Rs. 271,596 thousand (Previous year Rs. 444,730 thousand)]			
TOTAL		<u>133,338</u>	<u>128,158</u>
SCHEDULE - 5			
CASH AND BANK BALANCES			
Cash in hand		2	2
Balances with Scheduled Banks			
- In Current Accounts		16,710	1,428
TOTAL		<u>16,712</u>	<u>1,430</u>



SCHEDULES FORMING PART OF BALANCE SHEET

	Rs. in thousand	As at 31-12-2011 Rs. in thousand	As at 31-12-2010 Rs. in thousand
SCHEDULE - 6			
LOANS AND ADVANCES			
(Unsecured – considered good, unless otherwise stated)			
Advances recoverable in cash or in kind for value to be received		12,574	12,574
TOTAL		12,574	12,574
SCHEDULE - 7			
CURRENT LIABILITIES AND PROVISIONS			
(A) CURRENT LIABILITIES			
Sundry Creditors		-	-
- Dues to Micro and Small Enterprises*		136,757	154,322
- Other Creditors		9,535	5,301
Other Liabilities		146,292	159,623
(B) PROVISIONS			
Provision for Taxation	198,102		198,026
Less: Advance payment of Tax and Tax Deducted at Source	181,671		175,137
		16,431	22,889
TOTAL		162,723	182,512

* 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 31-12-2011 Rs. in thousand	Year ended 31-12-2010 Rs. in thousand
SCHEDULE - 8			
OTHER INCOME			
Dividend from Mutual Funds (Current)		9,722	6,325
(Refer Note 4 (iii) on Schedule 10)			
Profit on sale of Current Investments		2	3
TOTAL		9,724	6,328
SCHEDULE - 9			
OPERATING AND OTHER EXPENSES			
Rates and Taxes		3	3
Legal, Professional and Consultancy Expenses		760	854
Miscellaneous Expenses		342	334
TOTAL		1,105	1,191

**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 or market value determined category wise. Cost is determined as per weighted average cost formula.

3. Foreign currency transactions:

Foreign currency transactions are recorded at exchange rates prevailing on the transaction date. At the balance sheet date, monetary assets and monetary liabilities denominated in foreign currency are translated at the applicable exchange rates prevailing on the Balance Sheet date and the resultant exchange difference, if any, is recognized in the Profit & Loss Account. Exchange differences, if any, arising on settlement of transactions are recognized as income or expense in the year in which they arise.

4. Revenue Recognition:

- (i) Revenue on sale of natural gas is recognized on transfer of title to customers at delivery point.
- (ii) Commitment income from customers for gas sales and gas transmission is 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 demand of Rs. 17,881 thousand (Previous Year Rs. 12,452 thousand) for the A.Y. 2008-09 and A.Y. 2009-10 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 total amount paid by Company / adjusted by tax authorities towards above demand aggregates to Rs. 6,010 thousand (Previous year NIL). The Company has preferred an appeal before the CIT(A) against the said order.

**9. Earnings per share:**

	Year ended 31-12-2011	Year ended 31-12-2010
Net Profit/(Loss) attributable to Shareholders (Rs. in thousand)	9,913	6,150
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.)	1,101.44	683.33

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 31-12-2011 (Rs. in thousand)	Year ended 31-12-2010 (Rs. in thousand)
Audit fees	150	150
Reimbursement of Expenses (Including service tax)	29	23

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:

(Rs. in thousand)				
Name of the related party	Nature of Relationship	Nature of Transactions	Year ended 31-12-2011	Year ended 31-12-2010
Gujarat Gas Company Ltd. (Refer Note 1 Below)	Holding Company	Expense:		
		Service charges paid (including Service Tax)	331	331
		Income:		
		Sale of Natural Gas	1,326,653	1,730,316
		Share capital held	900	900
BG Energy Holdings Ltd. (Refer Note 3 Below)	Under Common Control	Balance Receivable	133,338	128,158
		Commission on purchases*	3,758	6,058
		Commission on corporate guarantee given to supplier*	1,215	2,338
		Balance Payable	3,693	16,133

*Included in gas purchases

Note:

- (1) The Company is using the ERP software packages implemented by Gujarat Gas Company Limited being "SAP" since August 2003, without payment of any consideration.
- (2) In addition to the transactions with related parties given in the table, BG Asia Pacific Holdings Pte. Limited and BG North Sea Holdings Limited are holding company of Gujarat Gas Company Limited but with whom no transaction have occurred during the year.
- (3) Commission to BG Energy Holdings Limited is payable on performance guarantee issued on behalf of Gujaratgas Trading Company Limited.



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 31-12-2011 (Rs. in thousand)	Year ended 31-12-2010 (Rs. in thousand)
Opening Balance (a)	-	624
Provision for current year deferred tax (liability) / asset (b)	-	(624)
Closing Balance (a+b)	-	-
Break up of deferred tax assets:		
Tax impact of expenses not allowed as expenses in current year	-	-
allowed as expense in subsequent year	-	-

14. Investments:

	As at 31-12-2011 (Rs. in Thousand)	As at 31-12-2010 (Rs. in Thousand)
Current Investments (Unquoted):		
- Units of Mutual Funds	123,915	154,253
Notes:		
1) Aggregate cost of unquoted investment	123,915	154,253
2) Movement in investment from January 1, 2011 to December 31, 2011 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 hand at the year end	Cost of Units in hand at the year end at lower of cost or fair market value (Rs. in thousand)
Birla SL Savings Fund Institutional Dividend	8,402,836	84,085	5,857,318	13,654,059	606,095	60,651
Birla SL Short Term FMP Series 6 Dividend	-	-	3,000,000	3,000,000	-	-
HDFC Floating Rate Income Fund - Wholesale Option- Dividend	4,332,636	43,677	225,033	1,388,765	3,168,904	31,945
Reliance Money Manager Fund- Institutional Dividend	26,460	26,491	11,811	6,990	31,281	31,319
TOTAL	12,761,932	154,253	9,094,162	18,049,814	3,806,280	123,915

15. Purchase and Sale of Natural Gas :

Product	Purchases		Sales	
	Qty. in LSCM	Rs. in thousand	Qty. in LSCM	Rs. in thousand
Natural Gas	1,370.32 (1,871.71)	1,325,283 (1,728,443)	1,370.32 (1,871.71)	1,326,653 (1,730,316)

Previous year figures are in brackets.

16. Expenditure in Foreign Currency (on payment basis):

	Year ended 31-12-2011 Rs. in thousand	Year ended 31-12-2010 Rs. in thousand
Commission	17,413	-



17. The Provision for Current Tax has been calculated based on income earned during the year ended December 31, 2011 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, 2012, the ultimate liability for the Assessment Year 2012-13 will be determined on the total income of the Company for the year ending March 31, 2012.

18. Managerial Remuneration:

	Year ended 31-12-2011 Rs. in thousand	Year ended 31-12-2010 Rs. in thousand
Directors' Sitting Fees	72	72

19. The amount of foreign currency payables that are not hedged by a derivative instrument as on December 31, 2011 are as under :

	As at 31-12-2011	As at 31-12-2010
Value in Rs. thousand	130,060 (Includes USD 2,442 thousand)	131,001 (Includes USD 2,923 thousand)

20. 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

Joy Kumar Jain
Partner
Membership No. F87659

Place : Ahmedabad
Date : February 23, 2012

For and on behalf of the Board

Shaleen Sharma Sugata Sircar
Chairman Director

Place : Ahmedabad
Date : February 23, 2012



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

I. REGISTRATION DETAILS		
Registration No.	:	4091
State Code	:	04
Balance Sheet Date	:	31-12-2011
II. CAPITAL RAISED DURING THE YEAR (Amount Rs. in thousand)		
Public Issue	:	Nil
Rights Issue	:	Nil
Bonus Issue	:	Nil
Private Placement (Preferential Allotment)	:	Nil
III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount Rs. in thousand)		
Total Liabilities	:	286,539
Total Assets	:	286,539
Sources of Funds		
Paid-up Capital	:	900
Reserves and Surplus	:	122,916
Secured Loans	:	Nil
Unsecured Loans	:	Nil
Deposits	:	Nil
Application of Funds		
Net Fixed Assets	:	Nil
Investments	:	123,915
Net Current Assets	:	(99)
Miscellaneous Expenditure/ Accumulated Losses	:	Nil
Deferred Tax Assets	:	Nil
IV. PERFORMANCE OF THE COMPANY (Amount Rs. in thousand)		
Total Turnover	:	1,336,377
Total Expenditure	:	1,326,388
Profit / (Loss) Before Tax	:	9,989
Profit / (Loss) After Tax	:	9,913
Earnings Per Share (Rs.) (Annualized)	:	1,101.44
Dividend Rate (%)	:	Nil
V. GENERIC NAME OF PRINCIPAL PRODUCTS/ SERVICES OF THE COMPANY (As per monetary terms)		
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 Eighteenth Directors' Report together with the audited annual accounts for the year ending on 31 December 2011.

FINANCIAL PERFORMANCE

(Rupees in thousand)		
Particulars	2011	2010
Net Income	78,292	73,587
Operating expenditure	(9304)	(7,623)
Profits before depreciation, interest and tax	68,988	65,964
<u>Less:</u>		
Depreciation	(51)	(67)
Interest	-	-
Profit before Tax	68,937	65,897
<u>Less:</u>		
Provision for Tax – current and deferred	(24,189)	(23,758)
Profit after Tax	44,748	42,139
Add: Surplus of earlier years	90,111	65,278
Amount available for appropriations	134,859	107,417
Appropriations:		
Transfer to General Reserve	4475	4214
Transfer to Reserve Fund (as stipulated by RBI)	-	8428
Dividend	6000	4000
Dividend Distribution Tax (Previous year adjustment of Rs. 16 thousand (Previous year Nil))	957	664
Surplus	123,427	90,111

During the year under review, the net income was Rs. 78.29 mn. as compared to Rs. 73.59 mn. in the year 2010 and the profit after tax was Rs. 44.75 mn. as compared to Rs. 42.14 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 30% i.e. Rs. 3/- per share on fully paid equity shares of Rs. 10 each. The proposed dividend will involve total payout of Rs.6.96 million inclusive of dividend distribution tax of Rs. 0.96 million.

APPROPRIATIONS

A sum of Rs. 4.48 million (previous year Rs. 4.21 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.

Investments

During the year, the Company maintained its investments in bank deposits. The total portfolio of investment in bank deposits was Rs. 20.20 million, as on 31 December 2011.

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".

DE-REGISTRATION

As the Company has stopped providing lease finance since April 2007, it has surrendered its Non Banking Finance Company (NBFC) status to the Reserve Bank of India (RBI). RBI vide its Order dated April 28, 2011 has cancelled the Certificate of Registration earlier issued to the Company.

AUDIT COMMITTEE

The Audit Committee comprised of all the Directors on the Board of Directors of the Company. Mr. Shaleen Sharma is Chairman of the Audit Committee.

FINANCE AND INSURANCE

- Your Company remains a zero debt company.
- The Company's office assets, stocks, risks are adequately insured.

HUMAN RESOURCES

The number of employees as on 31 December 2011 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. 16.84 million. Information pursuant to Part II of Schedule VI of the Companies Act, 1956, has been given in the notes to the accounts.

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 2011, the applicable accounting standards have been followed along with proper explanation relating to material departures.
2. The directors had selected such accounting policies and applied them consistently and made judgments 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 year 2011 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. Sugata Sircar retires by rotation at the ensuing Annual General Meeting. Being eligible, he offered himself for re-appointment.

APPRECIATION

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

For & on behalf of the Board

Shaleen Sharma
Chairman

Place: Ahmedabad
Dated: 21 February, 2012

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 (the "Company") as at December 31, 2011, 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 (together the "Order"), 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 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, as on December 31, 2011 and taken on record by the Board of Directors, none of the directors is disqualified as on December 31, 2011 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, 2011;
 - (ii) in the 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 F-87228

Place: Gurgaon
Date: February 21, 2012

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, 2011]

1. (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 have been physically verified by the Management during the year and no material discrepancies between the book records and the physical inventory have been noticed. In our opinion, the frequency of verification is reasonable.
- (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.
2. (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 substantially 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.
3. (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.
4. 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 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.
5. According to the information and explanations given to us, there have been no contracts or arrangements referred to in Section 301 of the Act during the year to be entered in the register required to be maintained under that Section. Accordingly, the question of commenting on transactions made in pursuance of such contracts or arrangements does not arise.
6. 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.
7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
8. 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.
9. (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 dues of income-tax as at December 31, 2011 which have not been deposited on account of a dispute, are as follows:



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	Income Tax and interest thereon	25,834	Assessment Year 2009-10	CIT (Appeals)
	Income Tax and interest thereon	34,626	Assessment Year 2008-09	ITAT
	Income Tax and interest thereon	6,391	Assessment Year 2007-08	ITAT
	Income Tax and interest thereon	1,852	Assessment Year 2006-07	ITAT
	Income Tax and interest thereon	5,986	Assessment Year 2002-03	ITAT
	Income Tax and interest thereon	6,822	Assessment Year 2001-02	ITAT
	Income Tax and interest thereon	4,929	Assessment Year 1996-97 to 2000-01	ITAT
	Penalty u/s 271(1)(c)	1,629	Assessment Year 1996-97	ITAT
Interest Tax Act, 1974	Interest Tax	2,896	Assessment Year 1999-2000	High Court

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

10. The Company has no accumulated losses as at December 31, 2011 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
11. According to the records of the Company examined by us and the information and explanation 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.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund/ societies are not applicable to the Company.
14. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
15. 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.
16. The Company has not obtained any term loans.
17. 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.
18. 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.
19. The Company has not issued any debentures during the year and there are no debentures outstanding as at year end.
20. The Company has not raised any money by public issues during the year.
21. 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 21, 2012



**GUJARAT GAS FINANCIAL SERVICES LIMITED
BALANCE SHEET AS AT DECEMBER 31, 2011**

	Schedule	Rs. in thousand	As at 31-12-2011 Rs. in thousand	As at 31-12-2010 Rs. in thousand
SOURCES OF FUNDS				
Shareholders' Funds				
Capital	1	20,000		20,000
Reserves and Surplus	2	226,972		189,181
			246,972	209,181
			246,972	209,181
APPLICATION OF FUNDS				
Fixed Assets				
Gross Block	3	575,875		578,630
Less : Depreciation		439,287		441,746
		136,588		136,884
Less : Lease Terminal Adjustment		136,588		136,588
Net Block			-	296
Investments	4		-	-
Deferred Tax Asset			81,981	74,694
(Refer Note A9, B7 & B10 on Schedule 17)				
Current Assets, Loans and Advances				
Inventories	5	81,033		83,035
Sundry Debtors	6	66,404		33,755
Cash and Bank Balances	7	33,127		43,594
Other Current Assets	8	87		68
Loans and Advances	9	48,526		46,572
		229,177		207,024
Less: Current Liabilities and Provisions	10			
Current Liabilities		55,716		67,025
Provisions		8,470		5,808
		64,186		72,833
Net Current Assets			164,991	134,191
			246,972	209,181
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
Chairman

Sugata Sircar
Director

V. Nijhawan
Partner
Membership No. F-87228

Chintan Trivedi
Company Secretary

Place : Gurgaon
Date : February 21, 2012

Place : Ahmedabad
Date : February 21, 2012



GUJARAT GAS FINANCIAL SERVICES LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2011

	Schedule	Rs. in thousand	Year ended 31-12-2011 Rs. in thousand	Year ended 31-12-2010 Rs. in thousand
INCOME				
Income from operations	11	287,362		279,569
Other Income	12	12,955		3,163
			300,317	282,732
EXPENDITURE				
Installation Cost	13	222,025		209,145
Personnel Expenses	14	4,178		3,261
Administration and Other Expenses	15	5,126		4,362
Depreciation		51		67
			231,380	216,835
Profit before Taxes			68,937	65,897
Tax Expense	16		24,189	23,758
Profit after Taxes			44,748	42,139
Profit brought forward			90,111	65,278
Profit available for Appropriation			134,859	107,417
Appropriations				
Proposed Dividend			6,000	4,000
Corporate Dividend Tax (Previous year adjustment of Rs. 16 thousand (Previous year Rs. Nil))			957	664
Transferred to Special Reserve (As stipulated by RBI)			-	8,428
Transferred to General Reserve			4,475	4,214
Profit Carried Forward			123,427	90,111
			134,859	107,417
Basic / Diluted Earnings per Share of Rs.10/- each (Refer note A8 & B8 on Schedule 17)			22.37	21.07
Significant Accounting Policies and Notes to Accounts	17			

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

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

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

For and on behalf of the Board

Shaleen Sharma
Chairman

Sugata Sircar
Director

V. Nijhawan
Partner
Membership No. F-87228

Chintan Trivedi
Company Secretary

Place : Gurgaon
Date : February 21, 2012

Place : Ahmedabad
Date : February 21, 2012



CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2011

	Year ended 31-12-2011 Rs. in thousand	Year ended 31-12-2010 Rs. in thousand
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before Taxes	68,937	65,897
Adjustments for:		
Depreciation	51	67
Loss on sale of Fixed Assets	245	-
Interest Income	(2,525)	(867)
Liabilities no longer required written back	-	(102)
Provision for Gratuity and Leave encashment	344	160
Operating Profit Before Working Capital Changes	67,052	65,155
Adjustments for changes in working capital		
(Increase)/Decrease In Sundry Debtors	(32,649)	(5,001)
(Increase)/Decrease In Loans And Advances	(7,895)	(4,286)
(Increase)/Decrease In Inventories	2,002	17,314
Increase/(Decrease) In Current Liabilities and Provisions	(11,449)	(8,928)
Cash generated from/(used in) operations	17,061	64,254
Taxes Paid (Net of TDS)	(25,290)	(21,958)
Net Cash from/(used in) Operating Activities	(8,229)	42,296
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income	2,261	734
Net Cash from Investing Activities	2,261	734
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend Paid (including Corporate Dividend Tax)	(4,499)	(3,433)
Net Cash used in Financing Activities	(4,499)	(3,433)
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS	(10,467)	39,597
Cash & Cash Equivalents at the beginning of the year	43,594	3,997
Cash & Cash Equivalents at the end of the year	33,127	43,594
Closing Cash & Cash Equivalents Comprise of:		
Cash in Hand	20	17
Balance with Scheduled Banks		
-In Current Account	12,274	7,294
-In Term Deposit (Refer Note (b) below)	20,200	35,800
-In Dividend Account	633	483
Total Cash & Cash Equivalents as per Cash Flow Statement	33,127	43,594

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 Deposits include balance in Escrow account as stipulated by RBI Rs. Nil (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.

For Price Waterhouse

Firm Registration No.- 301112E
Chartered Accountants

V. Nijhawan

Partner

Membership No. F-87228

Place : Gurgaon

Date : February 21, 2012

For and on behalf of the Board

Shaleen Sharma

Chairman

Sugata Sircar

Director

Chintan Trivedi

Company Secretary

Place : Ahmedabad

Date : February 21, 2012



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

	Rs. in thousand	As at 31-12-2011 Rs. in thousand	As at 31-12-2010 Rs. in thousand
SCHEDULE-1			
CAPITAL			
A. Authorised			
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. Issued, Subscribed and paid up			
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. The ultimate holding company being BG Group plc]		20,000	20,000
SCHEDULE-2			
RESERVES AND SURPLUS			
General Reserve			
Opening Balance	11,212		6,998
Add : Transferred from Profit & Loss Account	4,475		4,214
Add: Transferred from Special Reserve(as required by RBI) (Refer Note B14 on Schedule 17)	87,858		-
		103,545	11,212
Special Reserve (as required by RBI)			
Opening Balance	87,858		79,430
Add: Transferred from Profit & Loss Account	-		8,428
Less : Transferred to General Reserves (Refer Note B14 on Schedule 17)	87,858		-
		-	87,858
Profit & Loss Account		123,427	90,111
		226,972	189,181

SCHEDULE - 3
FIXED ASSETS

(Refer note A3 on Schedule 17)

PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	As at 01.01.2011	Additions during the year	Sales/Adj. during the year	Balance as at 31.12.2011	As at 01.01.2011	Additions during the year	Sales/Adj. during the year	Balance as at 31.12.2011
A. Assets given on Lease (Prior to April 1, 2001)								
Plant & Machinery	575,875	-	-	575,875	439,287	-	-	439,287
Total - (A)	575,875	-	-	575,875	439,287	-	-	439,287
B. Other Assets								
Computer	1,083	-	1,083	-	1,083	-	1,083	-
Office Equipment & Electrical Installation	673	-	673	-	450	26	476	223
Furniture & Fixture	973	-	973	-	900	25	925	73
Vehicle	26	-	26	-	26	-	26	-
Total - (B)	2,755	-	2,755	-	2,459	51	2,510	-
Total -(A)+(B)	578,630	-	2,755	575,875	441,746	51	2,510	439,287
Lease Terminal Adjustment	-	-	-	-	136,588	-	-	136,588
Total	578,630	-	2,755	575,875	578,334	51	2,510	575,875
Previous Year	578,630	-	-	578,630	578,267	67	-	578,334
								296



GUJARAT GAS FINANCIAL SERVICES LIMITED
SCHEDULES FORMING PART OF BALANCE SHEET

	Rs. in thousand	As at 31-12-2011 Rs. in thousand	As at 31-12-2010 Rs. in thousand
SCHEDULE -4			
INVESTMENTS			
(Refer Note A4 and B4 on Schedule 17)			
LONG TERM - OTHERS			
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	116		116
		-	-
		-	-
		-	-
SCHEDULE-5			
INVENTORIES			
(Refer Note A5 and B2 on Schedule 17)			
Traded Goods (at cost)		81,033	83,035
		81,033	83,035
SCHEDULE-6			
SUNDRY DEBTORS			
(Unsecured considered good unless otherwise stated)			
Debts outstanding for a period exceeding six months	-		-
Other Debts*	66,404	66,404	33,755
		66,404	33,755
[*Includes Rs.66,376 thousand (Previous Year Rs. 33,755 thousand) due from Gujarat Gas Company Ltd- the holding Company maximum balance outstanding during the year Rs. 68,687 thousand (Previous Year Rs. 34,146 thousand)]			
SCHEDULE-7			
CASH AND BANK BALANCES			
Cash in hand		20	17
Balances with Scheduled Banks			
In Current Accounts		12,274	7,294
In Term Deposit *		20,200	35,800
In Dividend Accounts		633	483
		33,127	43,594
* Includes Term Deposit in an Escrow account as stipulated by RBI Rs. Nil (Previous Year Rs. 500 thousand)			
SCHEDULE-8			
OTHER CURRENT ASSETS			
(Unsecured, considered good,unless otherwise stated)			
Interest accrued on Term Deposits with Scheduled Banks		87	68
		87	68



GUJARAT GAS FINANCIAL SERVICES LIMITED
SCHEDULES FORMING PART OF BALANCE SHEET

	Rs. in thousand	As at 31-12-2011 Rs. in thousand	As at 31-12-2010 Rs. in thousand
SCHEDULE-9			
LOANS AND ADVANCES			
(Unsecured, considered good, unless otherwise stated)			
Advances recoverable in cash or in kind or for Value to be received.		11,205	8,797
Advance payment of Tax and Tax Deducted at Source	272,386		241,364
Less: Provision of Taxation	235,065		203,589
		37,321	37,775
		48,526	46,572
SCHEDULE-10			
CURRENT LIABILITIES & PROVISION			
A. Current Liabilities			
Sundry Creditors			
- Dues to Micro and Small Enterprises (Refer Note B13 on Schedule 17)		1,367	199
- Other Creditors		30,083	27,138
Advances from Customers		19,189	34,957
Payable to Retrenched Employees (Refer Note B1(c) on Schedule 17)		677	677
Investor Education and Protection Fund			
- Unpaid Dividend*		633	483
Other liabilities		3,767	3,571
		55,716	67,025
* To be credited to Investor Education and Protection Fund, when due.			
B. Provisions			
Provision for:			
Proposed Dividend		6,973	4,664
[Including Corporate Dividend Tax Rs 973 thousand (Previous year Rs 664 thousand)]			
Gratuity (Refer Note B 9 (i)(a) on Schedule 17)		1,010	770
Leave Encashment [(Includes short term employee benefit Rs.9 thousand (Previous Year Rs. Nil)] (Refer Note B 9 (i)(b) on Schedule 17)		477	364
Fringe Benefits Tax	68		68
Less: Advance payment of Fringe Benefits Tax	58		58
		10	10
		8,470	5,808



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

	Rs. in thousand	Year ended 31-12-2011 Rs. in thousand	Year ended 31-12-2010 Rs. in thousand
SCHEDULE-11			
INCOME FROM OPERATIONS			
(Refer Note A 2 on Schedule 17)			
Income from Processing Fees		186	166
Installation Income		287,176	279,403
		<u>287,362</u>	<u>279,569</u>
SCHEDULE-12			
OTHER INCOME			
Interest on Term Deposits [Gross, less Tax Deducted at Source Rs. 245 thousand (Previous Year Rs.75 thousand)]		2,520	861
Interest From Customers		5	6
Provision No Longer Required Written Back		-	102
Recovery against balances written off in earlier years		8,336	-
Interest on Income Tax Refund		-	706
Foreign Exchange Gain		5	338
Miscellaneous Income		2,089	1,150
		<u>12,955</u>	<u>3,163</u>
SCHEDULE-13			
INSTALLATION COST			
(Refer Note B2 on Schedule 17)			
Cost of Materials Consumed		151,792	137,829
Labour Charges		64,560	68,823
Service Charges		5,673	2,493
(Refer Note B3 on Schedule 17)		<u>222,025</u>	<u>209,145</u>
SCHEDULE-14			
PERSONNEL EXPENSES			
Salaries and Allowances		3,680	2,859
(Refer B 9 (i) (b) on schedule 17)			
Contribution to Provident & Other Funds		399	239
(Refer Note B 9 (i) (a) & B 9 (ii) on Schedule 17)			
Staff Welfare and other expenses		99	163
		<u>4,178</u>	<u>3,261</u>
SCHEDULE-15			
ADMINISTRATION AND OTHER EXPENSES			
Insurance		6	33
Rates and Taxes		3,727	2,829
Legal and Professional Charges		989	1,149
Loss on sale of Fixed Assets		245	-
Miscellaneous Expenses		159	351
		<u>5,126</u>	<u>4,362</u>
SCHEDULE-16			
TAX EXPENSES			
(Refer Note A 9, B7 and B10 on Schedule 17)			
Current Income Tax		31,476	24,044
Deferred Income Tax		(7,287)	(286)
		<u>24,189</u>	<u>23,758</u>

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 comprises of material used 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.

3) Fixed Assets

(a) Fixed assets including assets given on finance lease before April 1, 2001 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 given on lease 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 selling price, is recognized 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

Traded goods comprises of meters, regulators and other spare and support items used for providing gas connections. Inventory is valued at lower of cost and net realizable value. Cost is determined on First in First Out method.

6) Employee 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 recorded at exchange rates prevailing on the transaction date. At the Balance Sheet date, monetary assets and monetary liabilities denominated in foreign currency are translated at the applicable exchange rates prevailing on the Balance Sheet date and the resultant exchange difference, if any, is recognized in the Profit & Loss Account. Exchange differences, if any, arising on settlement of transactions are recognized as income or expense in the year in which they arise.

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 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 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' net selling price 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.181,423 Thousand (Previous Year Rs. 152,299 Thousand)

- i. Includes income tax demand of Rs.17,486 thousand (Previous Year Rs. 17,486 thousand) including interest on tax, relating to A.Y. 1996-97 to 2000-01 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).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. 6,773 thousand (Previous Year Rs 6,773 thousand). The total amount paid by Company / adjusted by tax authorities towards above demand aggregates to Rs. 4,144 thousand (Previous year Rs. 4,144 thousand). 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 A.Y. 1996-97 on account of disallowance of loss on sale of securities as business loss. The total amount paid by Company / adjusted by tax authorities towards above demand aggregates to Rs. 5,462 thousand (Previous year Rs. 5,462 thousand) 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 with ITAT.

- iii. Includes income tax demand of Rs.14,422 thousand (Previous Year Rs. 14,422 thousand) for the A.Y. 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. Recently the Tribunal 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 Tribunal order. Recently the High Court has restored back the matter to the ITAT and matter is pending with Tribunal.

Further the Assessing Officer has levied a penalty under section 271(1)(c) of the Income Tax Act 1961, amounting Rs. 10,007 thousand (Previous year 10,007 thousand). The Company preferred an appeal against the above demand



and the ITAT has decided the matter in favour of the company. Currently there is no outstanding demand payable for this matter

- iv. Includes income tax demand of Rs. 14,812 thousand (Previous Year Rs. 14,812 thousand) for the A.Y. 2002-03 on account of disallowance of claim for bad debts and professional expenses. The total amount paid by Company / adjusted by tax authorities towards above demand aggregates to Rs. 8,826 thousand (Previous year Rs. 8,826 thousand). Recently the Tribunal 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 Tribunal order. Recently the High Court has restored back the matter to the ITAT and matter is pending with Tribunal.
 - v. Includes income tax demand of Rs. 2,855 thousand (Previous year Rs. 2,855 thousand) for the A.Y. 2003-04 on account of disallowance of claim for bad debts. Recently the Tribunal has ruled in favour of the Company and has allowed claim of bad debts. Department may prefer an appeal against the Tribunal's order. The total amount paid by company / adjusted by tax authorities towards above demand aggregates to Rs. 2,855 thousand (Previous year Rs. 2,855 thousand).
 - vi. Includes income tax demand of Rs. 227 thousand (Previous year Rs.227 thousand) for A.Y. 04-05 on account of disallowance of claim for bad debts. The appeal for A.Y 2004-05 is pending with the ITAT. The total amount paid by company / adjusted by tax authorities towards above demand aggregates to Rs. 227 thousand (Previous year Rs. 227 thousand).
 - vii. Includes income tax demand of Rs.20,135 thousand (Previous year Rs.20,135 thousand) for the assessment year 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 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 assessment year 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 18,963 thousand). The CIT (A) has decided the appeal in our favour by allowing the service charges as deductible business expenditure. The Department may prefer an appeal with the ITAT.
Includes income tax demand of Rs.34,766 thousand (Previous year Rs.34,766 thousand) for the assessment year 2008-09 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.140 thousand (Previous year NIL) The CIT (A) has decided the appeal in our favour by allowing the service charges as deductible business expenditure. The Department may prefer an appeal with the ITAT.
 - ix. Includes income tax demand of Rs.29,124 thousand (Previous year NIL) for the assessment year 2009-10 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.3,290 thousand (Previous year NIL). The Company has preferred an appeal with 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 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. However for A.Y.1999-2000, CIT (A) ruled against the Company and raised a demand of 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 Tribunal.
Further, the Assessing Officer has levied a penalty in A.Y.1999-2000 under section 13 of the Interest Tax Act 1974, amounting Rs.1,982 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. Currently there is no outstanding demand payable for this matter.
- 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 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) A Quantitative information for each class of Traded Goods

	Rs. In thousand					
	As at December 31, 2011			As at December 31, 2010		
	Qty. (Nos.)	Amount	Total	Qty. (Nos.)	Amount	Total
Opening Stock						
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
Purchases						
Meters	25,381	27,844		31,753	32,972	
Regulators	11,274	11,192		20,758	21,521	
Others (Refer Note below)		110,754	149,790		66,022	120,515
Cost of Material Consumed						
Meters	30,643	31,906		38,836	38,898	
Regulators	16,066	15,219		22,480	22,535	
Others (Refer Note below)		104,667	151,792		76,396	137,829
Closing Stock						
Meters	8,058	16,328		13,320	20,390	
Regulators	5,465	7,140		10,257	11,167	
Others (Refer Note below)		57,565	81,033		51,478	83,035

Note: Others include spares and support items for gas connection.

B. A consolidated amount is charged for material used and Installation Services from the customers, hence separate disclosure regarding amount of sales for each category of material and installation income has not been given.

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, 2011			As at December 31, 2010		
	Face Value Rs.	Number	Rs. in thousand	Face Value Rs.	Number	Rs. in thousand
SHARES-FULLY PAID UP						
Unquoted Equity Shares of Prudential Sugar Corporation Limited (formerly Prudential Mouli Sugars Limited)	10	11,600	116	10	11,600	116
Less: Provision			116			116
TOTAL			Nil			Nil

5) Auditors' Remuneration:

	Year ended December 31, 2011 (Rs. In thousand)	Year ended December 31, 2010 (Rs. in thousand)
Audit Fees	350	350
Others	-	25
Out of Pocket Expenses (including service tax)	62	31
	412	406

6) Value of imports calculated on CIF basis:

	Year ended December 31, 2011 (Rs. In thousand)	Year ended December 31, 2010 (Rs. in thousand)
Traded Goods	16,839	17,567



- 7) The provision for income tax has been calculated based on income earned during the year ended December 31, 2011 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, 2012, the ultimate liability for the A.Y. 2012-13 will be determined on the total income of the company for the year ending March 31, 2012.

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

Particulars	Year ended December 31, 2011 (Rs. In thousand)	Year ended December 31, 2010 (Rs. in thousand)
Net Profit attributable to Equity Shareholders (Rs. In Thousands)	44,748	42,139
Weighted average number of equity shares outstanding during the year. (No. in Thousands)	2,000	2,000
Basic Earning per Share of Rs 10/- each (in Rs.)	22.37	21.07

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, 2011:

(i) Disclosures for Defined Benefit Plans

	Year ended December 31, 2011	(Rs in thousand) Year ended December 31, 2010
a Gratuity (Unfunded)		
<u>Change in the defined benefit obligations</u>		
Defined benefit obligation at beginning of the year	770	664
Service cost	57	47
Interest cost	67	56
Actuarial loss/(gain)	116	3
Benefits paid	-	-
Defined benefit obligation at the end of the year	1,010	770
<u>Change in plan assets</u>	N.A.	N.A.
Present value of unfunded obligations	1,010	770
The Net amount recognized in the statement of Profit & Loss are as follows		
Current Service cost	57	47
Interest cost	67	56
Expected return on plan assets	-	-
Net actuarial loss/(gain) recognised	116	3
Net amount recognised during the year	240	106
The principal actuarial assumptions used are as follows		
Discount rate	8.65%	8.40%
Rate of increase in compensation levels (Refer Note below)	7.00%	7.00%
b Leave Encashment (Unfunded)		
<u>Change in the defined benefit obligations</u>		
Defined benefit obligation at beginning of the year	364	309
Service cost	20	20
Interest cost	31	26
Actuarial loss/(gain)	53	9
Benefits paid	-	-
Defined benefit obligation at the end of the year	468	364
The Net amount recognized in the statement of Profit & Loss for year ended are as follows		
Current Service cost	20	20
Interest cost	31	26
Net actuarial loss/(gain) recognised	53	9
Net amount recognised during the year	104	55
The principal actuarial assumptions used are as follows		
Discount rate	8.65%	8.40%
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.		
(ii) Disclosures for Defined Contribution Plans		
Employer's contribution towards Provident Fund	159	133
	159	133



(iii) Additional Disclosures as required by AS- 15

Rs in thousand					
	Year ended 31-Dec-11	Year ended 31-Dec-10	Year ended 31-Dec-09	Year ended 31-Dec-08	Year ended 31-Dec-07
a. Gratuity (Unfunded)					
Change in the defined benefit obligations					
Present Value of defined benefit obligation as at beginning of the year	770	664	539	361	498
Current Service cost	57	47	43	37	30
Interest Cost	67	56	44	27	41
Actuarial (Gains)/Loss	116	3	38	114	86
Benefits Paid	-	-	-	-	(294)
Present Value of defined benefit obligation as at end of the year	1,010	770	664	539	361
b. Leave Encashment (Unfunded)					
Change in the defined benefit obligations					
Present Value of defined benefit obligation as at beginning of the year	364	309	330	244	302
Current Service cost	20	20	11	27	18
Interest Cost	31	26	27	18	25
Actuarial (Gains)/Loss	53	9	(59)	41	65
Benefits Paid	-	-	-	-	(166)
Present Value of defined benefit obligation as at end of the year	468	364	309	330	244

10. Deferred Tax:

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

	Amount in Rs. thousand	
	Year ended December 31, 2011	Year ended December 31, 2010
Opening Balance	74,694	74,408
Accrual for current year deferred tax asset	7,287	286
Closing Balance	81,981	74,694

(B) Break up of deferred tax assets

	Year ended December 31, 2011	Year ended December 31, 2010
Deferred Tax Assets:		
Tax impact of difference between carrying amount of fixed assets in the financial statements and the income tax return	81,469	74,317
Tax impact of expenses charged in the financial statements but allowable as deductions in future years under section 43B of the Income Tax Act.	512	377
	81,981	74,694

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, 2011	Year ended December 31, 2010
Gujarat Gas Company Limited	Holding Company	Income		
		Sale of gas connections	274,329	276,052
		Alteration Income	21,063	19,986
		Expenses		
		Service Charges paid for pre regulatory connections	5,673	2,493
		Dividend Paid	2,795	2,096
		Amount receivable at year end	66,376	33,755
		Equity Share Capital held	13,975	13,975

Notes :

- The Company is using the ERP software packages implemented by Gujarat Gas Company Limited being "SAP" and "Gas Distribution and Billing System" since August 2003, without payment of any consideration.
- In addition to the transactions with related parties given in the table, BG Group Plc., BG Asia Pacific Holdings Pte. Limited and BG North Sea Holdings Ltd are holding company of Gujarat Gas Company Limited but with whom no transaction have occurred during the year.

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, 2011	Year ended December 31, 2010
The principal amount remaining unpaid as at the end of accounting year [including Interest due thereon - 110 thousand (Previous Year - 82 thousand)]	1477	281
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*	110	82
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: No interest has been paid by the Company to the enterprises covered under Micro, Small and Medium Enterprises Development Act, 2006 according to the terms agreed with the enterprises.

- 14.** The Company had applied for de-registration as a Non Banking Financing Company with Reserve Bank of India (RBI) , vide application dated June 8, 2010. The Company has ceased the leasing and financing activities since the year 2007. RBI approved the de-registration vide order dated April 28,2011.

Since the Company was registered as NBFC,the company had been following the prudential norms and other requirements (including transfer of 20 % of Profit after tax to a special reserve as per section 45IC of Reserve Bank of India Act,1934) till the time of de-registration .Considering the provisions of NBFC are no longer applicable to the Company, the amount set aside as Special Reserve has been transferred to General Reserve of the Company.

- 15.** Previous Year figures have been reclassified / regrouped wherever considered necessary to conform to the Current Year's figures.

For and on behalf of the Board

For Price Waterhouse

Firm Registration No.- 301112E
Chartered Accountants

Shaleen Sharma

Chairman

Sugata Sircar

Director

V. Nijhawan

Partner

Membership No. F-87228

Chintan Trivedi

Company Secretary

Place : Gurgaon

Date : February 21, 2012

Place : Ahmedabad

Date : February 21, 2012



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	:	31-12-2011

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	:	311,158
Total Assets	:	311,158

Sources of Funds

Paid-up Capital	:	20,000
Reserves and Surplus	:	226,972
Secured Loans	:	Nil
Unsecured Loans	:	Nil
Deferred Tax Liability	:	Nil

Applications of Funds

Net Fixed Assets	:	Nil
Investments	:	Nil
Net Current Assets	:	164,991
Miscellaneous Expenditure	:	Nil
Accumulated Losses	:	Nil
Deferred Tax Assets	:	81,981

IV. PERFORMANCE OF THE COMPANY

(Amount Rs. in thousands)

Total Income	:	300,317
Total Expenditure	:	231,380
Profit Before Tax	:	68,937
Profit After Tax	:	44,748
Earnings Per Share (Rs.)	:	22.37
Dividend Rate (%)	:	30%

V. GENERIC NAME OF PRINCIPAL PRODUCTS/**SERVICES OF THE COMPANY (As per monetary terms)**

Item Code No. (ITC Code)	:	-
Product Description	:	Sales of Gas Connections

FORM OF PROXY**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 SECOND ANNUAL GENERAL MEETING of the Company
to be held on Thursday, 26 April 2012 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, 2012.

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

ATTENDANCE SLIP**To be handed over at the entrance of the Meeting Hall**

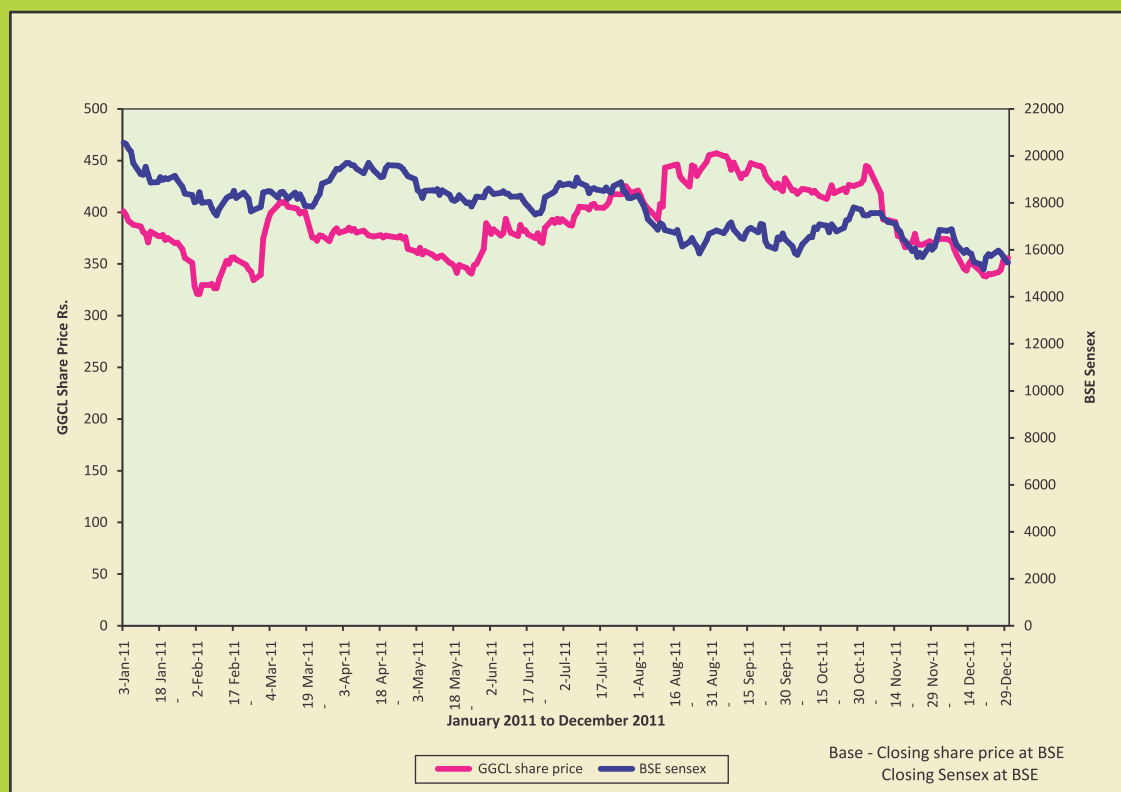
Name of the attending Member (In Block Letters)	Membership Folio No./ DP ID & Client ID
Name of Proxy (In Block Letters) (To be filled in if the Proxy attends instead of the Member)	No. of Shares held

I hereby record my presence at the THIRTY SECOND 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, 26 April 2012.

.....
Member's / Proxy's Signature

(To be signed at the time of handing over this slip)

Performance of Gujarat Gas Share Price in Comparison to BSE Sensex





GUJARAT GAS COMPANY LIMITED

Regd. Office. : 2, Shantisadan Society, Nr. Parimal Garden, Ellisbridge, Ahmedabad 380 006.

Tel: +91 -79-26462980, 26460095 Fax: 26466249 Website: www.gujaratgas.com