



## BOARD OF DIRECTORS

HASMUKH SHAH, *Chairman*  
 DEREK ALAN FISHER (w.e.f. 21 November 2008)  
 KAPIL GARG (upto 21 November 2008)  
 RAJIV KHANNA  
 PROF. PRADIP KHANDWALLA  
 JAL PATEL  
 AJIT KAPADIA  
 BIKASH C. BORA (w.e.f. 23 October 2008)  
 SHALEEN SHARMA, *Managing Director*

RAJESHWARI SHARMA, *Company Secretary*

## GROUP HEADS

AKHIL MEHROTRA, *Director – Business Development & Regulatory Affairs*  
 JOE MCGOWAN, *Director – Technical*  
 L. BALASUNDARAM, *Director – Human Resource*  
 PRIYARANJAN SEKHON, *Legal Counsel*  
 RAHUL BHATIA, *Director – Commercial*  
 SADHAN BANERJEE, *Director – Management Services*  
 SUGATA SIRCAR, *Director – Finance*  
 HIMANSHU K. UPADHYAY, *General Manager – Policy & Corporate Affairs*  
 SANJEEV GUPTA, *General Manager – Internal Audit*

## BANKERS

HDFC Bank Limited  
 ICICI Bank Limited  
 Standard Chartered Bank  
 State Bank of India

## AUDITORS

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

## CORPORATE OFFICE

2, Shantisadan Society  
 Near Parimal Garden,  
 Ellisbridge,  
 Ahmedabad – 380 006

## OFFICES

### SURAT

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

### ANKLESHWAR

Surati Bhagol,  
 Umarwada Road,  
 Near Piraman Naka, Ankleshwar

### BHARUCH

Anand Mangal Society,  
 Son Talavadi, Bharuch

### VAPI

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

### 29<sup>th</sup> Annual General Meeting

Date : 30 April 2009  
 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

CONTENTS	PAGES
Notice	1
Directors' Report	5
Auditors' Report on Corporate Governance	16
Corporate Governance Report	17
Information for Investors	24
Auditors' Report (Consolidated)	27
Balance Sheet (Consolidated)	28
Profit & Loss Account (Consolidated)	29
Schedules to the Accounts (Consolidated)	32
Auditors' Report (GGCL)	53
Balance Sheet (GGCL)	56
Profit & Loss Account (GGCL)	57
Schedules to the Accounts (GGCL)	60
Statement relating to Subsidiary Company (GTCL)	87
Statement relating to Subsidiary Company (GFSL)	88
Directors' Report of Subsidiary Company (GTCL)	89
Auditors' Report of Subsidiary Company (GTCL)	91
Accounts of Subsidiary Company (GTCL)	94
Directors' Report of Subsidiary Company (GFSL)	103
Auditors' Report of Subsidiary Company (GFSL)	106
Accounts of Subsidiary Company (GFSL)	110



## NOTICE

NOTICE is hereby given that the Twenty Ninth Annual General Meeting of the Members of Gujarat Gas Company Limited will be held on Thursday, 30 April 2009 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 2008, the Balance Sheet as at that date and the Auditors' Report thereon.
2. To declare dividend on preference shares.
3. To declare dividend on equity shares.
4. To appoint a Director in place of Mr. 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 Mr. Bikash C. Bora 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 a 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. Derek Alan Fisher 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 a director of the Company, liable to retire by rotation."
9. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:  
"RESOLVED THAT subject to such approvals as may be necessary, the Chairman and independent directors of

the Company, be paid commission for the financial year 2008, as set out in the Explanatory Statement annexed to this Notice convening the Twenty Ninth Annual General Meeting.

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

**By Order of the Board**

Rajeshwari Sharma  
Company Secretary

Date : 26 March 2009

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 2008.
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 Twenty Ninth Annual General Meeting.
5. Dividend for the financial year ended 31 December 2001, which remains unpaid or unclaimed, will be due for transfer to the Investor Education and Protection Fund of the Central Government ('IEPF') later this year, pursuant to the provisions of Section 205A of the Companies Act, 1956.
6. Members who have not encashed their dividend warrants for the financial year ended on 31 December 2001, 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 on 31 December 2001, it will not be possible to entertain the claims received by the Company Secretary after 27 June 2009. Members are advised that, in terms of the provisions of section



205C of the Companies Act, 1956 no claim shall lie with respect to unclaimed dividend once it is transferred by the Company to IEPF.

7. Members, holding the shares in physical form and wishing to avail the nomination facility, are requested to send the duly filled nomination form to the Karvy Computershare Pvt. Ltd, Hyderabad, the Registrar and Share Transfer Agent. Members may download the nomination form from the Company's website [www.gujaratgas.com](http://www.gujaratgas.com) under investor section.
8. Pursuant to SEBI circular, the shareholders holding shares in physical form are requested to submit the notarised copy of the PAN in compliance of the KYC norms. Please ensure that the duly notarized copy must bear the document serial no. and date as per notary register, name, signature and stamp of notary.

#### EXPLANATORY STATEMENT

Annexed to the Notice convening the Twenty Ninth Annual General Meeting to be held on Thursday, 30 April 2009:

#### 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 46 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 Chairman of the Audit Committee and a member of the Shareholders' Grievances Committee of your Company from April 2001.

Apart from Gujarat Gas Company Limited, 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	Mipco Seamless Rings (Gujarat) Limited	Director
3	Shri Dinesh Mills Limited	Director
4	INEOS ABS (India) Limited	Director
5	Akshar Elemech Private Limited	Director
6	Jewel Consumer Care Private Limited	Director

#### Membership of Committees

Sr. No.	Name of the Company	Committee	Designation
1	ABC Bearings Limited	Audit Committee	Chairman
2	Mipco Seamless Rings (Gujarat) Limited	Audit Committee	Member
3	Shri Dinesh Mills Limited	Shareholders' Grievance Committee	Member
4	INEOS ABS (India) Limited	Audit Committee Shareholders Grievance Committee	Member 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 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 organisational theory and design and restructuring of organisations for management of excellence, innovative turnaround management, effective management of public enterprises and governmental organisations and creativity and innovation. He has been a consultant to many Indian and international organisations in the areas of team building, innovative excellence, management and organisational restructuring and creativity 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 Behaviour 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, organisational 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, organisational behaviour 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 Shareholders' Grievance Committee and a member of the Audit Committee of your Company since April 2001.

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

#### Directorships

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

#### Membership of Committees

Sr. No.	Name of the Company	Committee	Designation
1	Micro Inks Limited	Audit Committee	Member
2	Micro Inks Limited	Remuneration Committee	Chairman
3	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

Mr. Bikash C. Bora was appointed as an Additional Director by the Board of Directors in its meeting held on 23 October 2008. As per the provisions of section 260 of the Companies Act, 1956, and the Articles of Association of the Company, he holds 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 a director of the Company.

#### Brief resume and nature of expertise

Mr. Bikash C. Bora, 68, Graduate in Mechanical Engineering and a Fellow of the Institution of Engineers (India), has been associated with the oil and gas industry for more than four decades.

After superannuation in 2001 from ONGC, of which he was the Chairman & Managing Director from 1995 to 2001, he has been a Consultant and Advisor to a number of companies

engaged in the energy sector through his wholly owned consultancy company, Enercon.

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

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

Apart from Gujarat Gas Company Limited, Mr. Bora holds directorships of the following companies / committees.

#### Directorships

Sr. No.	Name of the Company	Designation
1	Interlink Petroleum Limited	Director
2	Assam Hydrocarbon and Energy Company Limited	Director

Your directors recommend the appointment of Mr. Bikash C. Bora, as a Director of your Company.

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

#### ITEM NO. 8

Mr. Derek Alan Fisher was appointed as an Additional Director of the Company, with effect from 21 November 2008, by the Board of Directors at its meeting held on 16 December 2008. As per the provisions of section 260 of the Companies Act, 1956, and the Articles of Association of the Company, he holds 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 a director of the Company.

#### Brief resume and nature of expertise

Mr. Derek Alan Fisher graduated from Purdue University, US, with a Bachelor Degree in Science in Electrical Engineering, and from Northeastern University, US, with a Master Business Administration Degree.

He is President and Managing Director, BG India and is responsible for both upstream / downstream business of BG in India.

He joined the BG Group from General Electric, where he held management positions in their aerospace, aero place engines, satellite and communications businesses. This involved assignments in Singapore, Taiwan and Dubai as well as in the US.

He has been with BG Group for eleven years, the last four years of which, as the Asset General Manager (AGM) in



Tunisia, which is one of BG's large E&P operating assets. He was the AGM for South-East Asia, responsible for operations in Thailand (E&P), Philippines and Malaysia (Power) and Indonesia (LNG) between 1998 -2004.

He does not hold any shares or beneficial interest in any shares of your company.

Apart from Gujarat Gas Company Limited, Mr. Fisher holds directorships of the following companies / committees.

#### Directorships

Sr. No.	Name of the Company	Designation
1	BG Exploration and Production India Limited	Director
2	BG India Energy Private Limited	Director
3	BG LNG Regas India Private Limited	Director
4	BG India Energy Services Private Limited	Director
5	BG India Energy Solution Private Limited	Director
6	Mahanagar Gas Limited	Director

He is the promoter-director and your directors recommend appointment of Mr. Derek Alan Fisher as a Director of the Company.

The following promoter-directors of the Company are deemed to be interested:

- Mr. Derek Alan Fisher
- Mr. Hasmukh Shah
- Mr. Rajeev Khanna
- Mr. Shaleen Sharma

#### ITEM NO. 9

At present, the Chairman and the independent directors of the Company are being paid sitting fees for attending the meetings of the Board of Directors and its Committees. The directors have steered the Company through a significant growth phase over the years. The Company has a clear strategy and its business model is robust. The Board of Directors of the Company recognise that the rich experience and the expertise of the directors enables them to significantly contribute to the business of the Company.

In order to bring the remuneration of the Chairman and the independent directors in line with current trends and ensuring that their remuneration is commensurate to the time devoted and the contribution made by them, the Board at its meeting held on 26 February, 2009, has proposed to pay them remuneration by way of the commission for the financial year 2008, subject to necessary approvals as stated below, in addition to the sitting fees being paid:

Hasmukh Shah	Chairman	Rs 6.0 lakhs
Jal Patel	Independent Director	Rs 4.5 lakhs
Prof. Pradip Khandwalla	Independent Director	Rs 4.5 lakhs
Ajit Kapadia	Independent Director	Rs 3.0 lakhs
Bikash C. Bora	Independent Director	Rs.3.0 lakhs

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

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

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

**By Order of the Board**

Rajeshwari Sharma  
Company Secretary

Date : 26 March 2009  
Place : Ahmedabad

**DIRECTORS' REPORT****DEAR SHAREHOLDERS,**

Your directors have pleasure in presenting the 29<sup>th</sup> Annual Report and the audited accounts for the year ended on 31 December 2008.

**1. FINANCIAL RESULTS**

(Rs. in crores)

Particulars	Consolidated Financials		Stand-alone Financials	
	Current Year	Previous Year	Current Year	Previous Year
Total income	<b>1,342.46</b>	1,262.12	<b>1,335.77</b>	1,214.69
Gross profit before interest, depreciation and tax	<b>276.45</b>	268.78	<b>271.20</b>	272.88
Less: Interest	<b>0.11</b>	0.10	<b>0.11</b>	0.19
Depreciation	<b>41.80</b>	38.44	<b>40.44</b>	37.08
Profit before tax	<b>234.55</b>	230.24	<b>230.65</b>	235.61
Tax expenses	<b>73.03</b>	76.57	<b>71.84</b>	76.52
Net Profit	<b>161.52</b>	153.67	<b>158.81</b>	159.09
Minority Interest	<b>0.87</b>	0.72	-	-
Profit attributable to Group	<b>160.65</b>	152.95	-	-
Add: Undistributed profit of earlier years	<b>391.16</b>	279.14	<b>375.86</b>	257.03
Balance available for Appropriation	<b>551.81</b>	<b>432.09</b>	<b>534.67</b>	<b>416.12</b>
Less: <u>Appropriations:</u>				
Transfer to general reserve	<b>16.15</b>	16.13	<b>16.00</b>	16.00
Special reserve as stipulated by RBI	<b>0.58</b>	0.48	-	-
Preference dividend	<b>1.08</b>	1.08	<b>1.08</b>	1.08
Proposed Equity dividend	<b>19.24</b>	19.23	<b>19.24</b>	19.23
Corporate dividend tax	<b>3.50</b>	4.01	<b>3.45</b>	3.95
Surplus retained	<b>511.26</b>	391.16	<b>494.90</b>	375.86
Earning per Share (Rs.)	<b>24.86</b>	23.65	<b>24.57</b>	24.61

**2. DIVIDEND**

Your directors recommend for consideration of the shareholders at the Annual General Meeting, payment of 150 % dividend i.e. Rs.3.00 per equity share of Rs. 2 each and 7.50 % dividend i.e. Re. 0.75 per Redeemable Cumulative Non-convertible Preference Share of Rs. 10 each, involving total payout of Rs. 23.77 crores, including corporate dividend tax of Rs. 3.45 crores.

gas is expected to constitute 23% of the primary energy basket by the year 2020, up from its current share of 8%.

The gap between demand and supply of natural gas is expected to be mitigated to a large extent with the advent of gas from the Krishna Godavari (KG) basin off the Indian East Coast. While this additional gas is expected to start flowing in April 2009, the exact date and quantum of availability of this gas, especially for the Gujarat market, is yet to be firmed up.

**3. MANAGEMENT ANALYSIS****3.1. Industry Structure**

The demand for natural gas continues to sustain and grow in India. However, availability of natural gas from indigenous sources continues to fall significantly short of demand while RLNG from the two LNG import terminals is not adequate to meet the shortfall. The current demand is predominantly from the priority sectors of fertilizer and power, while the demand from the city gas distribution and petrochemicals sectors is comparatively lower. In the long-term, however, natural

Notwithstanding the gas supply-demand scenario, the relationship between the price at which gas is available and the demand for gas, cannot be ignored. Market driven gas prices have been moving upwards over the last few years. The sharp fall in the price of crude oil recently witnessed has not impacted the gas prices in India as price of indigenous gas, unlike LNG, is by and large, not related to international crude oil prices. The additional gas from KG basin is expected to be available at competitive prices to LNG and could therefore play a



significant role in reducing the gap between demand and supply.

Your Company continues to remain India's largest private sector entity in city gas distribution by volume. It is the main distributor of natural gas in the industrial, commercial, domestic and automobile (CNG) segments in South Gujarat. More than 95% of the gas sold by your Company is purchased at market prices. Your Company has, therefore, established a robust business model which is viable at market driven prices.

Certain other companies have forayed into gas distribution and several others have expressed their interest in the sector. The Petroleum and Natural Gas Regulatory Board (PNGRB), set up with effect from 1<sup>st</sup> October 2007, has issued regulations which now apply to the natural gas industry. Companies, once authorized by the PNGRB, have to operate within these guidelines.

### 3.2. Developments

Your Company had contracts with the Panna-Mukta, Tapti (PMT) JV and BG Exploration and Production India Limited to purchase a total of 3.05 mmscmd of gas. The Ministry of Petroleum and Natural Gas (MoPNG), Government of India issued a directive under which the entire gas produced from the PMT fields was to be sold by the producers to GAIL, which was nominated by the Government to market the gas, with effective from 1<sup>st</sup> April 2008. After prolonged engagement with GAIL, and with significant support from BG, your Company was allocated 2.13 mmscmd of gas for which a Term Sheet was signed with GAIL effective for supply of gas from 1<sup>st</sup> April 2008. The Term Sheet is valid till 31<sup>st</sup> March, 2019 and is expected to be converted into a definitive Gas Sale and Transportation Contract. The availability of gas to your Company was significantly affected as a result of the aforementioned change.

Your Company has made applications under the appropriate sections of the Regulatory provisions for the grant of authorization to operate in and around the areas of Surat, Bharuch, Ankleswar and Vapi. In the meantime, the MoPNG has written to the PNGRB confirming that your Company has been authorized by the Government of India to operate in the cities of Surat, Bharuch and Ankleswar. Separately, the PNGRB has permitted the Company to continue capital works in the specified areas, while the applications are scrutinized in detail. Your Company has also filed "Expression of Interest" applications before the PNGRB for certain areas in eastern Kuchchh and Bhavnagar in Gujarat.

The price of crude oil has been highly volatile in 2008. While Brent crude oil peaked at \$ 140 per barrel in June 2008, it was down at \$ 40 per barrel in December 2008. Natural gas distributed by your Company is mainly used in industrial applications, where customers have converted from other sources of energy like grid power, fuel oil and other solid fuels to natural gas. While the grid power cost is yet unaffected by changes in the crude price, the fuel oil prices have moved down. Gas sold in the CNG segment competes with liquid automobile fuels and LPG. While the prices at which natural gas is sold by the Company remain competitive in all segments and applications, the Company continues to monitor the prices of competitive fuels very closely.

The Indian Rupee depreciated against the US Dollar from Rs. 39.4/USD in January 2008 to Rs. 48.5/USD in December 2008. The Company buys most of its gas at dollar denominated rates and hence the weakening of the rupee pushed up the Company's gas cost.

### 3.3. Opportunities and Challenges

The developments outlined hereinabove along with the following factors have opened up new opportunities and raised new challenges for your Company.

The demand for natural gas remains strong in the Company's markets. While the economic downturn has affected certain industrial units, customers continue to value the advantages of using natural gas. The overall demand has therefore been sustained and is seen to be growing, though the Company does not as yet have adequate supplies to meet the full demand of its customers. The strong industrial growth in Gujarat and rapid urbanization in and around Surat has ensured that demand for natural gas remains robust.

The opportunity of growing demand can only be met by procuring additional gas. It is expected that significant volumes of gas will flow into Gujarat from the KG basin off the Indian East Coast through a recently constructed trunk gas pipeline system. However, the Company awaits the readiness of the producers/sellers of KG basin gas to enter into gas sales contracts. The Company also continues to explore other sources of gas. The contract with Niko, which is currently supplying about 0.25 mmscmd of gas, has been renewed with effect from 1<sup>st</sup> April 2009, though the volume is expected to be lower from April. The Company is also exploring opportunities with Cairn Energy to augment its current supplies. While regasified LNG is another source which is continuously explored, its high price and intermittent availability pose a constraint in using it as a stable source of supply.



The CNG segment continues to grow strongly, with the efforts made by the Company in converting vehicles to natural gas.

The Company expects the grant of regulatory license in the areas that it has applied for. With this, the Company plans to invest significantly in pipeline network in order to connect household and industrial customers, and to set up new CNG stations.

Prices of several commodities have fallen in the current economic scenario. The Company has developed a focused cost optimization plan with the objective of obtaining maximum value in the current environment. Notwithstanding the challenge of catering to a growing business, the Company expects to optimise its cost per unit of gas sold.

### 3.4. Operations and Market Performance

There was a strong demand for natural gas in the Company's markets during the year. However, the curtailment in gas availability from the PMT fields, following the Government of India directive as explained above, created a serious shortage in the Company's supply of gas. Your Company prioritized the household and CNG segments and continued to distribute the remaining gas among industrial customers on an equitable basis. The industrial customers of the Company went through considerable difficulties as the gas supplied was not adequate to meet their demand.

The cost of gas to your Company increased partly due to the change in supplier and also due to the impact of the Indian rupee against the US dollar. More than 95% of the gas is purchased by your Company at dollar denominated rates. While a part of this was passed on to customers through price increases, the exchange rate impact was significant in the period after the price increase was implemented.

Your Company optimized the market mix to the extent feasible. The annual revenue therefore shows some growth, in spite of the reduction in volumes sold. The CNG segment grew at 30% during the year due to a high rate of conversion of vehicles. The dispensing capacity was enhanced by adding four new CNG stations and by upgrading two compressors. More than 86,000 vehicles now run on CNG in the Company's markets.

Operating Costs increased by about 16% mainly due to wage inflation.

More than Rs. 100 crores were invested in capital projects during the year. Apart from CNG infrastructure, the investments were mainly in pipeline network.

Certain old issues which were pending with a gas transporter for some years were finally resolved and an amount of Rs. 10.5 crores was received in settlement.

The Cogen business segment operated with its existing contracts. Growth outlook in this segment remains conservative due to potential credit risks.

Your Company had an average investment of Rs. 293 crores of surplus funds during the year. The Company's investment strategy is designed to obtain the best possible returns, while ensuring high safety of its funds. The investments earned a reasonable post tax return of about 8%, while special care was taken to preserve the entire corpus especially in the volatile market conditions.

There were significant decisions by appellate authorities in the Company's favour on certain Income Tax cases. A total amount of Rs. 10.5 crores was received as refund of income tax during the year, as a result of resolution of old issues.

While investments have been made in laying a pipeline infrastructure in the Vapi GIDC area, your Company awaits authorization from PNGRB to operate in this area.

The Company signed and commenced gas supply to more than 25,000 households during the year, taking the total number of connected household customers to 246,000.

The consolidated income increased from Rs. 1,261.9 crores to Rs.1,342.4 crores. Gas sales volume was 1089 mmscm, compared to 1196 mmscm in the previous year, due to reduced availability of PMT gas. The PBT increased from Rs. 230.3 crores to Rs. 234.5 crores mainly due to market optimization and receipt of settlement proceeds. The profit after tax increased from Rs. 153.7 crores to Rs. 161.5 crores.

### 3.5. Future outlook

The natural gas regulations are now a reality and the guidelines for authorization and determination of network tariff have been laid down. The industry will have to operate within this framework. Your Company stands committed to the plan submitted to the PNGRB. The growth of your Company, as of the entire industry, depends on the availability of additional gas. The management expects that gas from KG basin will be available to the Company. The gas allocation policy, when finally issued, should encourage the growth of city gas distribution, which will enable the use of gas by households, vehicles and small industrial customers. The Company believes that the PNGRB, as well as the MoPNG, will follow transparent procedures and play a





promotional role in enhancing gas utilization in city gas distribution.

The demand for gas in the industrial segment remains strong and is expected to sustain and grow in spite of the slow down in general economic growth. CNG continues to remain a vibrant business segment. Rapid increase in the vehicular population and a rapid rate of conversion to CNG are ensuring a high rate of growth in this segment.

The growth plan submitted to the PNGRB includes laying pipeline network in a number of areas which have been identified for growth in customer potential. Your Company has developed the expertise to execute such projects over the years and is in a vantage position to carry them out efficiently. The Company has chalked out a comprehensive contracting strategy to engage and develop appropriate contractors, so that they scale up to deliver these projects at the required standards.

### 3.6 Internal Control System and Risk Management

Your Company has an effective internal control environment that continuously assures the efficiency of operations and security of assets through a well defined system of adequate checks and balances. A sound budgetary control process coupled with standard operating processes and a detailed authorisation matrix effectively measure the reliability of financial controls and the degree of compliance with applicable laws.

Your Company has an independent internal audit function, empowered to review and examine the compliances with the plans, policies and statutory requirements. The BG Group Audit team also carries out periodic process reviews of key business activities, leading to enhanced assurance. The Audit Committee monitors the internal control environment within the Company and ensures that the internal audit recommendations are effectively implemented.

Your Company has a strong process for business risk management. There is an extensive risk identification process which helps in compiling significant risks in all areas of operation. These are deliberated upon, to formulate mitigation plans with clear timelines and accountability. A periodic review by senior management ensures that the process is consistently followed and that the mitigation plan acted upon. The Business Risk Register is also reviewed regularly by the Audit Committee of the Board.

Your Company has implemented a Value Assurance Framework (VAF) for all major projects, which provides independent assessment of whether the risks and

opportunities associated with each project are being effectively managed. This involves rigorous scrutiny of all aspects of a project, from conceptualisation to commissioning.

### 3.7 Health, Safety, Security and Environment

Your Company remains committed to Health, Safety, Security & Environment (HSSE). The company measures its HSSE performance with the help of a number of parameters. A steady improvement is evident in most of these parameters, over the last few years.

The management sets goals, develops improvement plans, monitors implementation of plans and reviews the HSSE performance regularly using leading and lagging indicators. There is a strong self assurance process as well as an independent audit process to ensure that controls are in place to manage HSSE risks effectively. Learning from potential incidents in the Company and in other organizations is used to improve the HSSE awareness.

The HSSE performance of your Company has been recognized during the year by various bodies. Your company was awarded the Gujarat Safety Council Safety Award, the Greentech Gold Safety Award 2007 and the National Safety Council Safety Award - Prashansa Patra.

The following activities were carried out as a part of HSSE improvement initiatives:

- Road Safety Week and National Safety Week were celebrated; various awareness campaigns and competitions were organized.
- The senior management team undertook HSSE tours of various worksites to review effectiveness of controls and to recognize good practices.
- The Behavior Based Safety (BBS) process was strengthened during the year. This process attempts to analyze root causes of non compliant behavior and to address the same to achieve a step improvement in HSSE culture.
- An HSSE Leadership Program was conducted for the senior management team by an expert faculty from the BG Group.
- An HSSE road show was organized in Surat for contractors to educate and promote Safety.
- Business Continuity Plans were reviewed.
- The Company participated in the development of the "Code of Practice for ERDMP – Emergency Response and Disaster Management Plan" for gas industries formulated by the PNGRB.



- M/s DNV conducted Integrated Management System audits during the year and GGCL's Occupational Health & Safety Management System was upgraded to OHSAS 18001: 2007.

The security of employees and the protection of company's assets is an important objective of your Company. Measures were taken to further strengthen the security systems.

#### Contribution to Environment

Your Company is an ISO14001: 2004 certified company and has a firm commitment to ensure minimum impact to environment through its operations. Operation of natural gas networks and its associated installations, like other modern industrial processes, generates some amount of waste that needs to be minimised and disposed off appropriately. Your Company is focused in carrying out its waste disposal operations in a safe and controlled manner.

Your Company has also undertaken or contributed indirectly in various initiatives during the year. This includes:

- Reduction in vehicular pollution in Surat and Bharuch districts by establishing new CNG stations and upgrading the existing ones.
- Various Green House Gas (GHG) emission reductions projects were implemented and a reduction of 109.16 tonnes CO<sub>2</sub> equivalent was achieved.
- World Environment Day was celebrated at all the locations to raise awareness.
- Tree plantation was carried out at all the locations.

### 3.8 Contribution to Society

During the year, your Company focused on a comprehensive strategy for Corporate Social Responsibility (CSR). CSR initiatives during the year were mainly in education, health, building of civic amenities and flood amenities.

During the year under review, GGCL supported the Gujarat Education Society in creating a learning centre for children with special needs. The Company supported an initiative to promote school enrolment of children from economically weak background and provided computers to schools. The Company also contributed towards the renovation of a school in a tribal area.

Your Company supported the building and upgradation of the Regional Blood Transfusion Centre at Surat and worked with various organisations and the Government for flood relief in Bihar.

## 4. SUBSIDIARIES

### 4.1 Gujaratgas Trading Company Limited (GTCL)

Gujaratgas Trading Company Limited (GTCL), a wholly-owned subsidiary of your Company, is engaged in the business of selling natural gas to select customers in the State of Gujarat.

During the year under review, GTCL achieved sales of Rs. 83.52 crores as against Rs. 156.25 crores during the previous year. Volumes were lower compared to the previous year, leading to lower sales. Total income for the year ended 31 December 2008 was Rs. 84.66 crores including other income of Rs. 1.14 crores as against total income of Rs. 157.91 crores including other income of Rs. 1.66 crores during the previous year.

Profit before tax (PBT) was Rs. 1.17 crores during the year under review as against a Loss of Rs. 1.91 crores in the previous year. GTCL also received an amount of Rs. 0.50 crores pertaining to interest income on income tax refunds received during the current year.

The accounts of 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, is selling domestic and commercial connections to GGCL customers. GFSL has effectively changed the mode of business from lease financing to sale of gas connection, from April 2007. During the year under review, the income was Rs. 33.07 crores as compared to Rs. 28.18 crores in the year 2007. The connections undertaken have increased from 25,011 in the year 2007 to 26,011 during the year under review. During the year under review, the profit after tax was Rs. 2.88 crores, as compared to Rs. 2.40 crores for the previous year.

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

## 5. FINANCE

Your Company continued to have a healthy cash flow. Your Company has also made adequate provisions for all contingencies, bad debts and diminution in value of investments, as applicable. 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 2008 and Auditors' Report thereon, along with the Directors' Reports of Gujaratgas Trading Company Limited and Gujarat Gas Financial Services Limited, the subsidiaries of Gujarat Gas Company Limited (GGCL), are attached to GGCL's balance sheet.



### 6.1 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 form part of this report.

### 6.2 Human Relations and Particulars of Employees

Your Company employed 548 persons as on 31 December 2008. The Company has a strong focus on developing competencies of its employees through various initiatives such as coaching and mentoring, training and job rotation. The Company has also started partnering with its contractors to step up and scale up its project execution

The Gujarat Gas Company Limited Employee Stock Option Plan 2008 was introduced with effect from November 2008, for employees in select grades, based on their performance with a view to develop a long term relationship and to align employee and shareholder interests.

The core values of the Company are the pillars on which it is built. Extensive processes exist to communicate and reinforce these values consistently throughout the organization.

Particulars of employees in receipt of remuneration exceeding the limits prescribed under the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended are given at Annexure-2. There was no strike or lock-out during the year under review.

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

Your Company has implemented the Gujarat Gas Company Limited Employee Stock Option Plan 2008 ("the ESOP 2008"), for its employees as well as for the employees of its subsidiaries. The approval of the shareholders of the Company for the ESOP 2008, was obtained at the Extraordinary General Meeting held on 23 October 2008.

The details of the Options granted up to 31st December, 2008, 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 - 3 to this Report. The certificate from the Company's Auditors, Price Waterhouse, to the effect that the ESOP 2008 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, will be placed at the ensuing Annual General Meeting.

The ESOP 2008 provides the benefit or right but not the obligation for exercising at a future date, equivalent number of equity shares each of the face value of Rs. 2/- each of Gujarat Gas Company Limited against the Options that have vested under the ESOP 2008. Pursuant to the ESOP 2008, the Company has granted 740,000 Options in November 2008. The ESOP 2008 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 shall 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 in accordance with the terms and conditions of the ESOP 2008.

The Gujarat Gas Company Limited Employee Welfare Stock Option Trust ("the Trust") is implementing and administering the ESOP 2008. The Director - Finance and Director - Human Resource are the trustees of the Trust. The Trustees are authorized to execute the purchase and sale of shares of the Company, on behalf of the Option holders, in accordance with the ESOP 2008. The Trust has purchased from the secondary market, 41,770 equity shares of Rs. 2/- each, as of 31 December 2008 and the same are being held jointly by the trustees of the Trust.

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

### 6.4 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 2008 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; and

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

#### **6.5 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.

#### **7. 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.

#### **8. DIRECTORS**

Mr. Kapil Garg has resigned since the last Annual General Meeting. The Board of Directors places on record its sincere appreciation for the valuable services rendered by him during his tenure.

Mr. Bikash C. Bora and Mr. Derek Alan Fisher, have been appointed as additional directors during the year under review. They hold office till the conclusion of the forthcoming Annual General Meeting. Your Company has received a notice under Section 257 of the Companies Act, 1956 proposing their candidature as directors.

Mr. Jal Patel and Prof. Pradip Khandwalla, 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.

#### **9. 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 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 : 26 February 2009  
Place : Ahmedabad



**ANNEXURE - 1**  
**COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988**  
**FORM - B**

Sr. No.	Particulars	Action taken
<b>1</b>	<b>Research and Development (R&amp;D)</b>	
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
<b>2</b>	<b>Technology absorption, adaptation and innovation</b>	
A	Efforts in brief, made towards technology absorption, adaptation and innovation	<ul style="list-style-type: none"> <li>• Development of RFID Technology to identifying spurious CNG tank installations (in progress). Implementation of Process History Database (PHD):- Automatic transfer of real time process data in GGCL Lan for automatic MIS report generation</li> <li>• Live Network Modeling (LNM): Integration of GIS depository with Advantica's SynerGEE Gas software to enhance network planning and validation.</li> </ul>
B	Benefits derived as a result of the above efforts	<ul style="list-style-type: none"> <li>• Enhance the safety of NGVs</li> <li>• PHD: Improve the data accuracy, security and management for transmission network.               <ol style="list-style-type: none"> <li>1. Daily reporting of process data on desktop for analysis of line loss and gas pipeline network.</li> <li>2. A secured and huge database to accommodate upto 5 years of process history pertaining to gas network parameters.</li> </ol> </li> <li>• LNM:               <ol style="list-style-type: none"> <li>1. The software will provide upto date information to improve the business critical decision making.</li> <li>2. Provides Geo-reference representation of the distribution network for better planning and operations.</li> </ol> </li> </ul>
C	In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished:	Nil
	a. Technology imported	
	b. Year of import	
	c. Has technology been fully absorbed?	
	d. If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action	
<b>3</b>	<b>Foreign Exchange Earnings &amp; Outgo</b>	
		Current Year (Rs. in thousands)
		Previous Year (Rs. in thousands)
	Total Foreign Exchange earned	Nil
	Total Foreign Exchange outgo	54,529
		269,214

**For and on behalf of the Board**

Date : 26 February 2009  
Place : Ahmedabad

HASMUKH SHAH  
CHAIRMAN

**ANNEXURE - 2****Statement of Particulars of Employees' pursuant to the provisions of section 217 (2A) of the Companies Act, 1956 and forming part of the Directors' Report for the year ended on 31 December 2008**

Names of employees who were employed throughout the year and in receipt of remuneration of not less than Rs. 24,00,000/- per annum in aggregate or who were employed for part of the year and in receipt of remuneration of not less than Rs. 2,00,000 per month in aggregate.

<b>Name and (Age)</b>	<b>Designation / Nature of duties</b>	<b>Remuneration Rupees</b>	<b>Qualification &amp; Experience (Years)</b>	<b>Date of Commencement of Employment</b>	<b>Last Employment held</b>
<b>Employed through out the year</b>					
Mr. Joe McGowan (37)	Director-Technical	19,614,213	Chartered Engineer, Member of the Institution of Mechanical Engineers, Associate Member of the Association of Certified Chartered Accountants, UK, Diploma in Financial Management and Accountancy (15)	17/04/2006	Asset Manager, Republic of Ireland Gas Company (BGE), North Ireland
Nitin Patil (46)	General Manager - LDZ Operation	3,450,758/-	B.E. Mechanical Certificate-piping Eng. (22)	10/03/2005	District Engineering Manager (Egypt), Nile Valley Gas
Bhupendra Gheewala (46)	General Manager - Business Solutions	3,078,810/-	M. Com, CA, PG Dip. In Taxation Laws (23)	01/06/1991	Senior Accountant - Shri Dinesh Mills Limited
Kuntal Mehta (36)	General Manager - Corporate Finance	2,425,932/-	B.Com. CA (13)	03/06/2002	Manager - Glaxo Smithkline
Mohmed I. Vakharwala (44)	General Manager - CNG Business	3,028,101/-	BE (Mechanical), MBA (20)	11/04/1990	Jr. Engineer, Asian Paints
<b>Employed for part of the year</b>					
Maqsood Shaikh (37)	General Manager - Commercial	2,286,711/-	B Tech. (Industrial Electronics Engineering) (13)	21/02/2008	General Manager - Actaris Industries Private Limited
Kishore Hirani (39)	General Manager - Information	2,975,596/-	PGD in Business Administration, BE (16)	17/03/2008	IT Manager - GE India
Mukesh Asudani (42)	General Manager - Human Resources	2,118,123/-	BSc, MSW, Diploma in IRPM, LLB (43)	01/05/2008	Head HR - Ingersoll Rand
Abhirup Bhattacharya (39)	General Manager- Engineering Services (promoted with effect from 22/08/2008)	900,542/-	B Tech (17)	09/11/2004	Assistant Manager Tata Chemical Limited
Madathil Muralidharan (42)	General Manager - Engg. Services (resigned with effect from 10/03/2008)	701,501/-	B. Tech. (Mechanical Eng.), M.E. (Ind. Safety Eng.) (13)	19/08/2002	Manager, ITC Limited

**Notes:**

1. The Board of Directors has approved the re-appointment of Mr. Joe McGowan for a period of one year commencing from 17 April 2008. Other employees are in regular employment of the Company.
2. The employees are not related to any director of the Company.

**For and on behalf of the Board**

Date : 26 February 2009  
Place : Ahmedabad

HASMUKH SHAH  
CHAIRMAN



## ANNEXURE - 3

**Statement as at 31 December 2008 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 7,40,000 Options
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 is highest trading volumes on the date of the Board Meeting in which the grant of Options is approved. The Exercise Price shall be calculated as rounded off to the nearest integer. The Compensation Committee will decide the Exercise Price for subsequent grants at its discretion.
	(ii) Exercise Price	Rs. 189/- is the Exercise Price for the Options granted in November, 2008, which has been calculated at 10% discount of the Rs. 210/- being the closing price of the Shares on the National Stock Exchange on which there was highest trading volumes on 23 October 2008.
c)	Total number of Options vested	Nil
d)	Total number of Options exercised	Nil
e)	The total number of shares arising as a result of exercise of Options	Nil
f)	Total number of Options lapsed	Nil
g)	Variation of terms of Options	NA
h)	Money realised by exercise of Options	NA
i)	Total number of Options in force	7,40,000
j)	Employee wise details of options granted to:-	
	(i) senior managerial personnel;	Nil
	(ii) any other employee who received a grant in any one year of Option amounting to 5% or more of Option granted during that year.	Nil
	(iii) identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant.	Nil
k)	Diluted Earnings Per Share (EPS) pursuant to issue of equity shares on exercise of Option calculated in accordance with Accounting Standard (AS) 20 'Earnings Per Share'.	NA
l)	(i) Method of calculation of employee compensation cost	The employee compensation cost has been calculated based on the Fair Value method of accounting using the Black-Scholes Option Pricing Formula.



(ii)	Where the company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed.	NA
(iii)	The impact of this difference on profits and on EPS of the company	NA
m)	Weighted-average exercise prices and weighted-average fair values of options granted for options whose exercise price either equals or exceeds or is less than the market price of the stock	The weighted average exercise price per Option is Rs. 189/-  The weighted average fair value per Option at the grant date is Rs 65.90.
n)	A description of the method and significant assumptions used during the year to estimate the fair values of options	The fair value of each Option is calculated based on the Fair Value method of accounting using the Black-Scholes Option Pricing Formula. The significant assumptions for estimating the fair value of options :  (i) Risk-free interest rate                      7.67% (ii) Expected life                                      3 years (iii) Expected volatility                              25.21% (iv) Expected dividends                              5.13% (v) The price of the underlying share in market at the time of Option grant Rs. 211.05 (closing price on BSE on 28 November 2008)

**For and on behalf of the Board**

Date : 26 February 2009  
Place : Ahmedabad

HASMUKH SHAH  
CHAIRMAN





**Auditors' Certificate**  
**regarding compliance of conditions of**  
**Corporate Governance under Clause 49 of the Listing Agreement**

**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, 2008, as stipulated in clause 49 of the Listing Agreement(s) of the said Company with stock exchange(s) in India.

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

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

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

**V. Nijhawan**

Partner

Membership Number: F-87228

For and on behalf of

**Price Waterhouse**

Chartered Accountants

Place : Ahmedabad

Date : 26 February 2009



## A REPORT ON CORPORATE GOVERNANCE

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

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

Your Company strives to operate under the highest standards of corporate governance. Best practices are assimilated and incorporated in the processes followed by the Company. The conduct expected from employees is communicated extensively. Processes are put in place to ensure compliance to desired standards and to address deviations.

The Company promotes the values of customer orientation, team work, commitment, growth and trust. These values practiced by the Company embody the spirit of corporate governance. They are continuously propagated among the employees of the Company and its other stakeholders. The Company has a comprehensive set of business principles which apply not only to its employees but also to agencies working on its behalf.

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 modified provisions of the Corporate Governance Code of the Listing Agreement.

Details of composition of the Board, category of the directors as well as their directorship and membership in other companies/committees including those of GGCL, private and foreign companies as on 26 February 2009 are given below:

Names of the Directors	Category	Number of Directorship in Companies	Number of Membership/ Chairmanship in Board Committees	
			Membership	Chairmanship
Mr. Hasmukh Shah, Chairman	Promoter & non-executive directors	11	2	3
Mr. Derek Fisher (with effect from 21 November 2008)		7	-	-
Mr. Kapil Garg (upto 21 November 2008)		2	-	-
Mr. Rajeev Khanna		5	1	-
Prof. Pradip Khandwalla	Non-executive and independent directors	7	3	1
Mr. Jal Patel		7	4	3
Mr. Ajit Kapadia		7	-	1
Mr. Bikash C. Bora (with effect from 23 October 2008)		3	-	-
Mr. Shaleen Sharma, Managing Director	Promoter and executive director	4	1	1

The above details include membership and chairmanship of the Audit Committees and Shareholders' Grievances Committees. Number of membership / chairmanship of all the directors in the Board Committees are in compliance with the corporate governance code.

During the year, seven Board Meetings were held on 31 January 2008, 20 February 2008, 30 April 2008, 2 May 2008, 30 July 2008, 23 October 2008 and 16 December 2008.



Details of attendance of the directors at the board meetings held during the year 2008 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	7	6	Yes
Mr. Derek Fisher	1	1	NA
Mr. Kapil Garg	6	2	No
Mr. Rajeev Khanna	7	7	Yes
Prof. Pradip Khandwalla	7	7	Yes
Mr. Jal Patel	7	7	Yes
Mr. Ajit Kapadia	7	7	Yes
Mr. Bikash C. Bora	2	2	NA
Mr. Shaleen Sharma	7	7	Yes

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. 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

Present members of the Audit Committee are Mr. Jal Patel, Chairman, Prof. Pradip Khandwalla and Mr. Rajeev Khanna. 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 Agreement 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. The Committee also met to consider annual accounts for the year ended on 31 December 2008.

Details of meetings of Audit Committee and attendance

Sr. No.	Date of Meeting	Number of Members	Attendance
1	20 February 2008	3	3
2	30 April 2008	3	3
3	30 July 2008	3	3
4	23 October 2008	3	3



#### 4. Remuneration of Directors

The Company is paying managerial remuneration to the Managing Director. The Board determines the remuneration on the basis of achievement of key performance indicators. The details of managerial remuneration paid to him in the year 2008 are given below.

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

Elements of remuneration package	Fixed component / Performance linked incentive	C.Y.2008 Amount Rs.
Basic salary	Fixed	6,216,000
Contribution to provident fund and gratuity fund		1,004,940
<b>Perquisites and Allowances</b>	Value of benefits with upper ceiling	
HRA/Rent free accommodation, Medical and other allowance		1,068,458
Gas, electricity and other expenses		100,902
Expenses on household staff		137,900
Performance bonus	Performance linked incentive	3,017,979
<b>Total</b>		<b>11,546,179</b>

##### Other Details

###### Criteria

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

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

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

Sitting fees are paid to the Chairman and independent directors for attending meetings of the Board of Directors and its Committees. An amount of Rs.17,000 per meeting was paid as sitting fees for attending Board Meetings and Rs.15,000 per meeting for attending Committee Meetings and effective from 23 October 2008, the Board of Directors had revised the sitting fess to Rs. 20,000 per meeting, for attending the Board Meetings and Rs. 18,000 per meeting for attending the 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 2008 amounted to Rs. 8,41,000.

##### Details of proposed commission to be 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, it is proposed to pay remuneration by way of following commission for CY 2008 to these non-executive directors, after the approval of the Board, Shareholders and any other approval, as may be necessary.

Hasmukh Shah	Chairman	Rs 6.0 lakhs
Jal Patel	independent director	Rs 4.5 lakhs
Prof. Pradip Khandwalla	independent director	Rs 4.5 lakhs
Ajit Kapadia	independent director	Rs 3.0 lakhs
Mr Bikash C. Bora	independent director	Rs. 3.0 lakhs



The above commission shall be within one percent of the net profits for CY 2008 and will be calculated in accordance with the provisions of the applicable laws. The Commission is proposed to be 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 and for redressal of complaints / requests received from the shareholders. 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. 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 46 complaints during the year 2008. All the complaints were resolved to the satisfaction of the shareholders.

#### 6. Compensation Committee

The Compensation Committee of the Board comprises of three Directors, namely, 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:

- a. Eligibility and Quantum of options to be granted under the ESOP 2008 per employee and in aggregate;
- b. the conditions under which option vested in employees may lapse in case of termination of employment for misconduct;
- c. 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;
- d. the specified time period within which the employee shall exercise the vested options in the event of termination or resignation of an employee;
- e. 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;
- f. 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;
- g. the grant, vest and exercise of option in case of employees who are on long leave;
- h. Determine the procedure for cash less exercise of Options;
- i. 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");
- j. 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;
- k. Any other related or incidental matter.

During the year under review two meetings of the Compensation Committee were held on 12 September 2008 and 23 October 2008;

**7. General Body Meetings***Location and time of last three AGMs/EGM*

Date	Time	Venue
23 October 2008 (Extraordinary General Meeting)	09.30 a.m.	H.T. Parekh Convention Centre, Ahmedabad Management Association, ATIRA, Vastrapur, Ahmedabad-380 015
2 May 2008 (Annual General Meeting)	10.00 a.m.	H.T. Parekh Convention Centre, Ahmedabad Management Association, ATIRA, Vastrapur, Ahmedabad-380 015
30 April 2007 (Annual General Meeting)	10.00 a.m.	H.T. Parekh Convention Centre, Ahmedabad Management Association, ATIRA, Vastrapur, Ahmedabad-380 015
24 April 2006 (Annual General Meeting)	10.00 a.m.	H.T. Parekh Convention Centre, Ahmedabad Management Association, ATIRA, Vastrapur, Ahmedabad-380 015

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 24 April 2006**

1. The capital clause of the Articles of Association was altered for reflecting increase in the authorised share capital from Rs. 25,00,00,000 divided into 2,50,00,000 equity shares of Rs. 10 each to Rs. 45,00,00,000 divided into 2,80,00,000 equity shares of Rs. 10 each and 1,70,00,000 preference shares of Rs. 10 each. The authorized share capital was increased for enabling issue of preference shares.
2. A resolution authorising issue and allotment of upto 1,70,00,000, 7.5% Redeemable Cumulative Non-convertible Preference Shares (RCNPS) of Rs. 10 each to BG Asia Pacific Holdings Pte. Limited, Singapore ("BGAPH") on a preferential basis was passed. The RCNPS of Rs. 14,40,00,000 were issued to BGAPH for meeting the capitalisation requirements prescribed under the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations.

**Annual General Meeting held on 30 April 2007**

3. The capital clause of the Articles of Association was altered for reflecting sub-division of the authorised equity share capital from Rs. 28,00,00,000 divided into 2,80,00,000 equity shares of Rs. 10 each to 14,00,00,000 equity shares of Rs. 2 each. No change was made in the nominal value of the preference share capital. Articles of Association were altered for reflecting sub-division of the equity shares from the nominal value of Rs. 10 per share to Rs. 2 per share.

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

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

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

4. A resolution for introduction and implementation of Gujarat Gas Company Limited – Employee Stock Option Plan 2008 for the employees of Gujarat Gas Company Limited.
5. 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 resolution was passed through Postal Ballot in the year 2008 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 at the beginning of the year 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, directors and senior management of the Company have affirmed compliance with the Code for the year ended on 31 December 2008. A declaration to this effect signed by the Managing Director forms part of this Annual Report.

#### EDIFAR Filing

In compliance with the provisions of the Listing Agreement, GGCL files its annual report, quarterly results and shareholding pattern through Electronic Data Information Filing and Retrieval system (EDIFAR) website of SEBI.

#### 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 normally publishes the quarterly results in Ahmedabad edition of any of The Economic Times, Financial Express or Business Standard and Mumbai edition of Hindu Business Line, Financial Express or Business Standard and other editions of leading financial newspapers.

The Company has its own web site – <http://www.gujaratgas.com>, on which the quarterly results, all the official releases to the stock exchanges and presentations made to the institutional investors and analysts are displayed.

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

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

### **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 2008 is annexed to this report.

**For and on behalf of the Board**

Date : 26 February 2009  
Place : Ahmedabad

HASMUKH SHAH  
Chairman



**Certificate of Compliance with the Code of Conduct**

**To,**

The Shareholders,  
Gujarat Gas Company Limited

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

**For Gujarat Gas Company Limited**

Shaleen Sharma  
Managing Director

Date : 11 February 2009  
Place : Ahmedabad





## INFORMATION FOR INVESTORS

### 1. Annual General Meeting details

At 10.00 a.m. on Thursday, 30 April 2009 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 2009:

26 February 2009 (already held)	30 April 2009
23 July 2009	29 October 2009
17 December 2009	

### 3. Book Closure Date

The Register of Members and Share Transfer Book of the Company shall remain closed from 18 March 2009 to 20 March 2009 (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 or after 30 April 2009, but within the statutory time limit.

### 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 2008-09 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 2008 is given below:

Month	Highest (Rs.)	Lowest (Rs.)
January	379.00	257.00
February	348.00	291.75
March	325.00	215.00
April	279.00	225.15
May	277.90	244.55
June	256.00	227.20
July	245.00	224.35
August	302.00	226.60
September	291.40	244.00
October	259.00	170.00
November	221.00	199.05
December	241.00	196.05

### 7. Performance in Comparison to BSE Sensex

Performance of share price of your company in comparison to BSE Sensex for the year 2008 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 other requests 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 Numbers: 040-23420818 and 23420828, Fax Number: 040-23420814.

Correspondence and requests relating to dividend payment may please be sent to the Company at the registered office at 2, Shantisadan Society, Near Parimal Garden Ellisbridge, Ahmedabad - 380 006.

#### 9. Distribution of shareholding

Distribution of Shareholding as on 31 December 2008 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	18,310	1,122,640	4,453,093	5,575,733	8.70
Foreign Institutional Investors (FIIs)	30	6,500	9,060,445	9,066,945	14.14
Non-resident Indians (NRIs)	289	3,500	148,972	152,472	0.24
Indian Companies	479	6,505	1,421,743	1,428,248	2.23
Mutual Funds & UTI	29	500	4,196,551	4,197,051	6.55
Public Financial Institutions, Government Companies and Banks	9	1,500	1,943,676	1,945,176	3.03
Foreign Promoters	1	41,759,375	-	41,759,375	65.12
<b>Total</b>	<b>19,147</b>	<b>42,900,520</b>	<b>21,224,480</b>	<b>64,125,000</b>	<b>100.00</b>

#### 10. Dematerialisation of shares and liquidity

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

Equity shares of your Company are regularly traded and are included in Group "B" category of shares of the Bombay Stock Exchange Limited. 34.878% equity shares of the Company are held by non-promoter shareholders.

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

#### 12. Gas receiving locations

##### Ankleshwar

Surati Bhagol, Umarwada Road,  
Near Piraman Naka,  
Ankleshwar

##### Amboli

Plot no. 70-71,  
Amboli,  
Ankleshwar

##### Vadoli

Survey No. 546/1,  
Village-Vadoli,  
Taluka-Olpad,  
District-Surat

##### Sachin

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

##### Palsana

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

##### Atodara

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

##### Rahadpore

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

##### Surat

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

##### Jhagadia

Plot No-773/A,  
GIDC Jhagadia,  
Ankleshwar  
District-Bharuch

##### Mora (Surat)

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

##### Valia

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



### 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, Ellisbridge, Ahmedabad – 380006, India. Telephone Numbers: (079) 26462980, 26460095, 26467876, Fax: (079) 26466249. Email address: [contactggcl@gujaratgas.com](mailto:contactggcl@gujaratgas.com)

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

### 14. Nomination facility

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

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

### 15. Unclaimed dividend

The Company has transferred unclaimed dividend for the financial years 1991-92 to 1994-95 to the General Revenue Account of the Central Government. Shareholders, who have not encashed their dividend warrants for the above years, are requested to lodge their claims with the Registrar of Companies, Gujarat, Ahmedabad. Your Company has also transferred unclaimed dividend for the financial years 1995-96 to 1998-99, financial period of April-December 1999 and interim including final dividend for the year 2000 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 2001 to the Investor Education and Protection Fund on or after 28 June 2009 in terms of the provisions of the Investor Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001.

### 16. Folio Merging

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

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

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

For and on behalf of the Board

HASMUKH SHAH  
CHAIRMAN

Date : 26 February 2009  
Place : Ahmedabad



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

1. We have audited the attached consolidated balance sheet of Gujarat Gas Company Limited and its subsidiaries (the Group) as at December 31, 2008, the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date, annexed thereto, which we have signed under reference to this report. These consolidated financial statements are the responsibility of Gujarat Gas Company Limited's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We report that the consolidated financial statements have been prepared by the company in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements, notified under section 211(3C) of the Companies Act, 1956 and on the basis of the separate audited financial statements of Gujarat Gas Company Limited and its subsidiaries included in the consolidated financial statements.
4. On the basis of the information and explanations given to us and on consideration of the separate audit reports on individual audited financial statements of Gujarat Gas Company Limited and its aforesaid subsidiaries, in our opinion, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (a) in the case of the consolidated balance sheet, of the consolidated state of affairs of the Group as at December 31, 2008;
  - (b) in the case of the consolidated profit and loss account, of the consolidated results of operations of the Group for the year ended on that date; and
  - (c) in the case of the consolidated cash flow statement, of the consolidated cash flows of the Group for the year ended on that date.

Date : February 26, 2009  
Place : Ahmedabad

**V. Nijhawan**  
Membership No: F87228  
Partner  
For and on behalf of  
**PRICE WATERHOUSE**  
Chartered Accountants



## BALANCE SHEET AS AT DECEMBER 31, 2008

	Schedule	Rs. in thousand	As at 31-12-2008 Rs. in thousand	As at 31-12-2007 Rs. in thousand
<b>SOURCES OF FUNDS</b>				
<b>SHAREHOLDER'S FUNDS</b>				
Share Capital	1	272,250		272,250
Stock Options outstanding Account	2	2,879		-
Reserves and Surplus	3	6,971,145		5,602,837
			7,246,274	5,875,087
<b>Minority Interest</b> (Refer Note 27 on Schedule 20)			44,223	36,947
<b>Deferred Tax Liability (Net)</b> (Refer Note 14, 33 and 36 on Schedule 20)			498,392	453,354
<b>DEPOSITS</b> (Refer Note 25 on Schedule 20)				
From Customers		1,235,001		1,080,570
From GAIL (India) Limited		38,692		38,692
			1,273,693	1,119,262
<b>TOTAL</b>			<b>9,062,582</b>	<b>7,484,650</b>
<b>APPLICATION OF FUNDS</b>				
<b>FIXED ASSETS</b>				
Gross Block	4	7,665,601		7,101,300
Less : Depreciation		2,582,207		2,196,778
Less : Impairment Loss		9,879		26,942
		5,073,515		4,877,580
Less : Lease Terminal Adjustment Account		255,447		255,447
Net Block		4,818,068		4,622,133
Capital work in progress		812,661		604,153
Capital Inventory		531,445		506,391
			6,162,174	5,732,677
<b>INVESTMENTS</b>	5		3,545,617	2,350,185
<b>AMOUNT RECOVERABLE FROM ESOP TRUST</b>			10,500	-
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>				
Inventories	6	179,245		176,991
Lease Receivable	7	139,240		98,189
Sundry Debtors	8	1,241,092		875,564
Cash and Bank Balances	9	224,675		175,510
Loans and Advances	10	246,164		337,487
Other Current Assets	11	1,598		627
		2,032,014		1,664,368
<b>LESS: CURRENT LIABILITIES AND PROVISIONS</b>	12			
Current Liabilities		2,357,827		1,963,385
Provisions		334,455		318,751
		2,692,282		2,282,136
<b>NET CURRENT ASSETS</b>			(660,268)	(617,768)
<b>MISCELLANEOUS EXPENDITURE</b> (To the extent not written off or adjusted)	13		4,559	19,556
<b>TOTAL</b>			<b>9,062,582</b>	<b>7,484,650</b>
<b>Significant Accounting Policies and Notes to the Consolidated Financial Statements</b>	20			

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

**V. Nijhawan**  
Membership No. F87228  
Partner  
For and on behalf of  
**PRICE WATERHOUSE**  
**CHARTERED ACCOUNTANTS**

Place : Ahmedabad  
Date : February 26, 2009

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

For and on behalf of the Board

Hasmukh Shah  
Chairman  
Shaleen Sharma  
Managing Director  
Jal Patel  
Director  
Sugata Sircar  
Finance Director  
Rajeshwari Sharma  
Company Secretary

Place : Ahmedabad  
Date : February 26, 2009

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2008**

	Schedule	Rs. in thousand	Year ended 31-12-2008 Rs. in thousand	Year ended 31-12-2007 Rs. in thousand
<b>INCOME:</b>				
Income from Operations	14	13,012,530		12,446,234
Other Income	15	412,105		174,951
			<b>13,424,635</b>	<b>12,621,185</b>
<b>EXPENDITURE:</b>				
Material consumed/processed (Refer Note 23 on Schedule 20)		9,336,595		8,793,307
Personnel Expenses	16	412,409		306,884
Operating and Other Expenses	17	896,131		808,928
Depreciation		417,959		384,398
Finance Charges	18	1,112		1,060
Deferred Revenue Expenditure Written off		14,997		24,242
			<b>11,079,203</b>	<b>10,318,819</b>
<b>Profit before Taxes</b>			<b>2,345,432</b>	<b>2,302,366</b>
Tax Expense	19		730,256	765,674
<b>Profit after Taxes</b>			<b>1,615,176</b>	<b>1,536,692</b>
Minority Shareholders Interest			8,686	7,233
<b>Profit attributable to the Group</b>			<b>1,606,490</b>	<b>1,529,459</b>
Profit brought forward			3,911,576	2,791,405
<b>Profit available for Appropriations</b>			<b>5,518,066</b>	<b>4,320,864</b>
<b>APPROPRIATIONS :</b>				
Proposed Dividend				
- Preference Shares			10,800	10,800
- Equity Shares			192,375	192,375
Corporate Dividend Tax on Proposed Dividend			35,005	40,051
Special Reserve (As stipulated by RBI)			5,767	4,804
General Reserve			161,511	161,258
<b>Profit Carried Forward</b>			<b>5,112,608</b>	<b>3,911,576</b>
			<b>5,518,066</b>	<b>4,320,864</b>
<b>Basic/Diluted Earnings per Share (Rs.)</b> (Refer Note 13 and 28 on Schedule 20)			<b>24.86</b>	<b>23.65</b>
<b>Significant Accounting Policies and Notes to the Consolidated Financial Statements</b>	20			

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

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

For and on behalf of the Board

**V. Nijhawan**

Membership No. F87228  
Partner

For and on behalf of

**PRICE WATERHOUSE  
CHARTERED ACCOUNTANTS**

Place : Ahmedabad  
Date : February 26, 2009

Hasmukh Shah  
Chairman

Shaleen Sharma  
Managing Director

Jal Patel      Sugata Sircar  
Director      Finance Director

Rajeshwari Sharma  
Company Secretary

Place : Ahmedabad  
Date : February 26, 2009



## CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2008

	Year ended 31-12-2008 Rs. in thousand	Year ended 31-12-2007 Rs. in thousand
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before Tax	2,345,432	2,302,366
<b>Adjustments for:</b>		
Depreciation for the year	417,959	384,398
Provision for Gratuity	18,643	1,742
Provision for Leave Encashment	6,174	7,894
(Profit)/Loss on sale of Fixed Assets (Net)	815	(4,249)
Provision for doubtful debts	15,834	91,130
Provision for doubtful Lease Receivables	-	37,562
Provision for Stock Options Account	2,879	-
Other Provision	597	217
Provision for Wealth Tax	400	400
Provision for Diminution in the value of Fixed Assets / Capital Work in Progress	101,000	26,942
Bad Debts written off	-	260
Fixed assets written off	3,700	4,437
Inventory written off	1,812	2,889
Deferred Revenue Expenditure written off	14,997	24,242
Interest Expense	1,112	1,060
Profit on sale of investment (Net)	(13,886)	(469)
Liabilities no longer required Written Back	(106,374)	(8,022)
Reversal of Impairment provision	(17,063)	-
Dividend Income	(212,263)	(120,250)
Unrealised Foreign Exchange Gain (Net)	-	(46)
Interest Income	(22,464)	(8,596)
<b>Operating Profit before working capital changes</b>	<b>2,559,304</b>	<b>2,743,907</b>
<b>Adjustments for changes in working capital</b>		
(Increase)/Decrease in Sundry Debtors	(497,588)	(98,501)
(Increase)/Decrease in Amount Recoverable from ESOP trust	(10,500)	-
(Increase)/Decrease in Loan and Advances	(43,569)	(84,290)
(Increase)/Decrease in Other Current Assets	-	143
(Increase)/Decrease in Inventories	(4,066)	(42,083)
(Increase)/Decrease in Lease Receivables	-	13
Increase/(Decrease) in Current Liabilities	629,449	99,974
(Increase)/Decrease in Miscellaneous Expenditure	-	(10,700)
<b>Cash generated from operations</b>	<b>2,633,030</b>	<b>2,608,463</b>
Taxes paid (Net of refunds)	(573,816)	(732,496)
<b>Net Cash from Operating Activities</b>	<b>2,059,214</b>	<b>1,875,967</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets (Including assets given on finance lease)	(987,003)	(939,244)
Sale of Fixed Assets	88,097	21,782
Purchase of Investments	(12,985,201)	(11,395,545)
Sale of Investments	11,803,655	10,445,314
Net investment in Finance Lease (Net of Capital Recovery)	(78,054)	(135,751)
Interest received	22,464	8,596
Dividends received	212,263	120,250
<b>Net Cash used in investing Activities</b>	<b>(1,923,779)</b>	<b>(1,874,598)</b>

**C. CASH FLOW FROM FINANCING ACTIVITIES**

	Year ended 31-12-2008 Rs. in thousand	Year ended 31-12-2007 Rs. in thousand
Deposits accepted during the year (Net)	154,432	248,756
Repayment of Long-term borrowings	-	(29,400)
Interest Paid	(1,112)	(1,060)
Dividend Paid (Including Corporate Dividend Tax)	(239,590)	(204,911)
<b>Net Cash generated from/(used in) Financing Activities</b>	<b>(86,270)</b>	<b>13,385</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>49,165</b>	<b>14,754</b>
<b>Cash and Cash Equivalents at the beginning of the year</b>	<b>175,510</b>	<b>160,756</b>
<b>Cash and Cash Equivalents at the end of the year</b>	<b>224,675</b>	<b>175,510</b>
<b>Cash and Cash Equivalents comprise</b>		
Cash in hand	200	1,334
Cheques in hand	-	4,639
Balances with Scheduled Banks :		
- In Current accounts	88,251	80,075
- In Dividend Accounts	7,324	6,660
- In Fixed Deposits Account	128,900	82,802
<b>Total Cash and Cash Equivalents as per Cash Flow statement</b>	<b>224,675</b>	<b>175,510</b>

**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 issued by the Institute of Chartered Accountants of India.
- Purchase of fixed asset stated inclusive of movements of capital work in progress and capital inventory are treated as part of investing activities.
- The balance with the bank for unpaid dividend is not available for use by the company and the money remaining unpaid will be deposited in Investor Protection and Education Fund after the expiry of seven years from the date of declaration of dividend.
- Figures in brackets indicate cash outflows.
- Previous year figures have been reclassified/regrouped wherever considered necessary to conform to the current year figures.

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

**V. Nijhawan**

Membership No. F87228

Partner

For and on behalf of

**PRICE WATERHOUSE**

**CHARTERED ACCOUNTANTS**

Place : Ahmedabad

Date : February 26, 2009

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 26, 2009





## SCHEDULES FORMING PART OF BALANCE SHEET (CONSOLIDATED)

	Rs. in thousand	As at 31-12-2008 Rs. in thousand	As at 31-12-2007 Rs. in thousand
<b>SCHEDULE - 1</b>			
<b>SHARE CAPITAL</b>			
<b>Authorised</b>			
140,000,000 ( Previous year 140,000,000) Equity Shares of Rs. 2/- each		<b>280,000</b>	280,000
17,000,000 (Previous year 17,000,000) 7.5% Redeemable Preference Shares of Rs.10/- each		<b>170,000</b>	170,000
<b>TOTAL</b>		<b>450,000</b>	450,000
<b>Issued, Subscribed and Paid up</b>			
64,125,000 ( Previous year 64,125,000 ) Equity Shares of Rs. 2/- each fully paid-up		<b>128,250</b>	128,250
[Out of the above 41,759,375 (Previous year 41,759,375) equity shares are held by holding company BG Asia Pacific Holdings Pte. Limited, the ultimate holding company being BG Group plc.]			
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		<b>144,000</b>	144,000
<b>TOTAL</b>		<b>272,250</b>	272,250
<b>SCHEDULE - 2</b>			
<b>STOCK OPTIONS OUTSTANDING ACCOUNT</b> (Refer Note 32 on Schedule 20)			
Stock Options Outstanding Account		<b>48,766</b>	-
Less : Deferred Stock Option Outstanding Account		<b>45,887</b>	-
<b>TOTAL</b>		<b>2,879</b>	-
<b>SCHEDULE - 3</b>			
<b>RESERVES AND SURPLUS</b>			
<b>GENERAL RESERVE</b>			
As per last Balance Sheet	<b>1,623,275</b>		1,457,739
Add : Transferred from Profit and Loss Account	<b>161,511</b>		161,258
Add : Adjustment for change in Accounting Policy (Refer Note 33 on Schedule 20)	-		4,278
		<b>1,784,786</b>	1,623,275
<b>SPECIAL RESERVE (AS REQUIRED BY RBI)</b>		<b>73,751</b>	67,986
<b>PROFIT AND LOSS ACCOUNT</b>		<b>5,112,608</b>	3,911,576
<b>TOTAL</b>		<b>6,971,145</b>	5,602,837



GUJARAT GAS COMPANY LIMITED (CONSOLIDATED)

SCHEDULES FORMING PART OF BALANCE SHEET (CONSOLIDATED)

SCHEDULE - 4

FIXED ASSETS

(Refer Notes 3,4,5,10(d),11, 15, 21,22, 37(ii) & 42 on Schedule 20)

(Rs. in thousand)

Particulars	GROSS BLOCK			DEPRECIATION		IMPAIRMENT LOSS		NET BLOCK		
	As at 01-01-2008	Additions For the year	Deduction/ Adjustments For the year	As at 31-12-2008	For the year	Deduction/ Adjustments For the year	As at 31-12-2008	For the year	As at 31-12-2008	As at 31-12-2007
<b>TANGIBLE ASSETS</b>										
Land (Refer Note 1 below)	44,267	-	-	44,267	-	-	-	-	44,267	44,267
Buildings (Refer Note 2 below)	244,202	41,696	-	285,898	5,805	-	44,537	-	241,361	205,470
Plant and Machinery	5,479,942	584,430	16,698	6,047,674	3,43,613	11,994	1,979,186	-	4,068,488	3,832,375
Furniture, Fixtures and Fittings	52,996	12,016	3,774	61,238	25,176	2,834	26,206	-	35,032	27,820
Vehicles	77,207	21,145	8,213	90,139	20,104	2,741	2,6219	-	63,920	57,103
<b>Assets given on Finance lease</b> (Prior to April 1, 2001)										
Plant and Machinery	855,498	-	-	855,498	13,521	-	422,366	-	433,132	446,653
<b>Assets given on Operating lease</b> (After April 1, 2001)										
Plant and Machinery (Refer Note 3 and 7 below)	227,331	-	96,457	130,874	14,396	14,961	32,542	26,942	9,879	167,282
<b>INTANGIBLE ASSETS</b>										
Goodwill	1,225	-	-	1,225	-	-	1,225	-	-	-
Right of Use of Land	37,193	503	-	37,696	-	-	-	-	37,696	37,193
Software/Licences	81,439	29,653	-	111,092	22,022	27,904	49,926	-	61,166	59,417
<b>(Less)/Add:</b>										
Lease Terminal Adjustment	-	-	-	-	255,447	-	255,447	-	(255,447)	(255,447)
<b>TOTAL</b>	<b>7,101,300</b>	<b>689,443</b>	<b>125,142</b>	<b>7,665,601</b>	<b>2,196,778</b>	<b>417,959</b>	<b>2,582,207</b>	<b>26,942</b>	<b>5,073,515</b>	<b>4,877,580</b>
<b>Capital Work in Progress</b> (Refer Note 4 and 5 below)										
Capital Inventory (Refer Note 6 below)	7,101,300	689,443	125,142	7,665,601	2,452,225	417,959	2,837,654	26,942	4,818,068	4,622,133
<b>TOTAL</b>	<b>7,101,300</b>	<b>689,443</b>	<b>125,142</b>	<b>7,665,601</b>	<b>2,452,225</b>	<b>417,959</b>	<b>2,837,654</b>	<b>26,942</b>	<b>6,162,174</b>	<b>5,732,677</b>
Previous Year	6,269,158	878,491	46,349	7,101,300	2,101,336	384,398	2,452,225	-	4,622,133	-

NOTES:

- Land includes Leasehold Land Rs.184 thousand (Previous year Rs.184 thousand).
- Cost of Building includes cost of shares of the face value of Rs.1 thousand ( Previous year: Rs.1 thousand) received under the bye-laws of the society.
- Assets given on Operating lease includes Natural gas fired cogeneration unit at its net realisable value of Rs. 38,000 thousand (Previous Year Rs. 25,827 thousand) for which agreement to lease has been terminated.
- Capital Work in Progress includes Capital Advances Rs.49,337 thousand (Previous Year Rs. 37,571 thousand)
- Capital Work in Progress includes Natural gas fired cogeneration units reclassified from finance lease receivables amounting to Rs. 37,003 thousand (net of Provision for diminution in value Rs.37,562 thousand) for which agreement to lease has been terminated. However, the company expects to re-sell the equipment.
- Capital Inventory includes material in transit amounting to Rs.16,551 thousand ( Previous year Rs.64,282 thousand).
- Deduction / adjustments for the year includes Natural gas fired cogeneration unit reclassified from Operating Lease to Finance lease.



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

	Rs. in thousand	As at 31-12-2008 Rs. in thousand	As at 31-12-2007 Rs. in thousand
<b>SCHEDULE - 5</b>			
<b>INVESTMENTS</b>			
(Refer Note 6 on Schedule 20)			
<b>A Long Term Investments (At Cost):</b>			
Equity Shares			
Trade -Unquoted	124,093		124,093
Less: Provision	104,344		104,344
		<b>19,749</b>	<b>19,749</b>
<b>Other than Trade (Quoted)</b>			
11,600 Equity Shares of Rs.10/- each fully paid up ( Previous Year 11,600	116		116
Equity Shares of Rs.10/- each)			
Less: Provision for diminution in value of Investment	116		116
		-	-
<b>Other than trade - Unquoted</b>			
Others		-	1,875
<b>Long Term Investments (A)</b>		<b>19,749</b>	<b>21,624</b>
<b>B Current Investments:</b>			
<b>(At Cost or Fair Value whichever is lower, determined categorywise)</b>			
Other than Trade (Unquoted)			
Mutual Funds		3,525,868	2,328,561
<b>Current Investment (B)</b>		<b>3,525,868</b>	<b>2,328,561</b>
<b>Total Investment (A+B)</b>		<b>3,545,617</b>	<b>2,350,185</b>
<b>Aggregate cost of Unquoted Investments</b>		<b>3,650,077</b>	<b>2,454,645</b>
<b>SCHEDULE - 6</b>			
<b>INVENTORIES</b>			
(Refer Note 7 on Schedule 20)			
Stores and Pipe Fittings		179,245	176,991
<b>TOTAL</b>		<b>179,245</b>	<b>176,991</b>
<b>SCHEDULE - 7</b>			
<b>LEASE RECEIVABLE</b>			
(Refer Note 37(i) on Schedule 20)			
Lease Receivable			
- Considered Good		139,240	98,189
- Considered Doubtful	-		37,562
Less: Provision for Doubtful Receivable	-		37,562
		-	-
<b>TOTAL</b>		<b>139,240</b>	<b>98,189</b>

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

	Rs. in thousand	As at 31-12-2008 Rs. in thousand	As at 31-12-2007 Rs. in thousand
<b>SCHEDULE - 8</b>			
<b>SUNDRY DEBTORS</b>			
Secured - Considered Good			
Exceeding Six Months		<b>7,260</b>	1,060
Others		<b>1,005,984</b>	638,347
Unsecured - Considered Good			
Exceeding Six Months		<b>505</b>	49,883
Others		<b>227,343</b>	186,274
Unsecured - Considered Doubtful			
Exceeding Six Months	<b>27,562</b>		99,474
Less: Provision for Doubtful Debt	<b>27,562</b>		99,474
		-	-
<b>TOTAL</b>		<b>1,241,092</b>	<b>875,564</b>
<b>SCHEDULE - 9</b>			
<b>CASH AND BANK BALANCES</b>			
Cash in hand		<b>200</b>	1,334
Cheques in hand		-	4,639
Balances with Scheduled Banks:			
- In Current Accounts		<b>88,251</b>	80,075
- In Dividend Accounts		<b>7,324</b>	6,660
- In Fixed Deposit Account*		<b>128,900</b>	82,802
<b>TOTAL</b>		<b>224,675</b>	<b>175,510</b>
* Includes Term Deposit in an Escrow account as stipulated by RBI Rs. 500 thousand (Previous Year Rs. 500 thousand)			
<b>SCHEDULE 10</b>			
<b>LOANS AND ADVANCES</b>			
(Unsecured - considered good, unless otherwise stated)			
Insurance Claim Receivable		-	45,100
Advances recoverable in Cash or in kind or for value to be received		<b>51,775</b>	76,967
Deposit Paid		<b>128,404</b>	61,250
Balance due with statutory authorities		<b>58,389</b>	47,808
Advance payment of tax and tax deducted at source	<b>4,537,176</b>		3,959,739
Less : Taxation Provision	<b>4,529,580</b>		3,853,377
		<b>7,596</b>	106,362
<b>TOTAL</b>		<b>246,164</b>	<b>337,487</b>
<b>SCHEDULE 11</b>			
<b>OTHER CURRENT ASSETS</b>			
(Unsecured - considered good, unless otherwise stated)			
Interest Accrued on Term Deposit with Schedule Bank		<b>1,598</b>	627
<b>TOTAL</b>		<b>1,598</b>	<b>627</b>



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

	Rs. in thousand	As at 31-12-2008 Rs. in thousand	As at 31-12-2007 Rs. in thousand
<b>SCHEDULE - 12</b>			
<b>CURRENT LIABILITIES AND PROVISIONS</b>			
<b>(A) CURRENT LIABILITIES</b>			
Sundry Creditors			
- Dues to Micro and Small Enterprises*	3,385		9,477
(Refer Note 41 on Schedule 20)			
- Others Creditors	<u>1,662,789</u>		<u>1,704,883</u>
		<b>1,666,174</b>	1,714,360
Deferred Revenue		<b>343,791</b>	19,134
Deposit From Collection Centres and CNG Franchises		<b>17,745</b>	13,961
Advance From Customers		<b>144,984</b>	48,874
Payable to Retrenched Employees		<b>677</b>	677
(Refer Note 19(f) on Schedule 20)			
Investor Education and Protection Fund			
- Unpaid Dividend		<b>7,323</b>	6,660
- Unpaid Matured Deposits		<b>22</b>	34
Other Liabilities		<b>177,111</b>	159,685
		<u>2,357,827</u>	<u>1,963,385</u>
* As per the information available with the management there are no outstanding dues payable to micro and small enterprises for more than 45 days.			
<b>(B) PROVISIONS</b>			
Proposed Dividend		<b>239,590</b>	239,590
Gratuity and Leave Encashment		<b>43,167</b>	29,024
(Refer Note 33 and 34 on Schedule 20)			
[(Includes Short term benefits Rs 330 thousand (Previous year Rs 473 thousand)]			
Other Provisions (Refer Note 38 on Schedule 20)		<b>49,343</b>	48,746
Provision for Fringe Benefit Tax	<b>32,663</b>		23,248
Less: Advance Payment of Tax	<u>30,308</u>		<u>21,857</u>
		<b>2,355</b>	1,391
		<u>334,455</u>	<u>318,751</u>
<b>TOTAL</b>		<u><b>2,692,282</b></u>	<u>2,282,136</u>
<b>SCHEDULE - 13</b>			
<b>MISCELLANEOUS EXPENDITURE</b>			
(Refer Note 16 on Schedule 20)			
Deferred Revenue Expenditure			
a) Voluntary Retirement Scheme:			
Opening Balance:	<b>9,220</b>		5,042
Add: Incurred during the year	-		10,700
Less: Written Off during the year	<u>4,661</u>		<u>6,522</u>
		<b>4,559</b>	9,220
b) SAP Implementation Cost:			
Opening Balance	<b>10,336</b>		28,056
Less: Written Off during the year	<u>10,336</u>		<u>17,720</u>
		-	10,336
<b>TOTAL</b>		<u><b>4,559</b></u>	<u>19,556</u>

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

	Rs. in thousand	Year ended 31-12-2008 Rs. in thousand	Year ended 31-12-2007 Rs. in thousand
<b>SCHEDULE - 14</b>			
<b>INCOME FROM OPERATIONS</b>			
(Refer Note 10 on Schedule 20)			
<b>Sales of Natural Gas</b>			
Sales of Natural Gas (Gross)	12,929,347		12,286,132
Less: Excise Duty	189,931		150,502
Sales of Natural Gas (Net)		12,739,416	12,135,630
Service and Fitting Income (Net)		115,249	189,806
Gas Transmission Income		21,377	22,231
Lease Income		32,615	64,611
Income from Finance Leases	103,873		33,739
Add: Surplus on lease related activity	-		217
<b>TOTAL</b>		<b>103,873</b>	<b>33,956</b>
		<b>13,012,530</b>	<b>12,446,234</b>
<b>SCHEDULE - 15</b>			
<b>OTHER INCOME</b>			
Income from Investments (Refer Note 10(i) on Schedule 20)			
<b>Long Term Investments</b>			
Dividend from Trade Investment		2,000	2,000
<b>Current Investments</b>			
Dividend from Mutual Funds		210,263	118,250
Interest on Bank Fixed Deposits [Gross, Tax deducted at source Rs.1,668 thousand (Previous Year Rs. 1653 thousand)]		8,515	7,231
Interest on Others (Customer & Staff Advances) (Refer Note 10(j) on Schedule 20) [Gross, Tax deducted at source Rs. 22 thousand (Previous Year Rs 102 thousand)]		16,428	8,682
Interest on Income Tax Refund		6,059	-
Profit on Sale of Fixed Asset (Net)		-	4,249
Profit on Sale of Current Investments	14,051		612
Less : Loss on Sale of Current Investments	165		143
		13,886	469
Liabilities no longer required Written Back		106,374	8,022
Foreign Exchange Fluctuations Gain (Net)		-	1,391
Reversal of Impairment Provision		17,063	-
Miscellaneous Income		31,517	24,657
<b>TOTAL</b>		<b>412,105</b>	<b>174,951</b>
<b>SCHEDULE - 16</b>			
<b>PERSONNEL EXPENSES</b>			
(Refer Note 9 on Schedule 20)			
Salaries, Wages and Bonus		344,210	268,249
Contribution to Provident and Other Funds (Refer Note 34 on Schedule 20)		33,075	14,446
Welfare Expenses		35,124	24,189
<b>TOTAL</b>		<b>412,409</b>	<b>306,884</b>

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

	Rs. in thousand	Year ended 31-12-2008 Rs. in thousand	Year ended 31-12-2007 Rs. in thousand
<b>SCHEDULE -17</b>			
<b>OPERATING AND OTHER EXPENSES</b>			
Stores and Chemicals consumed		19,067	19,093
Power and Fuel		142,627	104,280
Rent		22,693	18,017
Rates and Taxes		6,274	10,238
Repairs:			
- To Buildings	5,197		2,577
- To Plant and Machinery	126,744		102,705
- To Others	64,884		65,784
		196,825	171,066
Insurance		13,360	19,541
Stationery and Printing		8,669	9,373
Advertisement Expenses		9,065	10,795
Communication Expenses		19,236	16,771
Vehicle Hire Charges		27,001	21,502
Travelling Expenses		38,024	41,994
Donation		3,863	401
Legal, Professional and Consultancy		114,176	79,839
Loss on Sale of Fixed assets (Net)		815	-
Bad debts / Advances written off		-	260
Wealth Tax (Refer Note 40 on Schedule 20)		400	400
Other Provision (Refer Note 38 on Schedule 20)		597	217
Provision for Doubtful Debts		15,834	91,130
Provision for Doubtful Lease Receivable		-	37,562
Provision for Diminution in the value of Fixed Assets / Capital Work in Progress (Refer Note 43 on Schedule 20)		101,000	26,942
Assets written off		3,700	4,437
Inventory written off		1,812	2,889
Service Charges		66,806	44,451
Foreign Exchange Fluctuations Loss(Net)		1,251	-
Miscellaneous Expenses		83,036	77,730
<b>TOTAL</b>		<b>896,131</b>	<b>808,928</b>
<b>SCHEDULE -18</b>			
<b>FINANCE CHARGES</b>			
Interest - Unsecured Loans		-	172
Interest-Others		1,112	888
<b>TOTAL</b>		<b>1,112</b>	<b>1,060</b>
<b>SCHEDULE -19</b>			
<b>TAX EXPENSE</b>			
(Refer Notes 14, 36 and 40 on Schedule 20)			
Current Income Tax		675,803	771,140
Deferred Income Tax		45,038	(13,686)
Fringe Benefit Tax		9,415	8,220
<b>TOTAL</b>		<b>730,256</b>	<b>765,674</b>

**SCHEDULE - 20****SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****Significant Accounting Policies:****1. Accounting Convention :**

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

**2. Consolidation of Financial Statements:**

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

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

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

**3. Goodwill:**

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

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

**4. Fixed Assets:**

- (a) Fixed Assets including assets given on lease are stated at their original cost including freight, duties, customs and other incidental expenses relating to acquisition or construction.
- (b) Expenditure incurred during the period of construction including all direct and indirect expenses, incidental to construction are carried forward and on completion, the costs are allocated to the respective fixed assets.
- (c) Capital inventory represents items of capital nature lying in the store valued at cost on First In First Out method.
- (d) Capital spares are capitalised with the cost of the plant and machinery and depreciated over the useful life of the asset.

**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, except for the following:
  - Assets costing Rs. 5,000 or less are fully depreciated in the year of purchase.
  - No depreciation is being charged on ROU being perpetual in nature.
  - Licenses/Software are amortised over a period of Six years from the date of its availability for use by the Company.
- (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 of sale of asset.
- (c) 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 stated at cost. Provision, if any, is made for permanent diminution in the value of investments. 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 cost on First In First Out method after providing for obsolescence.

**8. Foreign currency transactions:**

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

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

**9. Employee Benefits:****(a) Post-employment benefit plans**

- i. Defined Contribution Plan - Contributions to provident fund are accrued in accordance with applicable statutes and deposited with the Regional Provident Fund Commissioner.
- ii. Defined Benefit Plan - The liability in respect of gratuity and leave encashment is determined using Projected Unit Credit Method with actuarial valuation carried out as at Balance Sheet date. Actuarial gains and losses are recognized in full in the Profit and Loss Account for the period in which they occur.  
Contributions in respect of gratuity are made to the approved Gratuity Fund of the Group. The gratuity obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost and as reduced by the fair value of gratuity fund.

**(b) Short term employment benefits**

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

**(c) Employee Stock Option Plan**

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

**10. Revenue Recognition:****In respect of Natural Gas Business:**

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

**In respect of Financial Services Business:****(d) Asset given on lease on or after April 1, 2001:**

- i. Income from Finance Leases

In accordance with the provisions of Accounting Standard 19 on Leases, the aggregate of minimum lease payments less unearned finance income is recognized as a receivable. Unearned finance income is arrived at, as the difference between the aggregate of minimum lease payments and its present value



based on the rate of return implicit as per the terms of the agreement. Finance Income is recognized over the term of the lease using net investment method, which reflects a constant periodic rate of return.

ii. Income from Operating Leases

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

- (e) Initial direct costs incurred for negotiating and arranging a lease agreements are recognised immediately in the profit and loss account.
- (f) Income from lease/hire purchase processing fees is recognized at the time of entering in to an agreement with the customer.
- (g) The difference between the amount charged to customers for leased gas connections capitalized and the actual consumption of materials and incidental expenses is disclosed as surplus from lease related activity under Income from lease.
- (h) In respect of the financial services business (comprising of leasing and hire purchase activities), the Group follows the prudential norms for income recognition and provides for / writes off Non-performing Assets as per the prudential norms prescribed by the Reserve Bank of India or earlier as ascertained by the management.
  - (i) Dividend income is recognised when the right to receive dividend is established.
  - (j) 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):**

The earnings considered in ascertaining the Group's EPS comprises the net profit after tax (after providing for dividend on Preference Shares 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 equity shares outstanding during the year.

**14. Taxation:**

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

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

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

**15. Impairment of Assets:**

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

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

**16. Miscellaneous Expenditure:**

- (a) Deferred Revenue Expenditure pertaining to Voluntary Retirement Scheme (VRS) of employees prior to adoption of Accounting Standard 26 – Intangible Assets is amortised in equal installments over a period of 5 financial years from the year in which the same is incurred.



Expenditure on Voluntary Retirement Scheme (VRS) of employees incurred after adoption of Accounting Standard 26 – Intangible Assets is amortised in equal installments from the year in which the same is incurred till periods ended December 31, 2010 in accordance with the transitional provision of Accounting Standard – 15, Employee Benefits.

- (b) Deferred Revenue Expenditure pertaining to SAP is amortised over a period of 60 months equally commencing from the month of commissioning.

#### 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. 10,787 thousand (Previous year Rs. 11,340 thousand).
- (b) Claims of Rs.23,799 thousand (Previous year Rs.21,739 thousand) against the Group have been disputed by the Group. The Group is, however, indemnified by an insurance policy.
- (c) A customer has made a claim on the Company which is not acknowledged by the company as the matter is subjudice before the Delhi High Court and arbitration proceedings are also underway. The Company, under advice from its legal counsel, believes that no significant unprovided liabilities would arise from these proceedings.
- (d) Income tax exposures of Rs.270,673 thousand (Previous year Rs.252,278 thousand)

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

- (i) Includes income tax demand of Rs.53,456 thousand (Previous Year Rs. 53,456 thousand) relating to Assessment Years 1998-99, 1999-2000 and 2000-01 due to disallowance of interest, pertaining to construction phase, on debentures issued for the Hazira Ankleshwar pipeline and incurred during its construction, claimed as revenue expenditure. The Company has paid Rs. 53,456 thousand (Previous Year Rs. 53,456 thousand) out of the above demand.

CIT (Appeals) has ruled in favour of the company and deleted the demand of Rs.6,866 thousands pertaining to Assessment Year 2000-01 from the above demand. The Income-tax department has preferred an appeal against the said order of CIT (Appeals). The appeal for the other two years is also pending with the ITAT.

- (ii) Includes income tax demand of Rs. 121,301 thousand (Previous year Rs. 120,872 thousand) including interest on tax, relating to Assessment Years 1995-96, 1996-97, 1997-98, 1998-99, 1999-2000, 2000-01, 2001-02, 2002-03, 2003-04, 2004-05 and 2005-06 due to disallowance of depreciation claimed on leased assets. The total amount paid by company / adjusted by tax authorities on account of above demand aggregates to Rs.121,301 thousand (Previous year Rs.115,692 thousand). The total tax exposure (though actually paid), net of interest on tax, on account of the above for all the years aggregates to Rs.115,042 thousand (Previous year Rs 114,961 thousand). The Appeal against the above demands are pending with ITAT for Assessment years 1996-97, 1997-98, 1998-99, 1999-2000, 2001-02 and 2002-03. The matter has been decided in the company's favour by the ITAT for Assessment Years 2003-04 and 2004-05 and by the High Court of Gujarat for Assessment Year 1995-96. This will have a positive consequential effect on all the subsequent years.



- (iii) Includes income tax demand for Rs.8,666 thousand (Previous Year Rs.8,666 thousand) for other disallowances for Assessment Years 2003-04, 2004-05 and 2005-06. The said demand has been adjusted by the tax authorities against the refund of Assessment Year 2006-07. The appeal for Assessment Year 2005-06 is pending with CIT (A) and for Assessment Years 2003-04 and 2004-05 with ITAT.

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

- (i) Includes income tax demand of Rs. 12,557 thousand (Previous Year Rs. 12,557 thousand) including interest on tax, relating to Assessment Year 1996-97 due to disallowance of depreciation claimed on leased assets. The total amount paid by company / adjusted by tax authorities on account of above demand aggregates to Rs. 12,557 thousand (Previous year Rs. 12,199 thousand). The Company has claimed depreciation on leased assets for other years (Assessment Year 1997-98 to Assessment Year 2000-01) for which Income tax demands amounts to Rs.4,929 thousand. The total tax exposure, net of interest on tax, on account of the above for all the years aggregates to Rs. 17,486 thousand (Previous year Rs. 17,486 thousand). The appeals for all the above years are pending with the ITAT.

The Assessing Officer has also raised a demand of Rs. 6,773 thousand (Previous Year Rs 6,773 thousand) for penalty under section 271(1)(c) for Assessment Year 1996-97. The penalty demand has been reduced by Rs. 4,144 thousand after adjusting the refund of various years. The Company has filed an appeal against the order with the ITAT.

- (ii) Includes Income Tax Demand of Rs. 5,462 thousand (Previous Year Rs. 5,462 thousand) for the Assessment Year 1996-97 on account of disallowance of loss on sale of securities as business loss. CIT (Appeals) has ruled in favour of the company and deleted the demand. However, the Income Tax Department has filed an appeal against the above order.
- (iii) Includes Income Tax Demand of Rs. 14,422 thousand (Previous Year Rs. 14,422 thousand) for the Assessment Year 2001-02 on account of disallowance of claim for bad debts. Total demand paid by the Company on account of above demand amounts to Rs. 7,600 thousand (Previous Year Rs. 7,600 thousand) out of the above demand. Further, the Company has also received a demand for penalty under section 271(1)(c) of the Income Tax Act 1961, amounting Rs. 10,007 thousand (Previous Year Rs. 10,007 thousand). The Company had filed appeal against the above demand and the CIT (A) has decided the matter in favour of the company. However, the Income Tax Department has filed an appeal against the same in ITAT.
- (iv) Includes Income Tax Demand of Rs. 17,894 thousand (Previous Year Rs. 17,894 thousand) for the Assessment Years 2002-03, 2003-04 and 2004-05 on account of disallowance of claim for bad debts (Rs. 17,079 thousand) and professional expenses (Rs. 815 thousand). The total amount paid by company / adjusted by tax authorities towards above demand aggregates to Rs. 8,826 thousand (Previous year Rs. 8,826 thousand) for Assessment Year 2002-03 and Rs. 227 thousand (Previous Year Rs. 227 thousand) for Assessment Year 2004-05. The company preferred an appeal against the above demand and the CIT (A) has ruled in favour of the company for Assessment Year 2003-04 and has quashed the demand of Rs. 2,855 thousand (Rs. 2,855 thousand). The appeal for all the three years is pending with the ITAT.
- (v) Includes income tax demand of Rs.20,135 thousand (Previous Year Rs. Nil) for the Assessment Year 2006-07 on account of disallowance of service charges paid to Gujarat Gas Company Limited and inventory written off during the year. The company has preferred an appeal before the CIT (A) against the said order.

- (e) 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 Assessment Year 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. However, the ITAT has ruled partly against the company and has asked the Assessing Officer to re-examine the levy. The Company has preferred an appeal before the High Court against the ITAT order.

Further, the Assessing Officer has levied a penalty in Assessment Year 1999-2000 under section 13 of the Interest Tax Act 1974, amounting Rs. 1,982 thousand (Previous Year Rs. 1,982 thousand). CIT(A) has ruled in favour of the Company and deleted the penalty demand. However, the Income tax department has preferred an appeal against the same with the ITAT.

In view of the favorable legal advice obtained by the Company, no provision has been created for the above demands.



- (f) The Company had retrenched 8 employees in the year 2002 under the provisions of The Industrial Disputes Act, 1949. The employees had filed an appeal against the above retrenchment in a labour court. The Company had reached a settlement with two of the above employees and had provided for Rs. 677 thousand (Previous Year Rs.677 thousand), being the compensation payable to the remaining employees under The Industrial Disputes Act, 1949. Any additional amount due to the employees will be determined based on decision by the labour court and hence amount payable ultimately cannot be ascertained at this stage.
20. Estimated amount of contracts net of advances remaining to be executed on capital account and not provided for Rs.29,356 thousand (Previous Year Rs.277,437 thousand).
21. The Group had constructed a building and facilities for processing and distribution of natural gas on plots allotted on lease by Surat Municipal Corporation and has paid rent accordingly. The plots are within the Town Planning Scheme approved by Government of Gujarat. However, in the year 1994, Surat Mamalatdar had issued a notice on the ground that the plots belong to Government of Gujarat. The honourable court issued an ad-interim injunction against such notice, in the year 1994. The Mamalatdar had preferred an appeal against injunction, which has been rejected by the honorable court. The management is confident of resolving the dispute without any disruption to its facilities.
22. The Group had constructed a civil structure aggregating to Rs.19,037 thousand (Previous year Rs. 19,037 thousand) 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.
23. **Material consumed includes:**
- (a) Rs. 35,763 thousand (Previous Year Rs. 27,813 thousand) towards Internal consumption of Gas.
- (b) Rs. 60,883 thousand (Previous Year Rs. 16,359 thousand) as foreign exchange fluctuations.
24. **Obligations on Operating Leases:**
- The group has taken premises for office 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.4,627 thousand (Previous year Rs.3,810 thousand). The lease agreement typically ranges from 1 to 3 years.
25. 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.
26. 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%

27. **Minority Interest:**

Minority Interest of Rs.45,632 thousand as at December 31, 2008 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, 2008 (Rs. in thousand)	Year ended December 31, 2007 (Rs. in thousand)
Opening balance	36,947	31,160
Add: Share in Current Year Profit	8,686	7,233
Less: Share in Proposed Dividend and Corporate Dividend Tax	1,410	1,446
Closing Balance	44,223	36,947

**28. Earnings per share:**

	Year ended December 31, 2008	Year ended December 31, 2007
Net Profit after tax attributable to the Group (Rs. in thousand)	1,606,491	1,529,459
Less: Preference Dividend and corporate dividend tax on preference dividend	12,635	12,635
Net Profit attributable to Equity Shareholders (Rs. in thousand)	1,593,856	1,516,824
Weighted average number of equity shares outstanding during the year (No. in thousand)	64,125	64,125
Basic earnings per share of Rs. 2/- each (in Rs.)	24.86	23.65

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.

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

30. 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.

**31. Segmental Reporting:**

The Group's operations primarily comprise of Natural Gas Business and Financial Services Business. Natural gas business involves distribution of 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. Financial services business involves leasing of gas connections for domestic and commercial use of natural gas, leasing of natural gas fired Cogeneration units and hire purchase of vehicles and consumer goods, 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) issued by the Institute of Chartered Accountants of India are not relevant to the Company.

**32. Employee Stock Option Plan 2008**

The Group has implemented an Employee Stock Option Plan 2008 ('ESOP 2008') which provides for the allotment of up to 800,000 equity shares of Rs. 2/- each to eligible employees of the Company and its subsidiaries. The Scheme would be administered by an ESOP Trust (Gujarat Gas Company Limited Employee Stock Option Welfare Trust) which would purchase, out of the funds advanced by the Group, the shares equivalent to the number of options granted, for allotment to the grantees. The Finance Director and Human Resource Director are the trustees of the said trust. The trustees can purchase or sell the shares from the market as per the approved scheme.

Pursuant to the above scheme the Group in November 2008 has granted 740,000 options convertible into 740,000 equity shares of Rs. 2/- each to employees of the Company and its subsidiaries. The exercise price shall be calculated at 10% discount to the closing price of the shares on October 23, 2008, being the date on which the grant of options was approved by board of directors and shareholders. The Scheme provides for graded vesting of options granted over a period of 4 years from the date of grant.

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



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

Details of movement under the Stock option plan for the year ended December 31, 2008 is as follows:

	Year ended December 31, 2008	
	Number of options	Weighted average exercise price (in Rs.)
Options outstanding at the beginning of the year	-	-
Options granted during the year	740,000	189
Options forfeited during the year	-	-
Options expired during the year	-	-
Options exercised during the year	-	-
Options outstanding at end of the year	740,000	189

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 those options at the grant date is Rs. 65.90. The weighted average balance life of options outstanding as on December 31, 2008 is 2.83 years.

In accordance with Guidance Note on Accounting for Employee Share-based Payments issued by Institute of Chartered Accountants in India and SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 issued by Securities Exchange Board of India, an amount of Rs. 2,879 thousand has been recognised as an expense in Welfare Expenses (Schedule 16) and corresponding liability has been disclosed as Stock Options Outstanding Account (Schedule 2). Further the company has made a partial advance of Rs. 10,500 thousand on an estimated basis for the purchase of shares equivalent to the number of options granted which has mostly been utilized for the purpose.

33. The Group had adopted Accounting Standard 15 'Employee Benefits' (Revised 2005) issued by the Institute of Chartered Accountants of India with effect from January 1, 2007. Consequent upon its adoption, in accordance with the transitional provisions contained in the Accounting Standard, the net difference of Rs. 4,278 thousand (after adjustment for deferred tax of Rs. 2,171 thousand) between the liability in respect of Gratuity and other employee benefits existing on the date of adoption and the liability that would have been recognized at the same date under the previous Accounting Standard, has been adjusted against the opening balance of General Reserve in previous year.

**34 Disclosures as per AS - 15(Revised) 'Employee Benefits' for year ended December 31, 2008:**

	<b>Rs. in thousand</b>	
	<b>Year ended December 31, 2008</b>	<b>Year ended December 31, 2007</b>
<b>(i) Disclosures for Defined Contribution Plans</b>		
Employer's contribution to Provident Fund	<b>14,432</b>	12,704
<b>(ii) Disclosures for Defined Benefit Plans</b>		
<b><u>Change in the defined benefit obligations</u></b>		
<b>Defined benefit obligation as at January 1, 2008</b>	<b>38,540</b>	35,445
Service cost	<b>5,327</b>	4,108
Interest cost	<b>2,890</b>	2,889
Actuarial loss/(gain)	<b>8,144</b>	(517)
Benefits paid	<b>(2,034)</b>	(3,386)
<b>Defined benefit obligation as at December 31, 2008</b>	<b>52,867</b>	38,539
<b><u>Change in plan assets</u></b>		
<b>Fair value of plan assets as at January 1, 2008</b>	<b>32,646</b>	24,207
Expected return on plan assets	<b>3,322</b>	2,702
Contributions by employer	<b>8,964</b>	6,795
Actuarial (loss)/gain	<b>(5,604)</b>	2,036
Benefits paid	<b>(2,034)</b>	(3,093)
<b>Fair value of plan assets as at December 31, 2008</b>	<b>37,294</b>	32,647
<b>Present value of unfunded obligations</b>	<b>15,574</b>	5,892
<b>The Net amount recognized in the statement of Profit &amp; Loss for year ended December 31, 2008 is as follows</b>		
Current Service cost	<b>5,327</b>	4,108
Interest cost	<b>2,890</b>	2,889
Expected return on plan assets	<b>(3,322)</b>	(2,702)
Net actuarial loss/(gain) recognised	<b>13,748</b>	(2,553)
<b>Net amount recognised</b>	<b>18,643</b>	1,742
<b>Actual return on Plan Assets</b>	<b>(2,282)</b>	4,736
<b>The major categories of plan assets as a percentage of total plan assets as at December 31, 2008 are as follows:</b>		
Government of India Securities	<b>4%</b>	4%
Insurer Managed Funds	<b>96%</b>	96%
<b>The principal actuarial assumptions used as at December 31, 2008 are as follows</b>		
Discount Rate	<b>7.50%</b>	8.15%
Expected rate of return on Plan Assets	<b>9.50%</b>	9.50%
Rate of increase in Compensation Levels (Refer Note below)	<b>7.00%</b>	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.



**35. Related Party Transactions :**

The Group is controlled by British Gas 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:

Name of the Related Party	Nature of Relationship	Nature of Transaction	Amount (Rs. in thousand)	
			Year ended December 31, 2008	Year ended December 31, 2007
BG International Limited	Under common control	Reimbursement of salary for seconded personnel (Paid) (including Tax Deducted at Source)	28,538	19,627
		Reimbursement of Expenses (Received)	-	59
		Amount payable at the year end	93,386	87,215
BG Asia Pacific Holdings Pte. Limited	Holding company	Dividend paid	125,268	104,390
		- Equity	10,800	6,746
		Share Capital held	83,516	83,516
		- Equity	144,000	144,000
Sensus Metering Systems India Limited (Formerly known as Invensys Metering Systems India Limited)	Joint Venture	Income: Reimbursement of Expenses (Received)	-	208
		Investment at year end	39,093	39,093
		Provision for diminution in value of investment	29,344	29,344
British Gas Energy Holding Ltd.	Under common control	Commission on purchases	3,487	4,546
		Commission on corporate guarantee given to supplier	8,224	10,915
		Amount payable at year end	9,429	8,684
Petroleum Infrastructure Limited.	Joint Venture	Investment at year end	75,000	75,000
		Provision for diminution in value of investment	75,000	75,000
		Amount receivable at year end	118	118
Mahanagar Gas Limited	Under common control	Provision for Doubtful Debts against amount receivable	7,138	7,138
		Amount receivable at the year end	7,138	7,138



Name of the Related Party	Nature of Relationship	Nature of Transaction	Amount (Rs. in thousand)	
			Year ended December 31, 2008	Year ended December 31, 2007
BG India Energy Private Limited (Formerly known as British Gas India Private Limited)	Under common control	Income:		
		Reimbursement of Expenses (received)	400	10,326
		Expense:		
		Legal and Professional	-	33,748
		Reimbursement of Expenses (Paid)	249	800
		Fixed Asset purchased	12	203
		Amount payable at the year end	-	18,828
		Amount Receivable at the year end	524	-
BGLNG Regas India Private Limited (Formerly Known as British Gas Pipavav LNG Private Limited)	Under common control	Amount receivable at the year end	-	5
BG Exploration and Production India Ltd.	Under common control	Income:		
		Service charges for secondment of employees	3,003	680
		Reimbursement of Expenses (Received)	1,204	975
		Expenses:		
		Legal and Professional	35,226	-
		Reimbursement of Expenses (Paid)	-	337
		Purchase of material	29,170	-
		Amount receivable at the year end	-	975
		Amount payable at the year end	64,996	-
Panna Mukta Tapi	Under common control	Purchase of gas	1,407,034	2,900,071
Shaleen Sharma (Related party w.e.f. 1st July 2007)	Key Management Personnel	Remuneration as Managing Director	11,546	5,081
Nirja Sharma (Related party w.e.f. 1st July 2007)	Relative of Key Management Personnel	Lease Rent	338	150
		Deposit paid	54	54
B.S. Shantharaju (Related party till 30th June 2007)	Key Management Personnel	Remuneration as Managing Director	-	5,343
Gujarat Gas Company Limited Employee Stock Option Welfare Trust	Enterprise controlled by the Company	Advance paid for purchase of shares	10,500	-
		Amount Receivable at the year end	10,500	-
Gujarat Gas Company Limited Employees Gratuity Trust Fund	Enterprise controlled by the Company	Contribution paid	8,964	6,795



	Year ended December 31, 2008 (Rs. in thousand)	Year ended December 31, 2007 (Rs. in thousand)
<b>36. Deferred Tax :</b>		
(A) The movement in deferred tax account is as follows:		
Opening Balance	453,354	464,869
Provision for current year deferred tax asset/(liability) (Net)	45,038	(13,686)
Adjustment on account of change in accounting policy (Refer Note 34 of Schedule 20)	-	2,171
Closing Balance	<u>498,392</u>	<u>453,354</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	593,671	567,979
Deferred Tax Assets	<u>(95,279)</u>	<u>(114,625)</u>
	<u>498,392</u>	<u>453,354</u>
(C) Break up of deferred tax assets/liabilities:		
<b>Deferred Tax Liabilities:</b>		
Tax impact of difference between carrying amount of fixed assets in the financial statements and the income tax return	593,671	567,979
	<u>593,671</u>	<u>567,979</u>
<b>Deferred Tax Assets:</b>		
Provision for doubtful debts	9,369	45,363
Expenditure under section 43B of the Income Tax Act	29,082	53,732
Provision for diminution of investment	6,373	6,373
Provision for diminution in value of Fixed assets / Capital Work in Progress	50,455	9,157
	<u>95,279</u>	<u>114,625</u>
<b>Net Deferred Tax Liability</b>	<u><b>TOTAL (A-B)</b></u>	<u><b>453,354</b></u>
	<u>498,392</u>	<u>453,354</u>



### 37. Assets given on lease:

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

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

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

	Year ended December 31, 2008				Year ended December 31, 2007			
	Gross Investment in the lease	Unearned Finance Income	Service Tax	Present Value of Minimum Lease Payments receivable	Gross Investment in the lease	Unearned Finance Income	Service Tax	Present Value of Minimum Lease Payments receivable
<b>Total</b>	<b>209,744</b>	<b>63,931</b>	<b>6,573</b>	<b>139,240</b>	<b>254,748</b>	<b>113,451</b>	<b>5,546</b>	<b>135,751</b>
Out of the above, receivable:								
Not Later than 1 year	48,698	-	-	25,667	54,528	-	-	20,808
Later than 1 year and not later than 5 years	159,525	-	-	112,146	182,710	-	-	98,756
Later than 5 years	1,521	-	-	1,427	17,510	-	-	16,187

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

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



	Year ended December 31, 2008 Rs. in thousand	Year ended December 31, 2007 Rs. in thousand
<b>38. Pursuant to AS 29 - The Disclosure relating to Provisions are given below:</b>		
Opening Balance	48,746	48,529
Additions during the Year	597	217
Closing Balance	<u>49,343</u>	<u>48,746</u>

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.

### 39. Managerial Remuneration

i) Managing Director				
- Salary and Bonus	8,922		8,409	
- Allowances	651		429	
- Perquisites	651		490	
- P.F. and Gratuity	<u>1,005</u>		<u>1,096</u>	
		11,229		10,424
ii) Commission to Non Whole Time Directors		2,250		-
iii) Directors' Sitting Fees		868		653

40. The provision for income tax has been calculated based on income earned during the year ended December 31, 2008 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, 2009 the ultimate liability for the Assessment Year 2009-10 will be determined based on the total income of the Company for the year ending March 31, 2009. The provision for wealth tax has been made based on the net wealth as on December 31, 2008. However the ultimate liability for the Assessment Year 2009-10 will be determined based on the net wealth as on March 31, 2009.

41. Disclosures required for Small Enterprises and Micro Enterprises for year ended December 31, 2008

Particulars	As at December 31, 2008		As at December 31, 2007	
	Principal Amount	Interest Amount	Principal Amount	Interest Amount
Unpaid Principal and Interest thereon as at December 31, 2008	3,385	Nil	9,477	Nil
Delayed payments due as at December 31, 2008	Nil	Nil	Nil	Nil
Interest paid on delayed payment during the year	Nil	Nil	Nil	Nil
Interest due on principal amounts paid beyond the due date during the year	Nil	Nil	Nil	Nil
Interest accrued but not due	Nil	Nil	Nil	Nil
Total Interest Due but not paid	Nil	Nil	Nil	Nil

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

42. Capital Work in Progress includes investment of Rs 254,901 thousand (Previous Year Rs 254,901 thousand) for setting up a City Gas Distribution (CGD) network in Valsad and Navsari district, Union Territories of Silvassa and Daman which has not yet commenced operations. The Company is exploring options of utilising this investment. However, considering the uncertainty involved in the utilisation of this network, the Company, based on engineering estimates, has made a provision of Rs 101,000 thousand to bring the carrying value of the investment to its expected recoverable amount.

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.

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

1. We have audited the attached Balance Sheet of Gujarat Gas Company Limited, as at December 31, 2008, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - a) We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purpose of our audit;
  - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act;
  - e) On the basis of written representations received from the directors, and taken on record by the Board of Directors, none of the directors is disqualified as on December 31, 2008 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, 2008;
    - ii) in case of the Profit and Loss Account, of the profit for the year ended on that date; and
    - iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**V. Nijhawan**

Membership Number: F87228

Partner

For and on behalf of

**Price Waterhouse**

Chartered Accountants

Place : Ahmedabad

Date : February 26, 2009



## 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, 2008]

- i)
  - a) The Company is maintaining proper records showing full particulars including quantitative details and situation of its fixed assets.
  - b) The fixed assets are physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed.
  - c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.
- ii)
  - a) The inventory (excluding stocks with third parties) has been physically verified by the management during the year. In respect of inventory lying with third parties, these have been confirmed by them. In our opinion, the frequency of verification is reasonable.
  - b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
  - c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
- iii)
  - a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act.
  - b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act.
- iv) In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
- v)
  - a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
  - b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees Five Lakhs in respect of any party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi) The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed thereunder.
- 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, there are no dues of income tax, wealth tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute.
- x) The Company has no accumulated losses as at December 31, 2008 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.

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

Place : Ahmedabad  
Date : February 26, 2009

**V. Nijhawan**  
Membership Number: F87228  
Partner  
For and on behalf of  
**Price Waterhouse**  
Chartered Accountants



**BALANCE SHEET AS AT DECEMBER 31, 2008**

	Schedule	Rs. in thousand	As at 31-12-2008 Rs. in thousand	As at 31-12-2007 Rs. in thousand
<b><u>SOURCES OF FUNDS</u></b>				
<b>SHAREHOLDER'S FUNDS</b>				
Share Capital	1	272,250		272,250
Stock Options Outstanding Account	2	2,879		-
Reserves and Surplus	3	6,709,629		5,359,216
			<b>6,984,758</b>	5,631,466
<b>DEFERRED TAX LIABILITY (Net)</b> (Refer Notes 12 and 31 on Schedule 19)			<b>530,065</b>	472,065
<b>DEPOSITS</b> (Refer Note 21 on Schedule 19)				
From Customers		1,235,001		1,080,569
From GAIL (India) Limited		38,692		38,692
			<b>1,273,693</b>	1,119,261
<b>TOTAL</b>			<b>8,788,516</b>	7,222,792
<b><u>APPLICATION OF FUNDS</u></b>				
<b>FIXED ASSETS</b>				
Gross Block	4	7,084,501		6,520,200
Less : Depreciation		2,240,876		1,869,043
Less : Impairment Loss		9,879		26,942
		<b>4,833,746</b>		4,624,215
Less : Lease Terminal Adjustment Account		118,859		118,859
Net Block		<b>4,714,887</b>		4,505,356
Capital work in progress		812,661		604,153
Capital Inventory		531,445		506,391
			<b>6,058,993</b>	5,615,900
<b>INVESTMENTS</b>	5		<b>3,456,199</b>	2,292,721
<b>AMOUNT RECOVERABLE FROM ESOP TRUST</b> (Refer Note 27 on Schedule 19)			<b>10,500</b>	-
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>				
Inventories	6	102,616		111,585
Lease Receivables	7	139,240		98,189
Sundry Debtors	8	1,240,844		875,564
Cash and Bank Balances	9	68,458		77,125
Loans and Advances	10	233,355		282,628
		<b>1,784,513</b>		1,445,091
<b>LESS: CURRENT LIABILITIES AND PROVISIONS</b>	11			
Current Liabilities		2,179,251		1,834,222
Provisions		346,997		316,254
		<b>2,526,248</b>		2,150,476
<b>NET CURRENT ASSETS</b>			<b>(741,735)</b>	(705,385)
<b>MISCELLANEOUS EXPENDITURE</b> (To the extent not written off or adjusted)	12		<b>4,559</b>	19,556
<b>TOTAL</b>			<b>8,788,516</b>	7,222,792

**Significant Accounting Policies and Notes to Accounts 19**

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

**V. Nijhawan**  
Membership No. F87228  
Partner  
For and on behalf of  
**PRICE WATERHOUSE**  
**CHARTERED ACCOUNTANTS**

Place : Ahmedabad  
Date : February 26, 2009

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  
Director  
Sugata Sircar  
Finance Director  
Rajeshwari Sharma  
Company Secretary

Place : Ahmedabad  
Date : February 26, 2009

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2008**

	Schedule	Rs. in thousand	Year ended 31-12-2008 Rs. in thousand	Year ended 31-12-2007 Rs. in thousand
<b>INCOME:</b>				
Income from Operations (Gross)	13	13,154,599		12,094,049
Less: Excise Duty on Gas Sales		189,931		150,502
Income from Operations (Net)		12,964,668		11,943,547
Other Income	14	393,040	13,357,708	203,378
				12,146,925
<b>EXPENDITURE:</b>				
Material consumed / processed (Refer Note 20 and 26 on Schedule 19)		9,337,841		8,296,229
Personnel Expenses	15	409,817		303,707
Operating and Other Expenses	16	883,060		794,446
Depreciation		404,363		370,776
Finance Charges	17	1,112		1,852
Deferred Revenue Expenditure Written off		14,997		23,772
			11,051,190	9,790,782
<b>Profit before Taxes</b>			2,306,518	2,356,143
Tax Expense	18		718,400	765,200
<b>Profit after Taxes</b>			1,588,118	1,590,943
Profit brought forward			3,758,597	2,570,322
<b>Profit available for Appropriations</b>			5,346,715	4,161,265
<b>APPROPRIATIONS :</b>				
Proposed Dividend				
- Preference Shares			10,800	10,800
- Equity Shares			192,375	192,375
Corporate Dividend Tax [(Includes Rs. Nil (Previous Year Rs. 4,963 thousand) pertaining to earlier years)]			34,530	39,493
Transfer to General Reserve			160,000	160,000
<b>Profit Carried Forward</b>			4,949,010	3,758,597
			5,346,715	4,161,265
<b>Basic/ Diluted Earnings per Share (Rs.)</b> (Refer Notes 11 and 23 on Schedule 19)			24.57	24.61
<b>Significant Accounting Policies and Notes to Accounts 19</b>				

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 and on behalf of the Board

**V. Nijhawan**

Membership No. F87228

Partner

For and on behalf of

**PRICE WATERHOUSE**

**CHARTERED ACCOUNTANTS**

Place : Ahmedabad

Date : February 26, 2009

Hasmukh Shah

Chairman

Jal Patel     Sugata Sircar  
Director     Finance Director

Place : Ahmedabad

Date : February 26, 2009

Shaleen Sharma

Managing Director

Rajeshwari Sharma  
Company Secretary

**CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2008**

	Year ended 31-12-2008 Rs. in thousand	Year ended 31-12-2007 Rs. in thousand
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before Tax	2,306,518	2,356,143
<b>Adjustments for:</b>		
Depreciation for the year	404,363	370,776
Provision for Gratuity	18,465	1,587
Provision for Leave Encashment	6,088	7,786
Provision for Diminution in the value of Fixed Assets/Capital Work in Progress	101,000	26,942
(Profit)/ Loss on sale of Fixed Assets (Net)	815	(783)
Provision for Doubtful Debts	15,834	91,130
Provision for Doubtful Lease Receivable	-	37,562
Provision for Stock Options Account	2,879	-
Provision for Wealth Tax	400	400
Other Provisions	597	217
Bad Debts written off	-	260
Fixed assets written off	3,700	4,437
Inventory written off	1,322	2,889
Deferred Revenue Expenditure written off	14,997	23,772
Interest Expense	1,112	1,852
(Profit) on sale of investment (Net)	(13,886)	(367)
Liabilities no longer required Written Back	(106,255)	(7,861)
Reversal of Impairment Provision	(17,063)	-
Dividend Income	(208,603)	(161,369)
Interest Income	(17,512)	(8,588)
<b>Operating Profit before working capital changes</b>	<b>2,514,771</b>	<b>2,746,785</b>
<b>Adjustments for changes in working capital</b>		
(Increase)/Decrease in Sundry Debtors	(381,114)	(186,275)
(Increase)/Decrease in Amount Recoverable from ESOP trust	(10,500)	-
(Increase)/Decrease in Loan and Advances	(16,352)	(70,642)
(Increase)/Decrease in Inventories	7,647	(28,199)
Increase/(Decrease) in Current Liabilities	440,610	630,110
(Increase)/Decrease in Miscellaneous Expenditure	-	(10,700)
<b>Cash generated from operations</b>	<b>2,555,062</b>	<b>3,081,079</b>
Taxes paid (Net of refunds)	(578,908)	(703,157)
<b>Net Cash from Operating Activities</b>	<b>1,976,154</b>	<b>2,377,922</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets (Including asset given on finance lease)	(987,003)	(939,244)
Sale of Fixed Assets	88,097	18,055
Purchase of Investments	(12,829,247)	(10,255,196)
Sale of Investments	11,679,655	8,749,068
Net investment in Finance Lease (Net of Capital Recovery)	(78,054)	(135,751)
Interest received	17,512	8,588
Dividends received	208,603	161,369
<b>Net Cash used in investing Activities</b>	<b>(1,900,437)</b>	<b>(2,393,111)</b>

**C. CASH FLOW FROM FINANCING ACTIVITIES**

Deposits accepted during the year (Net)	154,432	248,756
Repayment of Long-term borrowings	-	(29,400)
Interest Paid	(1,112)	(1,852)
Dividend Paid (including Corporate Dividend Tax)	(237,705)	(195,452)
<b>Net Cash generated from/(used in) Financing Activities</b>	<b>(84,385)</b>	<b>22,052</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(8,667)</b>	<b>6,863</b>
<b>Cash and Cash Equivalents at the beginning of the year</b>	<b>77,125</b>	<b>70,262</b>
<b>Cash and Cash Equivalents at the end of the year</b>	<b>68,458</b>	<b>77,125</b>
<b>Closing Cash and Cash Equivalents comprise:</b>		
Cash in hand	186	881
Cheques in hand	-	4,639
Balances with Scheduled Banks		
- In Current Accounts	61,139	65,000
- In Dividend Accounts	7,133	6,605
<b>Total Cash and Cash Equivalents as per Cash Flow statement</b>	<b>68,458</b>	<b>77,125</b>

<b>Year ended 31-12-2008 Rs. in thousand</b>	<b>Year ended 31-12-2007 Rs. in thousand</b>
154,432	248,756
-	(29,400)
(1,112)	(1,852)
(237,705)	(195,452)
<b>(84,385)</b>	<b>22,052</b>
<b>(8,667)</b>	<b>6,863</b>
<b>77,125</b>	<b>70,262</b>
<b>68,458</b>	<b>77,125</b>
186	881
-	4,639
61,139	65,000
7,133	6,605
<b>68,458</b>	<b>77,125</b>

**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 issued by the Institute of Chartered Accountants of India.
- Purchase 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 bracket indicate Cashoutflow.

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

For and on behalf of the Board

**V. Nijhawan**

Membership No. F87228

Partner

For and on behalf of

**PRICE WATERHOUSE**

**CHARTERED ACCOUNTANTS**

Place : Ahmedabad

Date : February 26, 2009

Hasmukh Shah

Chairman

Jal Patel     Sugata Sircar

Director     Finance Director

Place : Ahmedabad

Date : February 26, 2009

Shaleen Sharma

Managing Director

Rajeshwari Sharma

Company Secretary



## SCHEDULES FORMING PART OF BALANCE SHEET

	As at 31-12-2008 Rs. in thousand	As at 31-12-2007 Rs. in thousand
<b>SCHEDULE - 1</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
140,000,000( Previous year 140,000,000) Equity Shares of Rs. 2/- each	280,000	280,000
17,000,000(Previous year 17,000,000) 7.5% Redeemable Preference Shares of Rs 10/- each	170,000	170,000
<b>TOTAL</b>	<b>450,000</b>	<b>450,000</b>
<b>Issued, Subscribed and Paid up</b>		
64,125,000( Previous year 64,125,000 ) Equity Shares of Rs. 2/- each fully paid-up [Out of the above 41,759,375 ( Previous year 41,759,375) equity shares are held by holding company BG Asia Pacific Holdings Pte. Limited , the ultimate holding company being BG Group plc.]	128,250	128,250
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	144,000	144,000
<b>TOTAL</b>	<b>272,250</b>	<b>272,250</b>
<b>SCHEDULE - 2</b>		
<b>STOCK OPTIONS OUTSTANDING ACCOUNT</b> (Refer Note 27 on Schedule 19)		
Stock Options Outstanding Account	48,766	-
Less : Deferred Stock Option Outstanding Account	45,887	-
<b>TOTAL</b>	<b>2,879</b>	<b>-</b>
<b>SCHEDULE - 3</b>		
<b>RESERVES AND SURPLUS</b>		
<b>GENERAL RESERVE</b>		
As per last Balance Sheet	1,600,619	1,436,355
Add : Transferred from Profit and Loss Account	160,000	160,000
Add : Adjustment for change in Accounting Policy (Refer Note 28 on Schedule 19)	-	4,264
	<b>1,760,619</b>	<b>1,600,619</b>
<b>PROFIT AND LOSS ACCOUNT</b>	<b>4,949,010</b>	<b>3,758,597</b>
<b>TOTAL</b>	<b>6,709,629</b>	<b>5,359,216</b>

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

(Refer Notes 2, 3, 6, 8(d), 9, 13, 17, 18, 19, 33(ii) and 47 on Schedule 19)

(Rs. In thousand)

Particulars	GROSS BLOCK			DEPRECIATION			IMPAIRMENT LOSS			NET BLOCK																																																																																																																																																																																					
	As at 01-01-2008	Additions For the year	Deduction/ Adjustments For the year	As at 01-01-2008	For the year	Deduction/ Adjustments For the year	As at 01-01-2008	For the year	Adjustments/ Reversals	As at 31-12-2008	As at 31-12-2007																																																																																																																																																																																				
<b>Tangible Assets:</b>																																																																																																																																																																																															
Land (Refer Note 1 below)	44,267	-	-	-	-	-	-	-	-	44,267	44,267																																																																																																																																																																																				
Buildings (Refer Note 2 below)	244,202	41,696	-	38,732	5,805	-	44,537	-	-	241,361	205,470																																																																																																																																																																																				
Plant and Machinery	5,477,299	584,430	16,698	1,645,230	3,43,585	11,994	1,976,821	-	-	4,068,210	3,832,069																																																																																																																																																																																				
Furniture, Fixtures and Fittings	52,018	12,016	3,774	24,397	3,820	2,834	25,383	-	-	34,877	27,621																																																																																																																																																																																				
Vehicles	76,826	21,145	8,213	19,728	8,853	2,741	25,840	-	-	63,918	57,098	<b>Assets given on Finance Lease</b> (Prior to April 1, 2001)												Plant and Machinery	279,625	-	-	85,827	-	-	85,827	-	-	193,798	193,798	<b>Asset given on Operating Lease</b> (After April 1, 2001)												Plant and Machinery (Refer Note 3 and 7 below)	227,331	-	96,457	33,107	14,396	14,961	32,542	26,942	17,063	88,453	167,282	<b>Intangible Assets:</b>												Software/License	81,439	29,653	-	22,022	27,904	-	49,926	-	-	61,166	59,417	Right of use of Land	37,193	503	-	-	-	-	-	-	-	37,696	37,193	<b>6,520,200</b>	<b>689,443</b>	<b>125,142</b>	<b>404,363</b>	<b>1,869,043</b>	<b>2,240,876</b>	<b>32,530</b>	<b>26,942</b>	<b>17,063</b>	<b>9,879</b>	<b>4,833,746</b>	<b>4,624,215</b>	(Less)/Add:												<b>Lease Terminal Adjustment</b>	-	-	-	118,859	-	-	118,859	-	-	(118,859)	(118,859)	<b>TOTAL</b>	<b>6,520,200</b>	<b>689,443</b>	<b>125,142</b>	<b>1,987,902</b>	<b>404,363</b>	<b>32,530</b>	<b>2,359,735</b>	<b>26,942</b>	<b>17,063</b>	<b>4,714,887</b>	<b>4,505,356</b>	Capital Work in Progress (Refer Notes 4 and 5 below)										<b>812,661</b>	<b>604,153</b>	Capital Inventory (Refer Note 6 below)										<b>531,445</b>	<b>506,391</b>	<b>TOTAL</b>	<b>6,520,200</b>	<b>689,443</b>	<b>125,142</b>	<b>1,987,902</b>	<b>404,363</b>	<b>32,530</b>	<b>2,359,735</b>	<b>26,942</b>	<b>17,063</b>	<b>6,058,993</b>	<b>5,615,900</b>	Previous Year	5,672,928	878,491	31,219	1,635,766	370,776	18,640	1,987,902	-	26,942	4,505,356	
<b>Assets given on Finance Lease</b> (Prior to April 1, 2001)																																																																																																																																																																																															
Plant and Machinery	279,625	-	-	85,827	-	-	85,827	-	-	193,798	193,798	<b>Asset given on Operating Lease</b> (After April 1, 2001)												Plant and Machinery (Refer Note 3 and 7 below)	227,331	-	96,457	33,107	14,396	14,961	32,542	26,942	17,063	88,453	167,282	<b>Intangible Assets:</b>												Software/License	81,439	29,653	-	22,022	27,904	-	49,926	-	-	61,166	59,417	Right of use of Land	37,193	503	-	-	-	-	-	-	-	37,696	37,193	<b>6,520,200</b>	<b>689,443</b>	<b>125,142</b>	<b>404,363</b>	<b>1,869,043</b>	<b>2,240,876</b>	<b>32,530</b>	<b>26,942</b>	<b>17,063</b>	<b>9,879</b>	<b>4,833,746</b>	<b>4,624,215</b>	(Less)/Add:												<b>Lease Terminal Adjustment</b>	-	-	-	118,859	-	-	118,859	-	-	(118,859)	(118,859)	<b>TOTAL</b>	<b>6,520,200</b>	<b>689,443</b>	<b>125,142</b>	<b>1,987,902</b>	<b>404,363</b>	<b>32,530</b>	<b>2,359,735</b>	<b>26,942</b>	<b>17,063</b>	<b>4,714,887</b>	<b>4,505,356</b>	Capital Work in Progress (Refer Notes 4 and 5 below)										<b>812,661</b>	<b>604,153</b>	Capital Inventory (Refer Note 6 below)										<b>531,445</b>	<b>506,391</b>	<b>TOTAL</b>	<b>6,520,200</b>	<b>689,443</b>	<b>125,142</b>	<b>1,987,902</b>	<b>404,363</b>	<b>32,530</b>	<b>2,359,735</b>	<b>26,942</b>	<b>17,063</b>	<b>6,058,993</b>	<b>5,615,900</b>	Previous Year	5,672,928	878,491	31,219	1,635,766	370,776	18,640	1,987,902	-	26,942	4,505,356																									
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Right of use of Land	37,193	503	-	-	-	-	-	-	-	37,696	37,193	<b>6,520,200</b>	<b>689,443</b>	<b>125,142</b>	<b>404,363</b>	<b>1,869,043</b>	<b>2,240,876</b>	<b>32,530</b>	<b>26,942</b>	<b>17,063</b>	<b>9,879</b>	<b>4,833,746</b>	<b>4,624,215</b>	(Less)/Add:												<b>Lease Terminal Adjustment</b>	-	-	-	118,859	-	-	118,859	-	-	(118,859)	(118,859)	<b>TOTAL</b>	<b>6,520,200</b>	<b>689,443</b>	<b>125,142</b>	<b>1,987,902</b>	<b>404,363</b>	<b>32,530</b>	<b>2,359,735</b>	<b>26,942</b>	<b>17,063</b>	<b>4,714,887</b>	<b>4,505,356</b>	Capital Work in Progress (Refer Notes 4 and 5 below)										<b>812,661</b>	<b>604,153</b>	Capital Inventory (Refer Note 6 below)										<b>531,445</b>	<b>506,391</b>	<b>TOTAL</b>	<b>6,520,200</b>	<b>689,443</b>	<b>125,142</b>	<b>1,987,902</b>	<b>404,363</b>	<b>32,530</b>	<b>2,359,735</b>	<b>26,942</b>	<b>17,063</b>	<b>6,058,993</b>	<b>5,615,900</b>	Previous Year	5,672,928	878,491	31,219	1,635,766	370,776	18,640	1,987,902	-	26,942	4,505,356																																																																																					
<b>6,520,200</b>	<b>689,443</b>	<b>125,142</b>	<b>404,363</b>	<b>1,869,043</b>	<b>2,240,876</b>	<b>32,530</b>	<b>26,942</b>	<b>17,063</b>	<b>9,879</b>	<b>4,833,746</b>	<b>4,624,215</b>																																																																																																																																																																																				
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<b>Lease Terminal Adjustment</b>	-	-	-	118,859	-	-	118,859	-	-	(118,859)	(118,859)																																																																																																																																																																																				
<b>TOTAL</b>	<b>6,520,200</b>	<b>689,443</b>	<b>125,142</b>	<b>1,987,902</b>	<b>404,363</b>	<b>32,530</b>	<b>2,359,735</b>	<b>26,942</b>	<b>17,063</b>	<b>4,714,887</b>	<b>4,505,356</b>																																																																																																																																																																																				
Capital Work in Progress (Refer Notes 4 and 5 below)										<b>812,661</b>	<b>604,153</b>																																																																																																																																																																																				
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<b>TOTAL</b>	<b>6,520,200</b>	<b>689,443</b>	<b>125,142</b>	<b>1,987,902</b>	<b>404,363</b>	<b>32,530</b>	<b>2,359,735</b>	<b>26,942</b>	<b>17,063</b>	<b>6,058,993</b>	<b>5,615,900</b>																																																																																																																																																																																				
Previous Year	5,672,928	878,491	31,219	1,635,766	370,776	18,640	1,987,902	-	26,942	4,505,356																																																																																																																																																																																					

**NOTES :**

- Land includes Leasehold Land Rs. 184 thousand (Previous year Rs. 184 thousand).
- Cost of Building includes cost of shares of the face value of Rs. 1 thousand ( Previous year: Rs. 1 thousand) received under the bye-laws of the society.
- Assets given on Operating lease includes Natural gas fired cogeneration unit at its net realisable value of Rs. 38,000 thousand (Previous Year Rs. 25,827 thousand) for which agreement to lease has been terminated.
- Capital Work in Progress includes Capital Advances Rs. 49,337 thousand (Previous Year Rs. 37,571 thousand)
- Capital Work In Progress includes Natural gas fired cogeneration units reclassified from finance lease receivables amounting to Rs. 37,003 thousand (net of Provision for diminution in value Rs. 37,562 thousand) for which agreement to lease has been terminated. However, the company expects to re-sell the equipment.
- Capital Inventory includes material in transit amounting to Rs. 16,551 thousand ( Previous year Rs. 6,428 thousand).
- Deduction / adjustments for the year includes Natural gas fired cogeneration unit reclassified from Operating Lease to Finance lease.



**SCHEDULES FORMING PART OF BALANCE SHEET**

	Rs. in thousand	As at 31-12-2008 Rs. in thousand	As at 31-12-2007 Rs. in thousand
<b>SCHEDULE - 5</b>			
<b>INVESTMENTS</b>			
(Refer Notes 4, 25 and 32 on Schedule 19)			
<b>A Long Term Investments:</b>			
<b>(At Cost)</b>			
<b>Equity Shares</b>			
Trade -Unquoted	139,363		139,363
Less: Provision	<u>104,344</u>		<u>104,344</u>
		35,019	35,019
<b>Others</b>		-	1,875
<b>Long Term Investments (A)</b>		<u>35,019</u>	<u>36,894</u>
<b>B Current Investments:</b>			
<b>(At Cost or Fair Value whichever is lower,     determined categorywise)</b>			
Other than Trade (Unquoted)			
Mutual Funds		3,421,180	2,255,827
<b>Current Investment (B)</b>		<u>3,421,180</u>	<u>2,255,827</u>
<b>Total Investment (A+B)</b>		<u>3,456,199</u>	<u>2,292,721</u>
<b>Aggregate cost of Unquoted Investments</b>		<u>3,560,543</u>	<u>2,397,065</u>
<b>SCHEDULE - 6</b>			
<b>INVENTORIES</b>			
(Refer Note 5 on Schedule 19 )			
Stores and Pipe Fittings		102,616	111,585
<b>TOTAL</b>		<u>102,616</u>	<u>111,585</u>
<b>SCHEDULE - 7</b>			
<b>LEASE RECEIVABLES</b>			
(Refer Note 33(i) on Schedule 19 )			
Lease Receivables			
- Considered Good		139,240	98,189
- Considered Doubtful	-		37,562
Less : Provision for Doubtful Receivable	-		<u>37,562</u>
<b>TOTAL</b>		<u>139,240</u>	<u>98,189</u>
<b>SCHEDULE - 8</b>			
<b>SUNDRY DEBTORS</b>			
Secured - Considered Good			
Exceeding Six Months		7,260	1,060
Others		1,005,984	638,347
Unsecured - Considered Good			
Exceeding Six Months		505	49,883
Others		227,095	186,274
Unsecured - Considered Doubtful			
Exceeding Six Months	27,348		99,142
Less: Provision for Doubtful Debt	<u>27,348</u>		<u>99,142</u>
<b>TOTAL</b>		<u>1,240,844</u>	<u>875,564</u>

**SCHEDULES FORMING PART OF BALANCE SHEET**

	Rs. in thousand	As at 31-12-2008 Rs. in thousand	As at 31-12-2007 Rs. in thousand
<b>SCHEDULE - 9</b>			
<b>CASH AND BANK BALANCES</b>			
Cash in hand		186	881
Cheques in hand		-	4,639
Balances with Scheduled Banks :			
- In Current Accounts		61,139	65,000
- In Dividend Accounts		7,133	6,605
<b>TOTAL</b>		<b>68,458</b>	<b>77,125</b>
<b>SCHEDULE - 10</b>			
<b>LOANS AND ADVANCES</b>			
(Unsecured - considered good, unless otherwise stated)			
Advances to Subsidiaries		22,152	21,235
Insurance Claim Receivable		-	45,100
Advances recoverable in Cash or in kind or for value to be received		41,501	70,317
Deposit Paid		128,404	61,250
Balance due with Government Authorities		41,298	31,550
Advance payment of tax and tax deducted at source	-		3,580,752
Less: Taxation Provision	-		3,527,576
<b>TOTAL</b>		<b>233,355</b>	<b>282,628</b>
<b>SCHEDULE - 11</b>			
<b>CURRENT LIABILITIES AND PROVISIONS</b>			
<b>(A) CURRENT LIABILITIES</b>			
Sundry Creditors			
- Dues to Micro and Small Enterprises* (Refer Note 46 on Schedule 19)	3,385		7,279
- Other Creditors	1,538,912		1,574,549
		<b>1,542,297</b>	<b>1,581,828</b>
Deferred Revenue (Refer Note 8(c) on Schedule 19)		343,791	19,134
Deposit From Collection Centres and CNG Franchises		17,745	13,961
Advance From Customers		36,344	48,874
Due to Subsidiaries		62,831	9,436
Investor Education and Protection Fund			
- Unpaid Dividend		7,133	6,605
Other Liabilities		169,110	154,384
		<b>2,179,251</b>	<b>1,834,222</b>
* As per the information available with the management there are no outstanding dues payable to micro and small enterprises for more than 45 days.			
<b>(B) PROVISIONS</b>			
Proposed Dividend [Including Corporate Dividend tax Rs. 34,530 thousand (Previous Year Rs. 34,530 thousand)]		237,705	237,705
Gratuity and Leave encashment [Includes short term employee benefit Rs. 330 thousand (Previous Year Rs. 473 thousand)] (Refer Notes 28 and 29 on Schedule 19)		42,298	28,419
Other Provisions (Refer Note 34 on Schedule 19)		49,343	48,746
Provision for Taxation	4,178,976		-
Less: Advance payment of tax and tax deducted at source	4,163,670		-
		<b>15,306</b>	-
Provision for Fringe Benefit Tax	32,600		23,200
Less: Advance Payment of Tax	30,255		21,816
		<b>2,345</b>	<b>1,384</b>
		<b>346,997</b>	<b>316,254</b>
<b>TOTAL</b>		<b>2,526,248</b>	<b>2,150,476</b>





**SCHEDULES FORMING PART OF BALANCE SHEET**

	Rs. in thousand	As at 31-12-2008 Rs. in thousand	As at 31-12-2007 Rs. in thousand
<b>SCHEDULE - 12</b>			
<b>MISCELLANEOUS EXPENDITURE</b>			
(Refer Note 14 on Schedule 19)			
Deferred Revenue Expenditure			
a) Voluntary Retirement Scheme:			
Opening Balance	9,220		4,572
Add: Incurred during the year	-		10,700
Less: Written Off during the year	4,661		6,052
		4,559	9,220
b) SAP Implementation Cost			
Opening Balance	10,336		28,056
Less: Written Off during the year	10,336		17,720
		-	10,336
<b>TOTAL</b>		<b>4,559</b>	<b>19,556</b>

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

	Rs. in thousand	Year ended 31-12-2008 Rs. in thousand	Year ended 31-12-2007 Rs. in thousand
<b>SCHEDULE - 13</b>			
<b>INCOME FROM OPERATIONS</b>			
(Refer Note 8 on Schedule 19)			
Natural Gas Sales (Gross)		12,929,347	11,799,986
Gas Transmission Income		21,377	44,998
Service and Fitting Income (Net)		150,511	170,110
Lease Income		32,615	64,611
Finance Charges		20,749	14,344
<b>TOTAL</b>		<b>13,154,599</b>	<b>12,094,049</b>
<b>SCHEDULE - 14</b>			
<b>OTHER INCOME</b>			
Income from Investments			
(Refer Note 8(f) on Schedule 19)			
<b>Long Term</b>			
Dividend from Subsidiary Company		2,795	56,795
Dividend from Trade Investment		2,000	2,000
<b>Current</b>			
Dividend from Mutual Funds		203,808	102,574
Interest on Others (Customers and Staff advances)		11,453	8,588
[Gross, Tax deducted at source Rs. 22 thousand			
(Previous year Rs. 102 thousand)]			
(Refer Note 8(g) on Schedule 19)			
Interest on Inome Tax Refund		6,059	-
Profit on Sale of Current Investments	14,051		479
Less: Loss on Sale of Current Investments	(165)		(112)
		13,886	367
Liabilities no longer required Written Back		106,255	7,861
Reversal of Impairment Provision		17,063	-
Foreign Exchange Fluctuations Gain (Net)		-	1,391
Profit on Sale of Fixed assets (Net)		-	783
Miscellaneous Income		29,721	23,019
<b>TOTAL</b>		<b>393,040</b>	<b>203,378</b>

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

	Rs. in thousand	Year ended 31-12-2008 Rs. in thousand	Year ended 31-12-2007 Rs. in thousand
<b>SCHEDULE - 15</b>			
<b>PERSONNEL EXPENSES</b>			
(Refer Note 7 on Schedule 19)			
Salaries, Wages and Bonus		342,025	265,485
Contribution to Provident and Other Funds (Refer Note 29 on Schedule 19)		32,800	14,145
Welfare Expenses		34,992	24,077
<b>TOTAL</b>		<b>409,817</b>	<b>303,707</b>
<b>SCHEDULE - 16</b>			
<b>OPERATING AND OTHER EXPENSES</b>			
Stores and Chemicals consumed		19,067	19,093
Power and Fuel		142,627	104,280
Rent		22,693	18,017
Rates and Taxes		2,283	2,643
Repairs:			
- To Buildings	5,197		2,577
- To Plant and Machinery	126,744		102,705
- To Others	64,884		65,784
		<b>196,825</b>	<b>171,066</b>
Insurance		13,336	19,449
Stationery and Printing		8,669	9,373
Advertisement Expenses		9,065	10,795
Communication Expenses		19,236	16,771
Vehicle Hire Charges		27,001	21,502
Travelling Expenses		38,024	41,994
Donation		3,863	401
Legal, Professional and Consultancy		106,662	73,922
Loss on Sale of Fixed assets (Net)		815	-
Bad debts / Advances written off		-	260
Wealth Tax		400	400
Other Provision (Refer Note 34 on Schedule 19)		597	217
Provision for Doubtful Debts		15,834	91,130
Provision for Doubtful Lease Receivable		-	37,562
Provision for Diminution in the value of Fixed Assets / Capital Work in Progress (Refer Note 47 on Schedule 19)		101,000	26,942
Assets written off		3,700	4,437
Inventory written off		1,322	2,889
Service Charges		66,806	44,451
Foreign Exchange Fluctuations Loss (Net)		1,064	-
Miscellaneous Expenses		82,171	76,852
<b>TOTAL</b>		<b>883,060</b>	<b>794,446</b>



## SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

		Year ended 31-12-2008 Rs. in thousand	Year ended 31-12-2007 Rs. in thousand
<b>SCHEDULE - 17</b>			
<b>FINANCE CHARGES</b>			
Interest - Unsecured Loans		-	172
Interest - Others		1,112	1,680
<b>TOTAL</b>		<b>1,112</b>	<b>1,852</b>
<b>SCHEDULE - 18</b>			
<b>TAX EXPENSE</b>			
(Refer Notes 12, 31 and 45 on Schedule 19 )			
Current Income tax		651,000	764,000
Deferred Income tax		58,000	(7,000)
Fringe benefit tax		9,400	8,200
<b>TOTAL</b>		<b>718,400</b>	<b>765,200</b>

**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.

**3. Depreciation/Amortisation:**

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

**4. Investments :**

Long term Investments are stated at cost. Provision, if any, is made for permanent diminution in the value of investments. Current investments are stated at lower of cost or market value determined categorywise. Cost is determined as per weighted average cost formula.

**5. Inventories:**

Stores and Pipes fittings are valued at cost on First In First Out method after providing for obsolescence.

**6. Foreign currency transactions:**

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

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

**7. Employee Benefits:**

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



recognized in full in the Profit and Loss Account for the period in which they occur.

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

(b) Short term employment benefits

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

(c) Employee Stock Option Plan

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

**8. Revenue Recognition:**

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

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

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

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

i. Income from Finance Leases

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

ii. Income from Operating Leases

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

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

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

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

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

**9. Borrowing Costs:**

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

**10. Operating Leases:**

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

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

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

**12. Taxation:**

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

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

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

**13. Impairment of Assets:**

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

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

**14. Miscellaneous Expenditure:**

(a) Deferred Revenue Expenditure pertaining to Voluntary Retirement Scheme (VRS) of employees prior to adoption of Accounting Standard 26 – Intangible Assets is amortised in equal installments over a period of 5 financial years from the year in which the same is incurred.

Expenditure on Voluntary Retirement Scheme (VRS) of employees incurred after adoption of Accounting Standard 26 – Intangible Assets is amortised in equal installments from the year in which the same is incurred till periods ended December 31, 2010 in accordance with the transitional provision of Accounting Standard - 15, Employee Benefits.

(b) Deferred Revenue Expenditure pertaining to SAP is amortised over a period of 60 months equally commencing from the month of commissioning.

**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.10,787 thousand (Previous year Rs.11,340 thousand).
- (b) Claims of Rs. 23,799 thousand (Previous year Rs. 21,739 thousand) against the Company have been disputed by the Company. The Company is, however, indemnified by an insurance policy.
- (c) A customer has made a claim on the Company which is not acknowledged by the company as the matter is subjudice before the Delhi High Court and arbitration proceedings are also underway. The Company, under advice from its legal counsel, believes that no significant unprovided liabilities would arise from these proceedings.
- (d) Income tax related exposures Rs.183,423 thousand (Previous year Rs.182,994 thousand)
  - (i) Includes income tax demand of Rs.53,456 thousand (Previous Year Rs. 53,456 thousand) relating to Assessment Years 1998-99, 1999-2000 and 2000-01 due to disallowance of interest, pertaining to construction phase, on debentures issued for the Hazira Ankleshwar pipeline and incurred during its construction, claimed as revenue expenditure. The Company has paid Rs. 53,456 thousand (Previous Year Rs. 53,456 thousand) out of the above demand.



CIT (Appeals) has ruled in favour of the company and deleted the demand of Rs.6,866 thousand pertaining to Assessment Year 2000-01 from the above demand. The Income-tax department has preferred an appeal against the said order of CIT (Appeals). The appeal for the other two years is also pending with the ITAT.

- (ii) Includes income tax demand of Rs. 121,301 thousand (Previous year Rs. 120,872 thousand) including interest on tax, relating to Assessment Years 1995-96, 1996-97, 1997-98, 1998-99, 1999-2000, 2000-01, 2001-02, 2002-03, 2003-04, 2004-05 and 2005-06 due to disallowance of depreciation claimed on leased assets. The total amount paid by company / adjusted by tax authorities on account of above demand aggregates to Rs.121,301 thousand (Previous year Rs.115,692 thousand). The total tax exposure (though actually paid), net of interest on tax, on account of the above for all the years aggregates to Rs.115,042 thousand (Previous year Rs 114,961 thousand). The Appeal against the above demands are pending with ITAT for Assessment years 1996-97, 1997-98, 1998-99, 1999-2000, 2001-02 and 2002-03. The matter has been decided in the company's favour by the ITAT for Assessment Years 2003-04 and 2004-05 and by the High Court of Gujarat for Assessment Year 1995-96. This will have a positive consequential effect on all the subsequent years.
- (iii) Includes income tax demand for Rs.8,666 thousand (Previous Year Rs.8,666 thousand) for other disallowances for Assessment Years 2003-04, 2004-05 and 2005-06. The said demand has been adjusted by the tax authorities against the refund of Assessment Year 2006-07. The appeal for Assessment Year 2005-06 is pending with CIT (A) and for Assessment Years 2003-04 and 2004-05 with ITAT.
17. Estimated amount of contracts net of advances remaining to be executed on capital account and not provided for Rs. 29,356 thousand (Previous year Rs. 277,437 thousand).
18. The Company had constructed a building and facilities for processing and distribution of natural gas on plots allotted on lease by Surat Municipal Corporation and paid rent accordingly. The plots are within the Town Planning Scheme approved by Government of Gujarat. However, in the year 1994, Surat Mamalatdar had issued a notice on the ground that the plots belong to Government of Gujarat. The honorable court issued an ad-interim injunction against such notice, in the year 1994. Mamalatdar had preferred an appeal against the injunction, which has been rejected by the honorable court. The management is confident of resolving the dispute without any disruption to its facilities.
19. The company had constructed a civil structure aggregating to Rs. 19,037 thousand (Previous year Rs.19,037 thousand) 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.
20. **Material consumed includes:**
- (a) Rs.35,763 thousand (Previous Year Rs. 27,813 thousand) towards Internal consumption of Gas.
- (b) Rs. 60,883 thousand (Previous Year Rs. 29,850 thousand) as foreign exchange fluctuations.
21. 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.
22. **Obligations on Operating Leases:**
- The company has taken premises for office 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. 4,627 thousand (Previous year Rs. 3,810 thousand). The lease agreement typically ranges from 1 to 3 years.
23. **Earnings per share (EPS):**

	Year ended December 31, 2008	Year ended December 31, 2007
Net Profit after tax (Rs. in thousand)	1,588,118	1,590,943
Less: Preference Dividend and corporate dividend tax on preference dividend	12,635	12,635
Net Profit attributable to Equity Shareholders(Rs. in thousand)	1,575,483	1,578,308
Weighted average number of equity shares outstanding during the year (No. in thousand)	64,125	64,125
Basic earnings per share of Rs. 2/- each (in Rs.)	24.57	24.61

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.

**24. Segment Reporting:**

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

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

**25. Accounting for Joint Venture:**

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

Accordingly, the investments have been written down to the realizable value. (Refer Note 32 on Schedule 19)

**26. 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.**

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

The Company has implemented an Employee Stock Option Plan 2008 ('ESOP 2008') which provides for the allotment of up to 800,000 equity shares of Rs. 2/- each to eligible employees of the Company and its subsidiaries. The Scheme would be administered by an ESOP Trust (Gujarat Gas Company Limited Employee Stock Option Welfare Trust) which would purchase, out of the funds advanced by the Company, the shares equivalent to the number of options granted, for allotment to the grantees. The Finance Director and Human Resource Director are the trustees of the said trust. The trustees can purchase or sell the shares from the market as per the approved scheme.

Pursuant to the above scheme the Company in November 2008 has granted 740,000 options convertible into 740,000 equity shares of Rs. 2/- each to employees of the Company and its subsidiaries. The exercise price shall be calculated at 10% discount to the closing price of the shares on October 23, 2008, being the date on which the grant of options was approved by board of directors and shareholders. The Scheme provides for graded vesting of options granted over a period of 4 years from the date of grant.

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

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

Details of movement under the Stock option plan for the year ended December 31, 2008 is as follows:

	Year ended December 31, 2008	
	Number of options	Weighted average exercise price (in Rs.)
Options outstanding at the beginning of the year	-	-
Options granted during the year	740,000	189
Options forfeited during the year	-	-
Options expired during the year	-	-
Options exercised during the year	-	-
Options outstanding at end of the year	740,000	189





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 those options at the grant date is Rs. 65.90. The weighted average balance life of options outstanding as on December 31, 2008 is 2.83 years.

In accordance with Guidance Note on Accounting for Employee Share-based Payments issued by Institute of Chartered Accountants in India and SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 issued by Securities Exchange Board of India, an amount of Rs. 2,879 thousand has been recognised as an expense in Welfare Expenses (Schedule 15) and corresponding liability has been disclosed as Stock Options Outstanding Account (Schedule 2). Further the company has made a partial advance of Rs. 10,500 thousand on an estimated basis for the purchase of shares equivalent to the number of options granted which has mostly been utilized for the purpose.

- 28.** The company had adopted Accounting Standard 15 'Employee Benefits' (Revised 2005) with effect from January 1, 2007. Consequent upon its adoption, in accordance with the transitional provisions contained in the Accounting Standard, the net difference of Rs.4,264 thousand (after adjustment for deferred tax of Rs. 2,164 thousand) between the liability in respect of Gratuity and other employee benefits existing on the date of adoption and the liability that would have been recognized at the same date under the previous Accounting Standard, had been adjusted against the opening balance of General Reserve in previous year.

**29. Disclosures as per AS - 15 (Revised) 'Employee Benefits' for year ended December 31, 2008:**

	<b>Rs. in thousand</b>	
	<b>Year ended December 31, 2008</b>	<b>Year ended December 31, 2007</b>
<b>(i) Disclosures for Defined Contribution Plans</b>		
Employer's contribution to Provident Fund	<b>14,335</b>	12,558
<b>(ii) Disclosures for Defined Benefit Plans</b>		
<b>Gratuity (Funded)</b>		
<b><u>Change in the defined benefit obligations</u></b>		
<b>Defined benefit obligation as at beginning of the year</b>	<b>38,179</b>	34,947
Service cost	<b>5,290</b>	4,079
Interest cost	<b>2,863</b>	2,848
Actuarial loss/(gain)	<b>8,030</b>	(603)
Benefits paid	<b>(2,034)</b>	(3,092)
<b>Defined benefit obligation as at year end</b>	<b>52,328</b>	38,179
<b><u>Change in plan assets</u></b>		
<b>Fair value of plan assets as at beginning of the year</b>	<b>32,647</b>	24,207
Expected return on plan assets	<b>3,322</b>	2,701
Contributions by employer	<b>8,963</b>	6,795
Actuarial (loss)/gain	<b>(5,604)</b>	2,036
Benefits paid	<b>(2,034)</b>	(3,092)
<b>Fair value of plan assets as at year end</b>	<b>37,294</b>	32,647
<b>Present value of unfunded obligations</b>	<b>15,034</b>	5,532
<b>The Net amount recognized in the statement of Profit &amp; Loss for year ended December 31, 2008 is as follows</b>		
Current Service cost	<b>5,290</b>	4,079
Interest cost	<b>2,863</b>	2,848
Expected return on plan assets	<b>(3,322)</b>	(2,701)
Net actuarial loss/(gain) recognised	<b>13,634</b>	(2,639)
<b>Net amount recognised</b>	<b>18,465</b>	1,587
<b>Actual return on Plan Assets</b>	<b>(2,282)</b>	4,736
<b>The major categories of plan assets as a percentage of total plan assets as at December 31, 2008 are as follows:</b>		
Government of India Securities	<b>4%</b>	4%
Insurer Managed Funds	<b>96%</b>	96%
<b>The principal actuarial assumptions used are as follows:</b>		
Discount Rate	<b>7.50%</b>	8.15%
Expected rate of return on Plan Assets	<b>9.50%</b>	9.50%
Rate of increase in Compensation Levels (Refer Note below)	<b>7.00%</b>	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.

**30. 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:

Name of the Related Party	Nature of Relationship	Nature of Transaction	Amount (Rs. in thousand)	
			Year ended December 31, 2008	Year ended December 31, 2007
BG International Limited	Under common control	Reimbursement of salary for seconded personnel (Paid) (including Tax Deducted at Source)	<b>28,538</b>	19,627
		Reimbursement of Expenses (Received)	-	59
		Amount payable at the year end	<b>93,386</b>	87,215
BG Asia Pacific Holdings Pte. Limited	Holding company	Dividend paid		
		- Equity	<b>125,268</b>	104,390
		- Preference	<b>10,800</b>	6,746
		Share Capital held		
		- Equity	<b>83,516</b>	83,516
		- Preference	<b>144,000</b>	144,000
Gujarat Gas Financial Services Limited (Refer Note 1)	Subsidiary	Income:		
		Service Charges for domestic gas connections	<b>83,125</b>	79,423
		Dividend	<b>2,795</b>	2,795
		Investment at year end	<b>13,995</b>	13,995
		Amount receivable at year end	<b>22,151</b>	21,235
Gujaratgas Trading Company Limited (Refer Note 1)	Subsidiary	Income:		
		Service charges	<b>300</b>	1,200
		Gas transmission Charges	-	22,767
		Reimbursement of Transmission Charges	-	2,659
		Dividend	-	54,000
		Expenses:		
		Purchase of Natural Gas	<b>835,209</b>	1,076,327
		Interest paid	-	792
Investment at year end	<b>1,275</b>	1,275		
		Amount payable at year end	<b>62,831</b>	9,436
Sensus Metering Systems India Limited (Formerly known as Invensys Metering Systems India Limited)	Joint Venture	Income:		
		Reimbursement of Expenses (Received)	-	208
		Investment at year end	<b>39,093</b>	39,093
		Provision for diminution in value of investment	<b>29,344</b>	29,344
Petroleum Infrastructure Limited	Joint Venture	Investment at year end	<b>75,000</b>	75,000
		Provision for diminution in value of investment	<b>75,000</b>	75,000
		Amount receivable at year end	<b>118</b>	118
Mahanagar Gas Limited	Under common control	Provision for Doubtful Debts against amount receivable	<b>7,138</b>	7,138
		Amount receivable at the year end	<b>7,138</b>	7,138

Name of the Related Party	Nature of Relationship	Nature of Transaction	Amount (Rs. in thousand)	
			Year ended December 31, 2008	Year ended December 31, 2007
BG India Energy Private Limited (formerly known as British Gas India Private Limited)	Under common control	Income:		
		Reimbursement of Expenses (received)	400	10,326
		Expense:		
		Legal and Professional	-	33,748
		Reimbursement of Expenses (Paid)	249	800
		Fixed Asset purchased	12	203
		Amount Receivable at the year end	524	-
		Amount payable at the year end	-	18,828
BG LNG Regas India Private Limited (Formerly Known as British Gas Pipavav LNG Private Limited)	Under common control	Amount receivable at the year end	-	5
BG Exploration and Production India Ltd.	Under common control	Income:		
		Service charges for secondment of employees	3,003	680
		Reimbursement of Expenses (Received)	1,204	975
		Expenses:		
		Legal and Professional	35,226	-
		Reimbursement of Expenses (Paid)	-	337
		Purchase of material	29,170	-
		Amount receivable at the year end	-	975
		Amount payable at the year end	64,996	-
Panna Mukta Tapti	Under common control	Purchase of Natural Gas	1,407,034	2,900,071
Shaleen Sharma (Related party w.e.f.1st July 2007)	Key Management Personnel	Remuneration as Managing Director	11,546	5,081
Nirja Sharma (Related party w.e.f.1st July 2007)	Relative of Key Management Personnel	Lease Rent	338	150
		Deposit paid	54	54
B.S. Shantharaju (Related party till 30th June 2007)	Key Management Personnel	Remuneration as Managing Director	-	5,343
Gujarat Gas Company Limited Employee Stock Option Welfare Trust	Enterprise controlled by the Company	Advance paid for purchase of shares	10,500	-
		Amount Receivable at the year end	10,500	-
Gujarat Gas Company Limited Employees Gratuity Trust Fund	Enterprise controlled by the Company	Contribution paid	8,964	6,795

**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.



	Year ended December 31, 2008 (Rs. in thousand)	Year ended December 31, 2007 (Rs. in thousand)
<b>31. Deferred Tax:</b>		
(A) The movement in deferred tax account is as follows:		
Opening Balance	472,065	476,901
Provision for current year deferred tax liability (Net)	58,000	(7,000)
Adjustment on account of change in accounting policy (Refer Note 28 on Schedule 19)	-	2,164
Closing Balance	<u>530,065</u>	<u>472,065</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	624,976	586,285
Deferred Tax Assets	<u>(94,911)</u>	<u>(114,220)</u>
	<u>530,065</u>	<u>472,065</u>
(C) Break up of deferred tax assets/liabilities:		
<b>Deferred Tax Liabilities:</b>		
Tax impact of difference between carrying amount of fixed assets in the financial statements and the income tax return	624,976	586,285
<b>Total (A)</b>	<u>624,976</u>	<u>586,285</u>
<b>Deferred Tax Assets:</b>		
Tax impact of expenses charged in the financial statements but allowable as deductions in future years under income tax:		
Provision for doubtful debts	9,296	45,250
Provision for diminution of investment	6,373	6,373
Provision for diminution in value of		
Fixed assets/Capital Work in Progress	50,455	9,157
Expenditure under section 43B of the Income Tax Act	28,787	53,440
<b>Total (B)</b>	<u>94,911</u>	<u>114,220</u>
<b>Net Deferred Tax Liability (A-B)</b>	<u>530,065</u>	<u>472,065</u>

	As at December 31, 2008 Rs. in thousand	As at December 31, 2007 Rs. in thousand
<b>32. Details of investment in Schedule 5 are:</b>		
<b>INVESTMENTS</b>		
A Long Term Investments (At cost)		
Trade Investments :		
1. In Shares of Subsidiary Company (Unquoted) :		
1,397,500 Equity Shares of Rs. 10/- each fully paid in Gujarat Gas Financial Services Limited	<b>13,995</b>	13,995
9,000 Equity Shares of Rs. 100/- each fully paid in Gujaratgas Trading Company Limited	<b>1,275</b>	1,275
2. In Equity Shares of Associate Companies (Unquoted) :		
3,909,293 Equity Shares of Rs. 10/- each fully paid in Sensus Metering Systems India Limited Less : Provision	<b>39,093</b> <b>29,344</b>	39,093 29,344
75,00,000 Equity Shares of Rs. 10 /- each fully paid in Petroleum Infrastructure Limited Less : Provision	<b>75,000</b> <b>75,000</b>	75,000 75,000
3. Other (Unquoted)		
1,000,000 Equity Shares of Rs. 10/- each fully paid in Gujarat State Petroleum Corporation Limited	<b>10,000</b>	10,000
Non Trade Investments:		
Contribution in Gujarat Venture Capital Fund 1995 (Unquoted)	-	1,875
<b>Long Term Investments (A)</b>	<b>35,019</b>	36,894
B Current Investments (At cost or market value whichever is lower, determined categorywise)		
Other than Trade - Unquoted		
- Mutual Funds	<b>3,421,180</b>	2,255,827
<b>Current Investment (B)</b>	<b>3,421,180</b>	2,255,827
<b>Total Investment (A+B)</b>	<b>3,456,199</b>	2,292,721
Notes :		
1. Aggregate cost of Unquoted Investments	<b>3,560,543</b>	2,397,065
2. Quantitative Movement of Investments from January 1, 2008 to December 31, 2008 is given below		



Scheme	No. of units at the beginning of the year	Opening Value (Rs in thousand)	No. of Units Purchased	No. of Units sold	No. of Units in hands at the year end	Cost of units in hands at the year end at lower of cost or market value (Rs. in thousand)
Birla Cash Plus Insti. Premium.- (Div. Daily )	10,398,765	104,190	230,863,879	238,275,906	2,986,738	29,926
Birla FMP Series - 2 - Quarterly- (Div. Payout)	3,991,259	40,000	-	3,991,259	-	-
Birla interval Income fund-INSTL-Quarterly series 1 - (Div.)	-	-	2,000,000	2,000,000	-	-
Birla Interval Income- Insti.Quarterly Series-2 (Div.)	3,000,000	30,000	-	-	3,000,000	30,000
Birla Interval Income INSTL - Mthly- Series-1 (Div.)	-	-	2,000,000	2,000,000	-	-
Birla Interval Income INSTL - Mthly- Series-2 (Div.)	-	-	5,000,000	5,000,000	-	-
Birla Interval Income Retail Mthly Series-1 (Div.)	1,000,000	10,000	2,000,000	3,000,000	-	-
Birla Quarterly Interval Series-1 (Div.)	-	-	2,000,000	2,000,000	-	-
Birla Quarterly Interval Series-2 (Div.)	3,000,000	30,000	-	3,000,000	-	-
Birla Quarterly Interval Series-5 (Div.)	-	-	2,000,000	2,000,000	-	-
Birla Quarterly Interval Series-7 (Div.)	-	-	3,000,000	-	3,000,000	30,000
Birla Quarterly Interval Series-9 (Div.)	-	-	2,000,000	2,000,000	-	-
Birla Sun Life Dynamic Bond Fund-Retail plan (Div.)	-	-	4,972,142	-	4,972,142	50,362
Birla Sun Life FTP Series BG Retail (Div.)	-	-	1,000,000	-	1,000,000	10,000
Birla Sun Life Income Plus - Quarterly- (Div.)	-	-	1,671,933	-	1,671,933	20,000
Birla Sun Life Liquid Plus -Insti.- (Div.Daily)	5,151,207	51,548	101,536,424	100,360,037	6,327,594	63,319
Birla Sun Life short Term Fund Insti.- (Div. Daily)	-	-	54,923,431	27,984,609	26,938,822	269,536
DSP BR Strategic Bond Fund - Institutional Plan - (Div. Weekly)	-	-	49,845	-	49,845	50,000
DSP BR Cash Plus Fund-Institutional Plan-(Div. Daily )	-	-	20,068	20,068	-	-
DSP BR Liquidity Fund-Institutional Plan-(Div. Daily)	-	-	140,199	109,978	30,221	30,227
DSP BR Fixed Term Plan 3M Series-1 Insti. Pl. (Div.)	2,000,000	20,000	35,781	2,035,781	-	-
DSP BR Fixed Term Plan 3M Series-2 Insti. Pl. (Div.)	3,000,000	30,000	54,088	3,054,088	-	-
DSP BR Cash Plus- Institutional- CBLO- (Div.Daily)	-	-	55,182	55,182	-	-
DSP BR Fixed Maturity Pl 3M Series-3 Insti.(Div.)	-	-	2,040,139	2,040,139	-	-
DSP BR Fixed Maturity Pl 6M Series-5 Insti.(Div.)	-	-	2,070,986	2,070,986	-	-
DSP BR Fixed Maturity Pl 6M Series-6 Insti.(Div.)	-	-	1,036,956	1,036,956	-	-
DSP BR FMP 3M Series-10 (Div.)	-	-	1,017,980	1,017,980	-	-
DSP BR FMP 3M Series-11 (Div.)	-	-	2,039,790	2,039,790	-	-
DSP BR Liquid Plus- Institutional Plus- (Div.Daily)	-	-	145,277	145,277	-	-
DSP BR FMP 12M Series-3 Insti. Growth	-	-	2,000,000	-	2,000,000	20,000
DSP BR FMP 1M Series-1 Insti. (Div.)	-	-	1,006,993	1,006,993	-	-
DSP BR FMP 3M Series-12 Insti.(Div.)	-	-	2,043,815	2,043,815	-	-
DSP BR FMP 3M Series-13 Insti. (Div.)	-	-	5,109,538	5,109,538	-	-
DSP BR FMP 3M Series-14 Insti. (Div.)	-	-	2,048,988	2,048,988	-	-
DSP BR FMP 3M Series-15 Insti. (Div.)	-	-	2,045,592	2,045,592	-	-
DSP BR FMP 3M Series-16 Insti. (Div.)	-	-	3,000,000	-	3,000,000	30,000
DSP BR FMP 3M Series-9 Insti.(Div.)	-	-	2,034,363	2,034,363	-	-
DWS Insta Cash Plus Fund - Institutional Plan (Daily Daily)	-	-	17,619,129	17,619,129	-	-
DWS Insta Cash Plus Fund - (Daily Daily)	-	-	4,369,352	4,369,352	-	-
DWS liquid Plus Fund - Institutional (Div. Daily)	-	-	22,312,967	20,309,411	2,003,556	20,066
DWS Quarterly Interval Fund -Series I - (Div.)	-	-	2,000,392	2,000,392	-	-
Fidelity Cash Fund Institutional -(Div. Weekly)	-	-	1,995,669	1,995,669	-	-
Fidelity Fixed Maturity Plan Series 1 Plan C 12Mth Institutional- (Growth)	-	-	2,000,519	-	2,000,519	20,005
HDFC Cash Management- Saving Plan (Div.Daily)	8,060,213	85,732	109,796	8,170,009	-	-
HDFC Floating Rate Income-STP-Wholesale Pl. (Div. Daily)	28,048,487	282,754	93,825,566	115,069,091	6,804,962	68,600
HDFC FMP 90D August 2008 (IX) (3) - Wholesale plan (Div.)	-	-	3,000,000	3,000,000	-	-
HDFC FMP 90D December 2007(VI)- Retail Plan (Div.)	2,000,000	20,000	-	2,000,000	-	-
HDFC FMP 90D Jan.08(V1)- Wholesale (Div.)	-	-	2,000,000	2,000,000	-	-
HDFC FMP 90D July 2008 (IX) (3) Wholesale Plan (Div.)	-	-	2,000,000	2,000,000	-	-

Scheme	No. of units at the beginning of the year	Opening Value (Rs in thousand)	No. of Units Purchased	No. of Units sold	No. of Units in hands at the year end	Cost of units in hands at the year end at lower of cost or market value (Rs. in thousand)
HDFC FMP 90D June 2008 (VIII) (1) Wholesale Plan (Div.)	-	-	1,000,000	1,000,000	-	-
HDFC FMP 90D March.08 VII (2) Retail Plan (Div.)	-	-	2,000,000	2,000,000	-	-
HDFC FMP 90D May 2008 (VIII) (2) Wholesale Plan (Div.)	-	-	2,000,000	2,000,000	-	-
HDFC FMP 90D November 2008 (X) (1) - Wholesale Plan (Div.)	-	-	2,000,000	-	2,000,000	20,000
HDFC FMP 90D October 2008 (IX) (1) - Wholesale Plan (Div.)	-	-	1,000,000	-	1,000,000	10,000
HDFC FMP 90D September 2008 (IX) (1) - Wholesale Plan (Div.)	-	-	1,000,000	1,000,000	-	-
HDFC High Interest Fund - Quarterly (Div.)	-	-	8,709,925	-	8,709,925	103,141
HDFC Liquid Premium Plan (Div. Daily)	-	-	78,530,353	78,530,353	-	-
HDFC Quarterly Interval Fund Plan C - Wholesale (Div.)	-	-	2,000,000	2,000,000	-	-
HSBC CASH FUND Institutional Plus - (Div. Daily)	-	-	1,502,458	1,502,458	-	-
HSBC Fixed Term Series - 47 Inst. (Div.)	-	-	2,045,038	2,045,038	-	-
HSBC Fixed Term Series - 48 Inst. Six Month (Div.)	-	-	2,075,452	2,075,452	-	-
HSBC Fixed Term Series - 51 Inst Six Month (Div.)	-	-	3,105,953	3,105,953	-	-
HSBC Fixed Term series 52 Inst. 1 Year - (Growth)	-	-	2,000,000	-	2,000,000	20,000
HSBC Fixed Term series 53 Inst. 370 Days (Growth)	-	-	1,000,000	-	1,000,000	10,000
HSBC Fixed Term series 55 Inst. Six Month (Div.)	-	-	2,083,754	2,083,754	-	-
HSBC Floting Rate Fund - STP - Insti. (Div.)	2,098,563	21,013	2,991,537	5,090,100	-	-
HSBC Interval Fund Plan-2 - Insti. (Div.)	3,000,000	30,000	173,376	3,173,376	-	-
IDFC Floting Rate Fund - LT - Insti. Plan B - (Div. Daily)	10,128,875	101,321	3,340,664	13,469,539	-	-
IDFC Cash Fund - Inst plan B - (Div. Daily)	-	-	65,456,111	65,456,111	-	-
IDFC Cash Fund - Super Inst plan C - (Div. Daily)	-	-	11,510,580	11,510,580	-	-
IDFC Fixed Maturity Plan - Yearly Series 24 - Plan B (Growth)	-	-	2,000,000	-	2,000,000	20,000
IDFC Fixed Maturity Plan - Quarterly Series 36 - (Div.)	-	-	2,000,000	2,000,000	-	-
IDFC Fixed Maturity Plan - Quarterly Series 39 - (Div.)	-	-	3,500,000	3,500,000	-	-
IDFC Fixed maturity Plan Quarterly series 43 - (Div.)	-	-	2,000,000	2,000,000	-	-
IDFC Fixed maturity Plan Quarterly series 46 - (Div.)	-	-	2,000,000	-	2,000,000	20,000
IDFC Liquid Plus Fund - Treasury plan inst plan B - (Div. Daily)	-	-	76,471,382	31,280,101	45,191,281	455,090
IDFC Quarterly Interval Fund Plan A - Institutional - (Div.)	-	-	1,999,880	1,999,880	-	-
ING Fixed Maturity Fund- 35 Institutional (Div.)	-	-	2,000,000	2,000,000	-	-
ING Fixed Maturity Fund Series -XXX (Div.)	2,000,000	20,000	-	2,000,000	-	-
ING Fixed Maturity Fund-36 Insti. (Div.)	2,000,000	20,000	-	2,000,000	-	-
ING Fixed Maturity Fund-46 Insti. (Div.)	-	-	4,764	4,764	-	-
ING Fixed Maturity Fund-49 Insti. (Div.)	-	-	2,000,000	2,000,000	-	-
ING Fixed Maturity Series-XXVI (Div.)	2,000,000	20,000	-	2,000,000	-	-
ING Interval Fund Quarterly-B Institutional (Div.)	-	-	2,500,000	2,500,000	-	-
ING Interval Fund Quarterly-C Institutional (Div.)	-	-	1,000,000	1,000,000	-	-
ING Liquid Fund Super Insti. (Div. Daily)	2,783,848	27,852	53,343,214	56,127,062	-	-
ING Liquid Plus Fund - Insti. (Div. Daily)	2,853,558	28,545	37,537,170	31,866,748	8,523,980	85,268
ING Quarterly FMP91 - A1 - Institutional (Div.)	-	-	2,000,000	2,000,000	-	-
ING Quarterly FMP91 - A - Institutional (Div.)	-	-	2,000,000	2,000,000	-	-
ING Quarterly FMP -91 - Series A2 - Institutional (Div.)	-	-	1,000,000	1,000,000	-	-
JM FMP Series-VI Quarterly PI-4 insti. (Div.)	3,000,000	30,000	-	3,000,000	-	-
JM FMP Series-VI Quarterly PI-5 insti. (Div.)	2,000,000	20,000	-	2,000,000	-	-
JM High Liquidity - Super Institutional (Div. Daily)	-	-	25,962,837	25,962,837	-	-
JM Interval Fund Qtrly PI- 4 Institutional (Div.)	-	-	2,000,000	-	2,000,000	20,000
JM Interval Fund Qtrly PI- 5 Institutional (Div.)	-	-	2,000,000	-	2,000,000	20,000
JM Interval Fund Quarterly PI-1 Insti. (Div.)	3,000,000	30,000	-	3,000,000	-	-
JM Interval Fund Quarterly PI-2 Insti. (Div.)	-	-	1,500,000	1,140	1,498,860	14,989
JM Money Manager- Super Plus PI - (Div. Daily)	-	-	29,243,503	27,240,845	2,002,658	20,037
Kotak Liquid Institutional Premium (Div. Daily)	-	-	83,801,339	77,883,697	5,917,642	72,362
Kotak Flexi Debt Scheme - (Div. Daily)	9,878,812	99,095	24,131,391	34,010,203	-	-
Kotak Flexi Debt Scheme Institutional - (Div. Daily)	-	-	50,277,949	31,848,719	18,429,230	185,168
Kotak FMP 12M Series 5 Institutional - (Growth)	-	-	2,000,000	-	2,000,000	20,000





Scheme	No. of units at the beginning of the year	Opening Value (Rs in thousand)	No. of Units Purchased	No. of Units sold	No. of Units in hands at the year end	Cost of units in hands at the year end at lower of cost or market value (Rs. in thousand)
Kotak FMP 3m Series- 26 (Div.)	3,000,000	30,000	-	3,000,000	-	-
Kotak FMP 3M Series- 28 (Div.)	-	-	1,500,000	1,500,000	-	-
Kotak FMP 3M Series- 32 (Div.)	-	-	2,000,000	2,000,000	-	-
Kotak FMP 3M Series- 33 (Div.)	-	-	2,000,000	2,000,000	-	-
Kotak Qtrly Interval Pl- Series- 3 (Div.)	2,000,000	20,000	-	-	2,000,000	20,000
Kotak Qtrly Interval Pl- Series-4 (Div.)	3,000,000	30,000	-	3,000,000	-	-
Kotak Qtrly Interval Pl- Series-5 (Div.)	-	-	2,000,000	-	2,000,000	20,000
Kotak Qtrly Interval Pl- Series-6 (Div.)	-	-	3,000,000	-	3,000,000	30,000
Kotak Quarterly Interval Plan Series 1 - (Div.)	2,000,000	20,000	-	2,000,000	-	-
Kotak Quarterly Interval Plan Series 2 - (Div.)	2,000,000	20,000	2,998,890	4,998,890	-	-
Kotak Quarterly Interval plan series 7 - (Div.)	-	-	2,000,000	2,000,000	-	-
Kotak quarterly interval Plan series 8 - (Div.)	-	-	2,000,000	2,000,000	-	-
Kotak Quarterly Interval Plan Series 9 - (Div.)	-	-	2,000,248	-	2,000,248	20,002
Lotus India FMP- 3 Months-Series XXVII (Div.)	-	-	3,052,119	3,052,119	-	-
Lotus India FMP- 3 Mth. Series-XXII (Div.)	-	-	2,037,850	2,037,850	-	-
Lotus India FMP- 3 Mth. Series-XXIII (Div.)	-	-	3,056,620	3,056,620	-	-
Lotus India FMP- 3 Mth. Series-XXVIII (Div.)	-	-	2,034,590	2,034,590	-	-
Lotus India FMP- 3 Mth. Series-XXXV (Div.)	-	-	2,040,077	2,040,077	-	-
Lotus India Liquid Fund - Institutional (Daily Daily)	-	-	7,152,290	7,152,290	-	-
Lotus India Quarterly Interval Fund-Plan A -(Div.)	-	-	2,080,621	2,080,621	-	-
Lotus India Quarterly Interval Fund-Plan G - Institutional (Div.)	-	-	2,000,000	-	2,000,000	20,000
Pricipal PNB FMP Series- XVIII- 3 Mthly (Div.)	-	-	1,000,000	1,000,000	-	-
Principal Cash Management Fund - Liquid-Instl Plan - (Div. Daily)	-	-	1,000,799	1,000,799	-	-
Prudential ICICI - Flexible Income Plan (Divi.Daily)	-	-	70,002,761	43,032,108	26,970,653	285,174
Prudential ICICI FMP Series-39-Sixteen Weeks PI-A Retail (Div.)	2,000,000	20,000	-	2,000,000	-	-
Prudential ICICI Insti.Liquid Super Insti.(Div.Daily)	18,130,538	181,314	203,560,352	221,690,890	-	-
Prudential ICICI Interval Fund 1 month Plan A - Retail (Div.)	-	-	1,984,836	1,984,836	-	-
Reliance Fixed Horizon Fund -X- Series 13-Super Institutional (Div.)	-	-	3,000,000	3,000,000	-	-
Reliance Fixed Horizon Fund -XI- Series 1 - Institutional (Div.)	-	-	2,000,000	-	2,000,000	20,000
Reliance Fixed Horizon-VI Series - 3 Institutional (Div.)	-	-	4,000,000	4,000,000	-	-
Reliance Fixed Horizon-VI Series-1 Retail (Div.)	2,000,000	20,000	-	2,000,000	-	-
Reliance Fixed Horizon-VIII Series - 12 Institutional (Div.)	-	-	2,039,850	2,039,850	-	-
Reliance Fixed Horizon-VIII Series - 8 Institutional (Div.)	-	-	2,000,000	2,000,000	-	-
Reliance Fixed Horizon-XII Series - 14 Super Institutional (Div. Daily)	-	-	3,000,000	-	3,000,000	30,000
Reliance Income Fund -Retail Plan - Monthly (Div.)	-	-	4,660,522	-	4,660,522	53,336
Reliance Liquid Plus Fund -Retail Option-(Div.Daily)	-	-	95,030	-	95,030	95,114
Reliance Liquid Plus Institutional- (Div.Daily)	147,253	147,414	564,445	591,359	120,339	120,476
Reliance Liquidity Fund - (Div. Daily)	538	5	116,201,625	116,202,163	-	-
Reliance Liquidity Fund -(Div. Weekly)	-	-	9,244,639	9,244,639	-	-
Reliance Medium Term Fund - (Div.)	-	-	37,494,030	28,282,297	9,211,733	157,479
Reliance Medium Term Fund -(Div.Weekly)	-	-	1,768,210	1,768,210	-	-
Reliance Monthly Interval Fund -Series-I -Insti. (Div.)	2,997,601	30,000	3,996,962	6,994,563	-	-
Reliance Monthly Interval Fund -Series-II -Insti. (Div.)	-	-	5,997,061	5,997,061	-	-
Reliance Quarterly Interval Fund - Series-I- Insti.(Div.)	-	-	4,998,590	-	4,998,590	50,000
Reliance Quarterly Interval Fund - Series-III- Insti.(Div.)	1,999,920	20,000	2,999,760	4,999,680	-	-
Reliance Quarterly interval fund -series II - Institutional (Div.)	-	-	1,999,820	-	1,999,820	20,000
Reliance Quarterly Interval Fund -Series II -Retail (Div.)	-	-	1,999,280	-	1,999,280	20,000
IDFC Liquidity Manager Plus - (Div.Daily)	4	4	29,999	30,003	-	-
Sundaram BNP Paribas Floater STP Regular- (Div.Mthly)	-	-	59,800,461	59,800,461	-	-

Scheme	No. of units at the beginning of the year	Opening Value (Rs in thousand)	No. of Units Purchased	No. of Units sold	No. of Units in hands at the year end	Cost of units in hands at the year end at lower of cost or market value (Rs. in thousand)
Sundaram BNP Paribas Interval Fund Qly-Plan-C-Inst (DIV.)	-	-	1,500,000	-	1,500,000	15,000
Sundaram BNP Paribas Interval Quarterly Pl-B Insti. (Div.)	2,000,000	20,000	-	2,000,000	-	-
Sundaram BNP Paribas Lqi. Plus Super insti. (Div.)	6,919,180	69,303	62,469,258	40,699,150	28,689,288	287,610
Sundaram Bond Saver Institutional (Bonus)	465,435	5,000	-	-	465,435	5,000
TATA Dynamic Bond Fund Option A - (Div.)	-	-	3,825,387	3,825,387	-	-
TATA Dynamic Bond Fund Option B - (Div.)	-	-	3,931,440	3,931,440	-	-
TATA Fixed Investment plan-2 Scheme - B Institutional Plan - (Growth)	-	-	1,000,000	-	1,000,000	10,000
Tata Fixed Horizon Fund Series - 17 Sche-D- Insti. Pl. (Div. Periodic)	-	-	2,000,000	2,000,000	-	-
Tata Fixed Horizon Fund Series - 19 Sche-D- Insti. Pl. (Div.Periodic)	-	-	3,000,000	3,000,000	-	-
Tata Fixed Income Portfolio Scheme B3 Reg Mthly (Div.)	339,188	3,392	-	339,188	-	-
Tata Floater Fund (Liquid Plus) (Div. Daily)	-	-	143,352,384	124,049,028	19,303,356	193,723
TATA Floating Rate Fund Long Term- Income / (Bonus)	-	-	3,977,840	3,977,840	-	-
TATA Floating Rate Fund STP- Insti.Plan (Div.Daily)	9,780,485	97,859	137,376,847	147,157,332	-	-
TATA FMP Income Plus Fund Option B (Growth)	-	-	1,464,022	1,464,022	-	-
TATA Income Plus Fund Option A (Bonus/Income)	-	-	1,940,130	1,940,130	-	-
Tata Liquid Super High Invest. (Div. Daily)	-	-	18,089	18,089	-	-
TATA Liquid Super High Invest.(Appreciation)	30,254	36,532	-	30,254	-	-
Templeton FLT-Inc.Fund - Super Insti.Plan (Div.Daily)	15,311,436	153,275	67,860,832	83,172,268	-	-
Templeton India Ultra Short Bond Fund - Super Insti. Plan (Div.Daily)	-	-	5,019,095	5,019,095	-	-
Templeton TMA -Instit. (Divi.Daily)	-	-	722,876	722,876	-	-
UTI - Liquid Plus Fund Institutional Plan (Daily Dividend)	-	-	126,695	76,574	50,121	50,132
UTI - Short Term Fixed maturity Plan Series I - V 140 days (Div.)	-	-	2,000,000	-	2,000,000	20,000
UTI - Short Term Fixed maturity Plan Series I -VI Institutional (Div.)	-	-	2,000,000	2,000,000	-	-
UTI FIXED Income Interval fund - series II - Quarterly plan VII Institutional (Div.)	-	-	1,000,800	-	1,000,800	10,008
UTI Fixed Income Interval Fund -Quarterly Interval Plan Series -I -Inst.(Div.)	4,999,630	50,000	-	4,999,630	-	-
UTI Fixed Income Interval Fund -Quarterly Plan Series-III -Inst. (Div.)	2,999,870	30,000	-	2,999,870	-	-
UTI Fixed Income Interval Mthly Interval PI-II Insti. (Div.)	2,000,000	20,000	53,619	2,053,619	-	-
UTI Fixed Income Interval Mthly Interval Series-I Insti. (Div.)	2,000,000	20,000	-	2,000,000	-	-
UTI Fixed Maturity Pl. QFMP (0208/II) Institutiona (Div.)	-	-	2,000,000	2,000,000	-	-
UTI Fixed Maturity Plan HFMP 03/08 - I -Institutional (Growth)	-	-	4,000,000	4,000,000	-	-
UTI Fixed Maturity Plan -QFMP 05/08 - Institutional (Div.)	-	-	2,000,000	2,000,000	-	-
UTI Fixed Maturity Plan -QFMP 07/08 - Institutional (Div.)	-	-	1,000,000	1,000,000	-	-
UTI Fixed Maturity Plan Quarterly Series of QFMP 0308/1 -Institutionl (Div.)	-	-	2,000,000	2,000,000	-	-
UTI Fixed Maturity Plan -YFMP 04/08 - Institutional (Growth)	-	-	1,000,000	-	1,000,000	10,000
UTI Fixed Maturity Plan -YFMP 06/08 - (Div.)	-	-	4,000,000	3,996,962	3,038	30
UTI Liquid Cash Plan- Institutional- (Div.Daily)	58,540	59,679	343,649	402,189	-	-
UTI SHORT TERM FIXED MATURITY PLAN SERIES I - IX (90days) Inst.(Div.)	-	-	4,000,000	4,000,000	-	-
UTI SHORT TERM FIXED MATURITY PLAN SERIES I - VII (93days) Inst. (Div.)	-	-	2,000,000	2,000,000	-	-
UTI SHORT TERM FIXED MATURITY PLAN SERIES II - II (90days) Inst. (Div.)	-	-	2,000,000	-	2,000,000	20,000
<b>TOTAL</b>	<b>200,573,459</b>	<b>2,255,827</b>	<b>2,261,370,709</b>	<b>2,166,816,007</b>	<b>295,128,161</b>	<b>3,421,180</b>

**33. 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.

	Year ended December 31, 2008				Year ended December 31, 2007			
	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
<b>Total</b>	<b>209,744</b>	<b>63,931</b>	<b>6,573</b>	<b>139,240</b>	254,748	113,451	5,546	135,751
Out of the above, receivable:								
Not Later than 1 year	48,698	-	-	25,667	54,528	-	-	20,808
Later than 1 year and not later than 5 years	159,525	-	-	112,146	182,710	-	-	98,756
Later than 5 years	1,521	-	-	1,427	17,510	-	-	16,187

## ii) Asset given on operating lease:

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

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

	Year ended December 31, 2008 Rs. in thousand	Year ended December 31, 2007 Rs. in thousand
Opening Balance	48,746	48,529
Additions during the Year	597	217
Closing Balance	49,343	48,746

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.

	Year ended December 31, 2008 Rs. in thousand	Year ended December 31, 2007 Rs. in thousand
<b>35. Managerial Remuneration:</b>		
<b>a) Computation of Net Profit in accordance with Section 349 / 198 of the Companies Act, 1956 and calculation of commission payable to Non Whole-Time Directors</b>		
<b>Profit before Tax as per Profit and Loss Account</b>	<b>2,306,518</b>	2,356,143
<b>Add:</b>		
Depreciation as per Books of account	404,363	370,776
Provision for doubtful debts	15,834	91,130
Provision for diminution in value of Fixed assets/Capital Work in Progress	101,000	26,942
Commission to Non Whole Time Directors	2,250	-
Directors' Sitting Fees	805	593
Provision for contingencies	<u>597</u>	<u>217</u>
	<b>524,849</b>	489,658
<b>Less:</b>		
Depreciation under section 350 of the Companies Act, 1956	<u>404,363</u>	370,776
<b>Profit as per Section 349</b>	<b>2,427,004</b>	2,475,025
Add: Director's remuneration	<u>11,546</u>	<u>10,424</u>
<b>Profit as per Section 198</b>	<b>2,438,550</b>	2,485,449
Maximum Commission under Section 309 of the Companies Act, 1956 @1%	<b>24,386</b>	24,854
<b>Commission Payable to Non Whole Time Directors:</b> (Subject to the approval of Board of Directors and Shareholders)	<b>2,250</b>	-
<b>b) Remuneration Paid To Directors</b>		
i) Managing Director		
- Salary and Bonus	9,234	8,409
- Allowances	651	429
- Perquisites	656	490
- P.F. and Gratuity	<u>1,005</u>	<u>1,096</u>
	<b>11,546</b>	10,424
ii) Commission to Non Whole Time Directors	<b>2,250</b>	-
iii) Directors' Sitting Fees	<b>805</b>	593
<b>36. Payments to Auditors:</b>		
- Audit Fees	3,650	2,950
- Reimbursement of Expenses (Including Service Tax)	<u>651</u>	<u>593</u>
	<b>4,301</b>	3,543
<b>37. Value of Imports calculated on C.I.F. Basis:</b>		
Capital Goods	<b>16,942</b>	118,704
Spare parts	<u>15,918</u>	<u>48,926</u>
	<b>32,860</b>	167,630

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

	Year ended December 31, 2008		Year ended December 31, 2007	
	Percentage	Rs. in thousand	Percentage	Rs. in thousand
<b>(a) Raw Materials - Natural Gas</b>				
- Indigenous	100%	9,337,841	100%	8,296,229
<b>(b) Stores and spares</b>				
- Imported	6%	1,960	26%	13,594
- Indigenous	94%	29,265	74%	39,056
<b>TOTAL</b>	<b>100%</b>	<b>31,225</b>	<b>100%</b>	<b>52,650</b>

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

Natural Gas	Current Year		Previous Year	
	Qty (in LSCM)	Rs. in thousand	Qty (in LSCM)	Rs. in thousand
Purchased/Processed	10,946.20	9,337,841	11,320.71	8,296,229
Sales*	10,887.29	12,929,347	11,241.06	11,799,986

\* Excluding line loss and internal consumption of 58.91 LSCM (Previous year 79.65 LSCM)

**40. 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.

**41. Materials Consumed:**

	Units	Qty.	Rs.in thousand
Natural Gas	LSCM	10,946.20	9,337,841
	LSCM	(11,320.71)	(8,296,229)

Previous year figures are in brackets

**42. Expenditure in foreign currency:**

	Year ended December 31, 2008 Rs. in thousand	Year ended December 31, 2007 Rs. in thousand
(i) Travelling expenses	3,943	6,569
(ii) Subscription	62	152
(iii) Training	858	1,514
(iv) Reimbursement of Salary	11,987	13,965
(v) Legal & Professional	4,819	-

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

Particulars	Amount	No. of	No. of shares	Year ended
	(Rs. in thousand)	Non Resident Shareholders	(Refer Note 24)	
Final Dividend				
- Equity	125,268	1	41,755,875	December 31, 2007
	(104,390)	(1)	(41,755,875)	December 31, 2006
- Preference	10,800	1	14,400,000	December 31, 2007
	(6,746)	(1)	(14,400,000)	December 31, 2006

Previous year figures are in brackets

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

45. The provision for income tax has been calculated based on income earned during the year ended December 31, 2008 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, 2009 the ultimate liability for the Assessment Year 2009-10 will be determined based on the total income of the Company for the year ending March 31, 2009. The provision for wealth tax has been made based on the net wealth as on December 31, 2008. However the ultimate liability for the Assessment Year 2009-10 will be determined based on the net wealth as on March 31, 2009.
46. Disclosures required for Small Enterprises and Micro Enterprises for year ended December 31, 2008

Particulars	As at December 31, 2008		As at December 31, 2007	
	Principal Amount	Interest Amount	Principal Amount	Interest Amount
Unpaid Principal and Interest thereon as at December 31, 2008	3,385	Nil	7,279	Nil
Delayed payments due as at December 31, 2008	Nil	Nil	Nil	Nil
Interest paid on delayed payment during the year	Nil	Nil	Nil	Nil
Interest due on principal amounts paid beyond the due date during the year	Nil	Nil	Nil	Nil
Interest accrued but not due	Nil	Nil	Nil	Nil
Total Interest Due but not paid	Nil	Nil	Nil	Nil

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

47. Capital Work in Progress includes investment of Rs. 254,901 thousand (Previous Year Rs. 254,901 thousand) for setting up a City Gas Distribution (CGD) network in Valsad and Navsari district, Union Territories of Silvassa and Daman which has not yet commenced operations. The Company is exploring options of utilising this investment. However, considering the uncertainty involved in the utilisation of this network, the Company, based on engineering estimates, has made a provision of Rs. 101,000 thousand to bring the carrying value of the investment to its expected recoverable amount.
48. Previous year figures have been reclassified/regrouped wherever considered necessary to conform to the current year figures.



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

<b>I. REGISTRATION DETAILS</b>		
Registration No.	:	3623
State Code	:	04
Balance Sheet Date	:	31-12-2008
<b>II. CAPITAL RAISED DURING THE YEAR (Amount Rs. in thousand)</b>		
Public Issue	:	Nil
Rights Issue	:	Nil
Bonus Issue	:	Nil
Private Placement	:	Nil
<b>III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount Rs. in thousand)</b>		
Total Liabilities	:	11,314,764
Total Assets	:	11,314,764
<b>Sources of Funds</b>		
Paid-up Capital	:	272,250
Reserves and Surplus	:	6,709,629
Stock Options Outstanding Account	:	2,879
Secured Loans	:	Nil
Deferred Tax Liability	:	530,065
Unsecured Loans	:	Nil
Deposits	:	1,273,693
<b>Applications of Funds</b>		
Net Fixed Assets	:	6,058,993
Investments	:	3,456,199
Amount Recoverable from ESOP Trust	:	10,500
Net Current Assets	:	(741,735)
Miscellaneous Expenditure	:	4,559
Accumulated Losses	:	Nil
<b>IV. PERFORMANCE OF THE COMPANY (Amount Rs. in thousand)</b>		
Total Turnover	:	13,357,708
Total Expenditure	:	11,051,190
Profit Before Tax	:	2,306,518
Profit After Tax	:	1,588,118
Earnings Per Share (Rs.) (Annualized)	:	24.57
Dividend Rate (%)	:	150%
<b>V. GENERIC NAME OF PRINCIPAL PRODUCTS/ SERVICES OF THE COMPANY (As per monetary terms)</b>		
Item Code No. (ITC Code)	:	-
Product Description	:	PROCESSING, TRANSMISSION & DISTRIBUTION OF NATURAL GAS

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

<b>Name of the subsidiary</b>	<b>Gujaratgas Trading Company Ltd.</b>
1. The financial year of the Subsidiary Company ended on	31 <sup>st</sup> December 2008
2. (a) No. of Equity Shares held by Gujarat Gas Company Limited in the subsidiary as on 31 <sup>st</sup> December, 2008	9,000 Equity shares of Rs.100 each fully paid up. (Previous Year 9000)
(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 Ltd., and is not dealt with in the Company's accounts	
(a) Profit / (Loss) for the financial year ended on 31 <sup>st</sup> December, 2008 of the subsidiary.	Rs. 9,945 thousand (Previous Year Rs. (12,110) thousand)
(b) Profit / (Loss) for the previous financial years of the subsidiary since it became subsidiary of Gujarat Gas Company Limited.	Rs. 92,854 thousand (Previous Year Rs. 104,964 thousand)
4. Net Aggregate amount of Profit / (Loss) of the subsidiary so far as dealt with or provision is made for those Profit / (Loss) in Gujarat Gas Company Limited's accounts.	
(a) For the subsidiary's Financial year ended on 31 <sup>st</sup> December, 2008	Rs. Nil (Previous Year Rs. 54,000 thousand)
(b) For its previous financial years since it became the subsidiary of Gujarat Gas Company Ltd.	Rs. 137,500 thousand (Previous Year Rs. 137,500 thousand )

For and on behalf of the Board

Hasmukh Shah  
Chairman

Shaleen Sharma  
Managing Director

Place : Ahmedabad  
Date : February 26, 2009

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**

<b>Name of the subsidiary</b>	<b>Gujarat Gas Financial Services Ltd.</b>
1. The financial year of the Subsidiary Company ended on	31 <sup>st</sup> December 2008
2. (a) No. of Equity Shares held by Gujarat Gas Company Limited in the subsidiary as on 31 <sup>st</sup> December, 2008	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 Ltd., and is not dealt with in the Company's accounts	
(a) Profit for the financial year ended on 31 <sup>st</sup> December, 2008 of the subsidiary.	Rs.19,672 thousand (Previous Year Rs. 13,424 thousand)
(b) Profit for the previous financial years of the subsidiary since it became subsidiary of Gujarat Gas Company Limited.	Rs.77,142 thousand (Previous Year Rs. 63,718 thousand)
4. Net Aggregate amount of Profit/Losses of the subsidiary so far as dealt with or provision is made for those profits / losses in Gujarat Gas Company Limited's accounts	
(a) For the subsidiary's Financial year ended on 31 <sup>st</sup> December, 2008	Rs. 2,795 Thousand (Previous year Rs. 2,795 thousand)
(b) For its previous financial years since it became the subsidiary of Gujarat Gas Company Ltd.	Rs. 59,239 thousand (Previous Year Rs. 56,444 thousand)

For and on behalf of the Board

Hasmukh Shah  
Chairman

Shaleen Sharma  
Managing Director

Place : Ahmedabad  
Date : February 26, 2009

Jal Patel     Sugata Sircar     Rajeshwari Sharma  
Director     Finance Director     Company Secretary

**DIRECTORS' REPORT****Dear Shareholders,**

Your Directors are glad in presenting the 28<sup>th</sup> Annual Report together with the audited accounts for the year ended on 31 December 2008.

**FINANCIAL RESULTS**

Particulars	(Rs. in Lac)	
	Current year ended on 31.12.2008	Previous year ended on 31.12.2007
Total income	8,466.16	15,790.66
Profit before tax	116.45	(191.10)
Tax (Current)	17.00	(70.00)
Profit after tax	99.45	(121.10)
Add: Profit brought forward from previous year	661.90	783.00
Profit available for appropriation	761.35	661.90
Transfer to general reserve	-	-
Proposed dividend	-	-
Corporate dividend tax	-	-
Surplus retained	761.35	661.90

**DIVIDEND**

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

**OPERATIONS**

Your Company is engaged in the business of selling natural gas to select customers in the State of Gujarat. Your Company traded 124.92 million standard cubic meters (mmscm) of gas during the year under review as compared to 241.34 mmscm of gas in the previous year.

During the year ended 31 December 2008, GTCL achieved sales of Rs. 835.21 mn as against Rs. 1,562.47 mn during the previous year. Volumes during the year ended 31 December 2008 were lower compared to the previous year, leading to lower sales. This was on account of termination of gas purchase contract with Gujarat State Petroleum Corporation Limited and reduction in supplies from Cairn for the full year. Total income for the year ended 31 December 2008 was Rs. 846.62 mn including other income of Rs. 11.41 mn as against total income of Rs. 1,579.07 mn including other income of Rs. 16.60 mn in the previous year.

Profit before tax (PBT) was Rs. 11.65 mn during the year ended 31 December 2008 as against a Loss (PBT) of Rs. 19.11 mn in the previous year. The Company was making losses on one of its sales contracts in the previous year which has been discontinued in this year. The Company also received an amount of Rs 4.95 mn pertaining to interest income on income tax refunds received during the current 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, foreign exchange earnings and outgoings were nil.

**Particulars of Employees**

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

**Fixed Deposits**

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

**Directors' Responsibility Statement****Your directors hereby state**

- that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- that the directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as on 31 December 2008 and of the profit of the company for the year ended on that date;
- that the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- that the directors have prepared the annual accounts on a going concern basis.

**AUDITORS AND AUDITORS' REPORT**

Price Waterhouse, 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.

**DIRECTORS**

Prof. Pradip Khandwalla, an independent director on the Board of Directors of the holding company viz. Gujarat Gas Company Limited, is also a director of your Company in compliance with the provisions of the Corporate Governance Code of the Listing Agreement.

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 its customers, the Central and State Governments and its bankers.

Your directors are grateful to the promoter viz. Gujarat Gas Company Limited and BG Group for their valuable contribution

throughout the year and also thank the shareholders for their support to the Company.

**For and on behalf of the Board**

Shaleen Sharma  
Chairman

Date : 26 February 2009

Place : Ahmedabad



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

1. We have audited the attached Balance Sheet of GujaratGas Trading Company Limited, as at December 31, 2008, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act;
  - e) On the basis of written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on December 31, 2008 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, 2008;
    - ii) in case of the Profit and Loss Account, of the profit for the year ended on that date; and
    - iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Place : Chennai  
Date : February 26, 2009

**Kaushik Dutta**  
Membership No. F88540  
Partner  
For and on behalf of  
**Price Waterhouse**  
Chartered Accountants



### 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, 2008]

- i)
  - a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act.
  - b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act.
- ii) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase and sale of gas. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
- iii) In our opinion and according to the information and explanations given to us, there are no contracts or arrangements referred to in Section 301 of the Act which are required to be entered in the register required to be maintained under that section.
- iv) The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed thereunder.
- v) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- vi) The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the company.
- vii)
  - a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities.
  - b) According to the information and explanations given to us and the records of the company examined by us, there are no dues of income tax, sales tax, service tax, value added tax which have not been deposited on account of any dispute.
- viii) The Company has no accumulated losses as at December 31, 2008 and it has not incurred cash losses in the financial year ended on that date but had incurred any cash loss during the immediately preceding financial year.
- ix) According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
- x) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xi) The provisions of any special statute applicable to chit fund/ nidhi/ mutual benefit fund/ societies are not applicable to the Company.
- xii) In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
- xiii) In our opinion, and according to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
- xiv) The Company has not obtained any term loans.
- xv) On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
- xvi) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
- xvii) The Company has not issued any debentures during the year and there are no debentures outstanding as at the year end.
- xviii) The Company has not raised any money by public issues during the year.



- xix) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.
- xx) The other clauses (i) and (ii) of paragraph 4 of the Companies (Auditors' Report) Order 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 are not applicable in the case of the company for the current year, since in our opinion there is no matter which arises to be reported in the aforesaid order.

Place : Chennai  
Date : February 26, 2009

**Kaushik Dutta**  
Membership No. F88540  
Partner  
For and on behalf of  
**Price Waterhouse**  
Chartered Accountants

**BALANCE SHEET AS AT DECEMBER 31, 2008**

	Schedule	Rs. in thousand	As at 31-12-2008 Rs. in thousand	As at 31-12-2007 Rs. in thousand
<b><u>SOURCES OF FUNDS</u></b>				
<b>SHAREHOLDER'S FUNDS</b>				
Share Capital	1	900		900
Reserves and Surplus	2	102,785		92,840
			103,685	93,740
<b>TOTAL</b>			<b>103,685</b>	<b>93,740</b>
<b><u>APPLICATION OF FUNDS</u></b>				
<b>INVESTMENTS</b>				
	3		104,688	72,734
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>				
Sundry Debtors	4	62,831		9,436
Cash and Bank Balances	5	4,647		2,012
Loans and Advances	6	17,091		46,128
		84,569		57,576
<b>LESS: CURRENT LIABILITIES AND PROVISIONS</b>				
Current Liabilities	7	84,300		36,570
Provisions		1,272		-
		85,572		36,570
<b>NET CURRENT ASSETS</b>			<b>(1,003)</b>	<b>21,006</b>
<b>TOTAL</b>			<b>103,685</b>	<b>93,740</b>
<b>Significant Accounting Policies and Notes to Accounts</b>	10			

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

**Kaushik Dutta**  
Membership No. F88540  
Partner  
For and on behalf of  
**PRICE WATERHOUSE**  
**CHARTERED ACCOUNTANTS**

Shaleen Sharma  
*Chairman*

Sugata Sircar  
*Director*

Place : Chennai  
Date : February 26, 2009

Place : Ahmedabad  
Date : February 26, 2009

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2008**

	Schedule	Rs. in thousand	Year ended 31-12-2008 Rs. in thousand	Year ended 31-12-2007 Rs. in thousand
<b>INCOME:</b>				
Sale of Natural Gas (Traded) (Refer Note 4(i) and (ii) on Schedule 10)		835,209		1,562,473
Other Income	8	11,407	846,616	16,593
				1,579,066
<b>EXPENDITURE:</b>				
Purchases [Includes foreign exchange loss of Rs. 14,247 thousand (Previous year gain of Rs.13,491 thousand)]		833,963		1,570,746
Operating and Other Expenses	9	1,008	834,971	27,430
				1,598,176
<b>Profit/(Loss) before Taxes</b>			11,645	(19,110)
Tax Expense (Current) (Refer Note 6 on Schedule 10)			1,700	(7,000)
<b>Profit/(Loss) after Taxes</b>			9,945	(12,110)
Profit brought forward			66,190	78,300
<b>Profit available for Appropriations</b>			76,135	66,190
<b>APPROPRIATIONS:</b>				
Proposed Dividend			-	-
Corporate Dividend Tax			-	-
General Reserve			-	-
<b>Profit Carried Forward</b>			76,135	66,190
			76,135	66,190
<b>Basic/Diluted Earning per Share (Rs.)</b> (Refer Note 5 and 8 on Schedule 10)			1,105.00	(1,345.56)
<b>Significant Accounting Policies and Notes to Accounts</b>	10			

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

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

For and on behalf of the Board

**Kaushik Dutta**  
Membership No. F88540  
Partner

Shaleen Sharma  
*Chairman*

Sugata Sircar  
*Director*

For and on behalf of  
**PRICE WATERHOUSE**  
**CHARTERED ACCOUNTANTS**

Place : Chennai  
Date : February 26, 2009

Place : Ahmedabad  
Date : February 26, 2009



**CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2008**

	Year ended 31-12-2008 Rs. in thousand	Year ended 31-12-2007 Rs. in thousand
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit/(Loss) before Tax	11,645	(19,110)
<b>Adjustments for:</b>		
Profit on sale of investment (Net)	-	(102)
Liabilities no longer required written back	-	(15)
Dividend Income	(6,455)	(15,676)
Interest Income	(4,952)	(800)
<b>Operating Profit before working capital changes</b>	<b>238</b>	<b>(35,703)</b>
<b>Adjustments for changes in working capital</b>		
(Increase)/Decrease in Sundry Debtors	(53,395)	97,009
(Increase)/Decrease in Loan and Advances	1,200	7,588
Increase/(Decrease) in Current Liabilities	47,730	(59,797)
<b>Cash generated from operations</b>	<b>(4,227)</b>	<b>(528,903)</b>
Taxes paid (Net of refunds)	27,409	(1,838)
<b>Net Cash from Operating Activities</b>	<b>23,182</b>	<b>(530,741)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Investments	(155,954)	(1,140,349)
Sale of Investments	124,000	1,696,246
Interest received (Net of taxes)	4,952	800
Dividends received	6,455	15,676
<b>Net Cash from investing Activities</b>	<b>(20,547)</b>	<b>572,373</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividend Paid	-	(61,574)
<b>Net Cash from Financing Activities</b>	<b>-</b>	<b>(61,574)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>2,635</b>	<b>(19,942)</b>
<b>Cash and Cash Equivalents at the beginning of the year</b>	<b>2,012</b>	<b>21,954</b>
<b>Cash and Cash Equivalents at the end of the year</b>	<b>4,647</b>	<b>2,012</b>
<b>Cash and Cash Equivalents comprise</b>		
Balances with Scheduled Banks:		
- In Current Accounts	4,647	2,012
<b>Total Cash and Cash Equivalents as per Cash Flow statement</b>	<b>4,647</b>	<b>2,012</b>

**Notes to Cash Flow Statement:**

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

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

For and on behalf of the Board

**Kaushik Dutta**  
Membership No. F88540  
Partner  
For and on behalf of  
**PRICE WATERHOUSE**  
**CHARTERED ACCOUNTANTS**

Shaleen Sharma      Sugata Sircar  
*Chairman*              *Director*

Place : Chennai  
Date : February 26, 2009

Place : Ahmedabad  
Date : February 26, 2009



**SCHEDULES FORMING PART OF BALANCE SHEET**

	As at 31-12-2008 Rs. in thousand	As at 31-12-2007 Rs. in thousand
<b>SCHEDULE - 1</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
10,000 (Previous Year 10,000) Equity Shares of Rs.100/- each	1,000	1,000
<b>TOTAL</b>	<b>1,000</b>	<b>1,000</b>
<b>Issued, Subscribed and Paid up</b>		
9000 (Previous Year 9,000) Equity Shares of Rs.100/- each fully paid-up	900	900
[Of the above 9,000 (Previous Year 9,000) fully paid up shares are held by holding company Gujarat Gas Company Limited and its nominees, the ultimate holding company being BG Group plc.]		
<b>TOTAL</b>	<b>900</b>	<b>900</b>
<b>SCHEDULE - 2</b>		
<b>RESERVES AND SURPLUS</b>		
<b>GENERAL RESERVE</b>		
As per last Balance Sheet	26,650	26,650
<b>PROFIT AND LOSS ACCOUNT</b>		
	76,135	66,190
<b>TOTAL</b>	<b>102,785</b>	<b>92,840</b>
<b>SCHEDULE - 3</b>		
<b>INVESTMENTS</b>		
(Refer Note 2 and 12 on Schedule 10)		
<b>Current Investments:</b>		
(At cost or Fair value whichever is lower, determined categorywise)		
<b>Unquoted - other than trade</b>		
Units of Mutual Funds	104,688	72,734
<b>TOTAL</b>	<b>104,688</b>	<b>72,734</b>
<b>Aggregate cost of Unquoted Investments</b>		
	<b>104,688</b>	<b>72,734</b>
<b>SCHEDULE - 4</b>		
<b>SUNDRY DEBTORS</b>		
Unsecured - Considered Good		
Others	62,831	9,436
[Includes Rs. 62,831 thousand (Previous Year Rs. 9,436 thousand) due from Gujarat Gas Company Ltd, maximum balance due during the year Rs. 232,189 thousand (Previous Year Rs. 262,744 thousand)]		
<b>TOTAL</b>	<b>62,831</b>	<b>9,436</b>
<b>SCHEDULE - 5</b>		
<b>CASH AND BANK BALANCES</b>		
Balances with Scheduled Banks:		
- In Current Accounts	4,647	2,012
<b>TOTAL</b>	<b>4,647</b>	<b>2,012</b>



## SCHEDULES FORMING PART OF BALANCE SHEET

	Rs. in thousand	As at 31-12-2008 Rs. in thousand	As at 31-12-2007 Rs. in thousand
<b>SCHEDULE - 6</b>			
<b>LOANS AND ADVANCES</b>			
(Unsecured - considered good, unless otherwise stated)			
Balance due with Statutory Authorities		17,091	16,258
Advance payment of Tax and Tax deducted at source	-		221,382
Less: Provision for Taxation	-		191,512
		-	29,870
<b>TOTAL</b>		<b>17,091</b>	<b>46,128</b>
<b>SCHEDULE - 7</b>			
<b>CURRENT LIABILITIES AND PROVISIONS</b>			
<b>(A) CURRENT LIABILITIES</b>			
Sundry Creditors*		83,160	36,479
Other Liabilities		1,140	91
		<b>84,300</b>	<b>36,570</b>
<b>(B) PROVISIONS</b>			
Provision for Taxation	193,212		-
Less: Advance payment of Tax and Tax deducted at source	191,940		-
		1,272	-
		<b>1,272</b>	<b>-</b>
<b>TOTAL</b>		<b>85,572</b>	<b>36,570</b>

\* As per the information available with the management, there are no outstanding dues payable to micro and small enterprises.

## SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

	Rs. in thousand	Year ended 31-12-2008 Rs. in thousand	Year ended 31-12-2007 Rs. in thousand
<b>SCHEDULE - 8</b>			
<b>OTHER INCOME</b>			
Dividend from Mutual Funds (Current) (Refer Note 4(iii) on Schedule 10)		6,455	15,676
Interest from Customers (Refer Note 4(iv) on Schedule 10)		-	800
Interest on Income Tax refund		4,952	-
Profit on Sale of Current Investments	-		133
Less: Loss on Sale of Current Investments	-		(31)
		-	102
Liabilities no longer required Written Back		-	15
<b>TOTAL</b>		<b>11,407</b>	<b>16,593</b>
<b>SCHEDULE - 9</b>			
<b>OPERATING AND OTHER EXPENSES</b>			
Rates and Taxes		3	1
Legal, Professional and Consultancy		635	540
Transmission Charges		-	25,426
Miscellaneous Expenses		370	1,463
<b>TOTAL</b>		<b>1,008</b>	<b>27,430</b>

**SCHEDULE -10****SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS****Significant Accounting Policies:****1. Accounting Convention:**

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

**2. Investments:**

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

**3. Foreign currency transactions:**

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

**4. Revenue Recognition :**

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

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

The earnings considered in ascertaining the Company's EPS comprises the net profit after tax (and includes 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.

**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. Earnings per share:**

	Year ended 31-12-2008	Year ended 31-12-2007
Net Profit/(Loss) attributable to Shareholders (Rs. in thousand)	9,945	(12,110)
Weighted average number of equity shares outstanding during the years (No. in thousand)	9	9
Basic earnings per share of Rs. 100/- each (in Rs.)	1,105.00	(1,345.56)

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

**9. 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.

In view of the general clarification issued by the Institute of Chartered Accountants of India for companies operating in single segment, the disclosure requirements as per Accounting Standard 17 "Segment Reporting" are not applicable to the company.

**10. Payment to Auditors :**

	Year ended 31-12-2008 (Rs. in thousand)	Year ended 31-12-2007 (Rs. in thousand)
Audit fees	200	200
Reimbursement of Expenses (Including service tax)	24	43

**11. 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:

Name of the related party	Nature of Relationship	Nature of Transactions	Amount (Rs. in thousand)	
			Year ended 31-12-2008	Year ended 31-12-2007
Gujarat Gas Company Ltd.	Holding Company	<b>Expense :</b>		
		Service charges paid	300	1,200
		Gas Transmission Charges	-	22,767
		Reimbursement of Transmission charges	-	2,659
		Dividend Paid	-	54,000
		<b>Income :</b>		
		Sale of Natural Gas	835,209	1,076,327
British Gas Energy Holding Ltd.	Under Common Control	Interest received	-	792
		Share capital held	900	900
		Balance Receivable	62,831	9,436
		Commission on purchases	3,487	4,546
		Commission on corporate guarantee given to supplier	8,224	10,915
		Balance Payable	9,429	8,684

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

**12. Investments:**

	As at 31-12-2008 (Rs. in thousand)	As at 31-12-2007 (Rs. in thousand)
Current Investments (Unquoted):		
- Mutual Funds	104,688	72,734
Notes:		
1) Aggregate cost of unquoted investment	104,688	72,734
2) Movement in investment from 1st January, 2008 to 31 <sup>st</sup> December, 2008 is given below		



Scheme	No. of units at the beginning of the year	Opening Value (Rs. in thousand)	No. of Units Purchased	No. of Units sold	No. of Units in hands at the year end	Cost of units in hands at the year end at lower of cost or market value (Rs. in thousand)
HDFC Cash Management-Saving Fund	1,924,959	20,475	1,055,289	-	2,980,248	31,707
Reliance Liquidity Fund- (Div.Daily)	3,489,555	34,906	540,691	499,844	3,530,402	35,315
Birla Cash Plus Institutional Premium (Divi. Daily)	1,730,016	17,334	13,906,061	11,876,840	3,759,237	37,666
HDFC Quarterly Interval Fund - Plan C Retail (Div.)	1,918	19	-	1,918	-	-
<b>TOTAL</b>	<b>7,146,448</b>	<b>72,734</b>	<b>15,502,041</b>	<b>12,378,602</b>	<b>10,269,887</b>	<b>104,688</b>

**13. Purchases and Sales of traded goods:**

Product	Purchases		Sales	
	Qty. in LSCM	Rs. in thousand	Qty. in LSCM	Rs. in thousand
<b>Natural Gas</b>	<b>1,249.21</b> (2,413.41)	<b>833,963</b> (1,570,746)	<b>1,249.21</b> (2,413.41)	<b>835,209</b> (1,562,473)

Previous year figures are in brackets.

**14. Expenditure in Foreign Currency (Paid):**

	<b>Year ended 31-12-2008 Rs. in thousand</b>	Year ended 31-12-2007 Rs. in thousand
Commission	<b>10,966</b>	159,096

15. The provision for income tax has been calculated based on income earned during the year ended December 31, 2008 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, 2009, the ultimate liability for the Assessment Year 2009-10 will be determined on the total income of the company for the year ending March 31, 2009.

**16. Managerial Remuneration:**

	<b>Year ended 31-12-2008 Rs. in thousand</b>	Year ended 31-12-2007 Rs. in thousand
Directors' Sitting Fees	<b>63</b>	60

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



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

<b>I. REGISTRATION DETAILS</b>		
Registration No.	:	4091
State Code	:	04
Balance Sheet Date	:	31-12-2008
<b>II. CAPITAL RAISED DURING THE YEAR (Amount Rs. in thousand)</b>		
Public Issue	:	Nil
Rights Issue	:	Nil
Bonus Issue	:	Nil
Private Placement (Preferential Allotment)	:	Nil
<b>III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount Rs. in thousand)</b>		
Total Liabilities	:	189,257
Total Assets	:	189,257
<b>Sources of Funds</b>		
Paid-up Capital	:	900
Reserves and Surplus	:	102,785
Secured Loans	:	Nil
Unsecured Loans	:	Nil
Deposits	:	Nil
<b>Applications of Funds</b>		
Net Fixed Assets	:	Nil
Investments	:	104,688
Net Current Assets	:	(1,003)
Miscellaneous Expenditure	:	Nil
Accumulated Losses	:	Nil
<b>IV. PERFORMANCE OF THE COMPANY (Amount Rs. in thousand)</b>		
Total Turnover	:	846,616
Total Expenditure	:	834,971
Profit / ( Loss ) Before Tax	:	11,645
Profit / ( Loss ) After Tax	:	9,945
Earnings Per Share (Rs.) (Annualized)	:	1,005.00
Dividend Rate (%)	:	Nil
<b>V. GENERIC NAME OF PRINCIPAL PRODUCTS/ SERVICES OF THE COMPANY (As per monetary terms)</b>		
Item Code No. (ITC Code)	:	-
Product Description	:	TRADING IN NATURAL GAS



## DIRECTORS' REPORT

### Dear Shareholders

Your Directors have pleasure in presenting the fifteenth Directors' Report together with the audited annual accounts for the year ending on 31 December 2008.

### FINANCIAL PERFORMANCE

Particulars	(Rupees in thousand)	
	Calendar Year 2008	Calendar Year 2007
<b>Net Income</b>	<b>58,615</b>	53,075
Operating expenditure	(14,955)	(17,324)
<b>Profits before depreciation, interest, provision for NPA and tax</b>	<b>43,660</b>	35,751
<u>Less:</u>		
Depreciation	(75)	(101)
Interest	-	-
Profit before write-offs and NPAs	<b>43,585</b>	35,650
<b>Profit before Tax</b>	<b>43,585</b>	35,650
<u>Less:</u>		
Provision for Tax – current and deferred	(14,752)	(11,640)
<b>Profit after Tax</b>	<b>28,833</b>	24,010
Add: Surplus of earlier years	<b>31,260</b>	18,652
<b>Amount available for appropriations</b>	<b>60,093</b>	42,662
<b>Appropriations:</b>		
Transfer to General Reserve	<b>2,162</b>	1,801
Transfer to Reserve Fund (as stipulated by RBI)	<b>5,767</b>	4,802
Dividend	<b>4,000</b>	4,000
Dividend Distribution Tax	<b>680</b>	799
Surplus	<b>47,484</b>	31,260

During the year, the net income was Rs. 58.62 million as compared to Rs. 53.08 million last year. Increase in the income is on account of increase in number of gas connections and processing fees in 2008. The gas connections undertaken by your company have gone up from 25,011 in the previous year to 26,011 during the current year. The profit after tax was Rs. 28.83 million.

### DIVIDEND

In view of the overall performance and financial position of the Company, Directors are pleased to recommend payment of dividend at the rate of 20% i.e. Rs. 2 per share on fully paid equity shares of Rs. 10 each. The proposed dividend will involve total payout of Rs.4.68 million inclusive of dividend distribution tax of Rs. 0.68 million.

### APPROPRIATIONS

As stipulated by Reserve Bank of India (RBI), 20% of the pre-dividend profits i.e. Rs. 5.77 million (previous year Rs. 4.80 million) is being transferred to the Reserve Fund. Also, a sum of Rs. 2.16 million (previous year Rs.1.80 million) is proposed to be transferred to General Reserve.

### DISCUSSION ON OPERATIONS

#### Business

The Company had changed the mode of business from lease financing to sale of gas connections, from April 2007. This model is working effectively.

The Company installed 26,011 domestic and commercial natural gas connections as against 25,011 connections last year.

#### Investments

During the year, the Company maintained its investments in bank deposits. The total portfolio of investment in bank deposits was Rs. 128.90 million, as on 31 December 2008.

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

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





### RBI REGISTRATION

Your Company continues to be registered with Reserve Bank of India as a Non Banking Financial Company and categorized as a 'Non-Deposit Accepting Company'.

### PRUDENTIAL NORMS

Your Company has complied with accounting policies in respect of income recognition. Since the Company had been registered as Non-Banking Finance Company and categorized as a 'Non-Deposit Accepting Company', it is no longer required to comply with RBI guidelines related to public deposit mobilization like maintenance of Statutory Liquidity Ratio, Capital Adequacy Ratio and other reporting norms.

### AUDIT COMMITTEE

The Audit Committee comprised of non-executive directors of the Company. Mr. Shaleen Sharma is Chairman of the Audit Committee. The Committee met twice during the year 2008.

### FINANCE AND INSURANCE

- Your Company remains a zero debt company.
- As on December 31, 2008, the unclaimed amount of fixed deposit was Rs. 0.011 million of 4 depositors. The Company has been sending reminders to deposit holders regularly, informing them about the maturity of their deposits.
- During 2008, in terms of the provisions of Investor Education and Protection Fund (Awareness and Protection of Investor) Rules 2001, an aggregate amount of Rs. 0.17 million, of unpaid or unclaimed dividends, interest on deposits and fixed deposits, were transferred to the Investor Education and Protection Fund.
- The Company's office assets, stocks, risks are adequately insured.

### HUMAN RESOURCES

The number of employees as on 31 December 2008 was 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. 18.62 million. Information pursuant to Part II of Schedule VI of the Companies Act, 1956, has been given in the notes to the accounts.

- Pursuant to the Non-Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 1998, a report from the statutory auditors to the Board of Directors, has been received by the Company. This report has certified that the Company has complied with all the Directions and Prudential Norms as prescribed under the Reserve Bank of India Act. However the Company has not engaged in any hire purchase or leasing activity.

### DIRECTORS RESPONSIBILITY STATEMENT

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

1. In the preparation of the annual accounts for year 2008, the applicable accounting standards have been followed alongwith proper explanation relating to material departures.
2. The directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the calendar year and of the profit or loss of the Company for that period.
3. The directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 (as amended), for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. The directors had prepared the annual accounts on a going concern basis.

### AUDITORS REPORT

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

### AUDITORS

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

### DIRECTORS

Mr. 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 their sincere appreciation to all 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 and to the neighboring communities. Your directors express their appreciation of efforts put in by all employees of the

Company and also wish to thank government agencies including Reserve Bank of India for extending support to the Company's business.

**For & on behalf of the Board**

Shaleen Sharma  
Chairman

Place : Ahmedabad  
Dated : 24 February 2009



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

1. We have audited the attached Balance Sheet of Gujarat Gas Financial Services Limited, as at December 31, 2008, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we further give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
  - (e) On the basis of written representations received from the directors, and taken on record by the Board of Directors, none of the directors is disqualified as on December 31, 2008 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, 2008;
    - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date.
    - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Place : Gurgaon  
Date : February 24, 2009

**V. Nijhawan**  
Membership Number F-87228  
Partner  
For and on behalf of  
**Price Waterhouse**  
Chartered Accountants

**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, 2008]

- i) a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
- b) The fixed assets of the Company including those leased out are physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed.
- c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.
- ii) a) The inventory (excluding stocks with third parties) has been physically verified by the management during the year. In respect of inventory lying with third parties, these have been confirmed by them. In our opinion, the frequency of verification is reasonable.
- b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
- c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
- iii) a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act.
- b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act.
- iv) In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of 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) In our opinion and according to the information and explanations given to us, there are no contracts or arrangements referred to in Section 301 of the Act which are required to be entered in the register required to be maintained under that section.
- vi) The provisions of Section 58A of the Act are not applicable to the Company. However, the Company has accepted deposits from the public in earlier years, in respect of which the directives issued by Reserve Bank of India in terms of Non Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998, have been complied.
- vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- viii) The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the Products of the Company.
- ix) a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities.
- b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of sales tax, wealth tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute. The particulars of dues of income-tax as at December 31, 2008 which have not been deposited on account of a dispute are given in Note B2 on Schedule 17.
- x) The Company has no accumulated losses as at December 31, 2008 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
- xi) According to the records of the Company examined by us and the information and explanation given to us, the Company does not have any dues payable to any financial institution or bank or debenture holders as at the balance sheet date.
- xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.



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

Place : Gurgaon  
Date : February 24, 2009

**V. Nijhawan**  
Membership Number F-87228  
Partner  
For and on behalf of  
**Price Waterhouse**  
Chartered Accountants



The Board of Directors,  
Gujarat Gas Financial Services Limited  
Gujarat

Dear Sirs,

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

We have audited the annual accounts of Gujarat Gas Financial Services Limited for the year ended December 31, 2008. As required by the Non Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 1998, on the basis of such checks as we considered appropriate and as per information and explanation given to us we report that:

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

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

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

1. The Board of Directors of the Company has passed a resolution dated January 25, 2008 for the non-acceptance of any public deposits.
2. The Company has not accepted any public deposits during the year under our report.
3. The Company has complied with the prudential norms on income recognition, accounting standards, assets classification and provision for bad and doubtful debts, as specified in the directions issued by the Reserve Bank of India in the terms of the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.

**V. Nijhawan**  
Membership Number F-87228  
Partner  
For and on behalf of  
**Price Waterhouse**  
Chartered Accountants

Place : Gurgaon  
Date : February 24, 2009



**GUJARAT GAS FINANCIAL SERVICES LIMITED  
BALANCE SHEET AS AT DECEMBER 31, 2008**

	Schedule	Rs. in thousand	As at 31-12-2008 Rs. in thousand	As at 31-12-2007 Rs. in thousand
<b>SOURCES OF FUNDS</b>				
<b>Shareholders' Funds</b>				
Share Capital	1	20,000		20,000
Reserves and Surplus	2	126,813	146,813	102,660
			<b>146,813</b>	<b>122,660</b>
<b>APPLICATION OF FUNDS</b>				
<b>Fixed Assets</b>				
Gross block	3	578,630		578,630
Less : Depreciation		441,607		441,532
		137,023		137,098
Less : Lease Equalization		136,588		136,588
Net block			435	510
<b>Investments</b>	4		-	-
<b>Deferred Tax Asset</b> ( Refer Notes A9 & B12 on Schedule 17)			66,700	58,334
<b>Current Assets, Loans and Advances</b>				
Inventories	5	76,629		65,406
Sundry Debtors	6	248		-
Cash and Bank Balances	7	151,570		96,373
Other Current Assets	8	1,598		627
Loans and Advances	9	34,448		29,966
		<b>264,493</b>		<b>192,372</b>
<b>Less: Current Liabilities and Provisions</b>				
Current Liabilities	10	179,256		123,264
Provisions		5,559		5,292
		184,815		128,556
<b>Net Current Assets</b>			79,678	63,816
<b>Miscellaneous Expenditure</b> (To the extent not written off or adjusted)	11		-	-
Significant Accounting Policies and Notes to Accounts	17		<b>146,813</b>	<b>122,660</b>

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

**V. Nijhawan**  
**Membership No. F87228**  
Partner  
For and on behalf of  
**Price Waterhouse**  
Chartered Accountants

Place : Gurgaon  
Date : February 24, 2009

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

**Keshav Lal Gupta**  
Company Secretary

Place : Ahmedabad  
Date : February 24, 2009



**GUJARAT GAS FINANCIAL SERVICES LIMITED**  
**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2008**

	Schedule	Rs. in thousand	Year ended 31-12-2008 Rs. in thousand	Year ended 31-12-2007 Rs. in thousand
<b>INCOME</b>				
Sale of Gas Connection		176,538		149,410
Income from operations	12	152,222		127,131
Other Income	13	1,915		5,250
			<b>330,675</b>	<b>281,791</b>
<b>EXPENDITURE</b>				
Cost of Material Consumed		139,150		122,745
Installation Cost (Refer note B16 on Schedule 17)	14	132,910		105,971
Personnel Expenses	15	2,592		3,177
Administration and Other Expenses	16	12,363		13,677
Depreciation		75		101
Deferred Revenue Expenditure Written off		-		470
			<b>287,090</b>	<b>246,141</b>
<b>Profit before Taxes</b>			<b>43,585</b>	<b>35,650</b>
Tax Expense (Refer note A9, B7 & B12 on Schedule 17)				
Current Tax		23,103		14,140
Deferred Tax		(8,366)		(2,520)
Fringe Benefit Tax		15		20
			<b>14,752</b>	<b>11,640</b>
<b>Profit after Taxes</b>			<b>28,833</b>	<b>24,010</b>
Profit brought forward			<b>31,260</b>	<b>18,652</b>
Profit available for appropriation			<b>60,093</b>	<b>42,662</b>
<b>Appropriations</b>				
Proposed Dividend			4,000	4,000
Corporate Dividend Tax (Includes Rs. Nil (Previous Year Rs. 119 thousand) pertaining to earlier years)			680	799
Transferred to Special Reserve (As stipulated by RBI)			5,767	4,802
Transferred to General Reserve			2,162	1,801
Profit Carried Forward			<b>47,484</b>	<b>31,260</b>
			<b>60,093</b>	<b>42,662</b>
Basic / Diluted Earnings per Share (Rs.) (Refer note A8 & B9 on Schedule 17 )			<b>14.42</b>	<b>12.01</b>
Significant Accounting Policies and Notes to Accounts	17			

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

**V. Nijhawan**  
**Membership No. F87228**  
Partner  
For and on behalf of  
**Price Waterhouse**  
Chartered Accountants

Place : Gurgaon  
Date : February 24, 2009

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

**Keshav Lal Gupta**  
Company Secretary

Place : Ahmedabad  
Date : February 24, 2009



**CASHFLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2008**

	<b>Year ended 31-12-2008 Rs. in thousand</b>	Year ended 31-12-2007 Rs. in thousand
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before taxation	43,585	35,650
Adjustments for:		
Depreciation	75	101
Liabilities no longer required written back	(119)	(146)
(Profit)/Loss on sale of fixed assets(Net)	-	(3,466)
Provision for gratuity and leave encashment	264	264
Inventory written off	490	-
Unrealised Foreign exchange loss / (gain)	-	(46)
Deferred Revenue Expenditure written off	-	470
<b>Operating Profit Before Working Capital Changes</b>	<b>44,295</b>	<b>32,827</b>
<b>Adjustments for changes in working capital</b>		
(Increase)/Decrease In Sundry Debtors	(248)	201
(Increase)/Decrease In Loans And Advances	(5,295)	(3)
(Increase)/Decrease In Other Current Assets	(971)	143
(Increase)/Decrease In Lease Receivables	-	13
(Increase)/Decrease In Inventories	(11,713)	(13,884)
Increase/(Decrease) In Current Liabilities And Provisions	56,124	36,990
Provisions	2	-
<b>Cash generated from operations</b>	<b>82,194</b>	<b>56,287</b>
Interest earned on short term lending		
Taxes (Paid) / Received	(22,317)	(27,501)
Paid against demand for AY 2004-05		
<b>Net Cash from Operating Activities</b>	<b>59,877</b>	<b>28,786</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Proceeds from Sale of Fixed Assets	-	3,727
Net Cash from Investing Activities	-	3,727
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividend Paid including Tax on Dividend	(4,680)	(4,680)
Receipt of Short-term borrowings	-	-
Repayment of Short-term borrowings	-	-
Dividend Paid including Tax on Dividend	-	-
<b>Net Cash used in Financing Activities</b>	<b>(4,680)</b>	<b>(4,680)</b>
<b>NET INCREASE IN CASH &amp; CASH EQUIVALENTS</b>	<b>55,197</b>	<b>27,833</b>
<b>Cash &amp; Cash Equivalents at the beginning of the year</b>	<b>96,373</b>	<b>68,540</b>
<b>Cash &amp; Cash Equivalents at the end of the year</b>	<b>151,570</b>	<b>96,373</b>
<b>Closing Cash &amp; Cash Equivalents Comprise:</b>		
Cash in Hand	14	453
Balance with scheduled banks		
- In Current Accounts	22,465	13,063
- In Term Deposit	128,900	82,802
- In Dividend Accounts	191	55
<b>Total Cash &amp; Cash Equivalents as per cash flow statement</b>	<b>151,570</b>	<b>96,373</b>

**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 issued by the Institute of Chartered Accountants of India.
- b Term Deposit includes balance in Escrow account as stipulated by RBI Rs. 500 Thousands (Previous Year Rs. 500 thousands).
- c The balance with the bank for unpaid dividend is not available for use by the company and the money remaining unpaid will be deposited in Investor Protection and Education Fund after the expiry of seven years from the date of declaration of dividend.
- d Previous Year figures have been reclassified / regrouped wherever considered necessary to conform to the Current Year's figures.
- e Figures in bracket indicate Cash outflows.  
This is the Cash Flow referred to in our report of even date.

**V. Nijhawan**  
**Membership No. F87228**  
Partner  
For and on behalf of  
**Price Waterhouse**  
Chartered Accountants

Place : Gurgaon  
Date : February 24, 2009

**For and on behalf of the Board**

<b>Shaleen Sharma</b> Chairman	<b>Sugata Sircar</b> Director
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**Keshav Lal Gupta**  
Company Secretary

Place : Ahmedabad  
Date : February 24, 2009

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

	Rs. in thousand	As at 31-12-2008 Rs. in thousand	As at 31-12-2007 Rs. in thousand
<b>SCHEDULE-1</b>			
<b>SHARE CAPITAL</b>			
<b>A. Authorised</b>			
70,00,000 (Previous year 70,00,000) Equity Shares of Rs.10/- each	70,000		70,000
50,00,000 (Previous year 50,00,000) Preference Shares of Rs.10/- each	50,000		50,000
		120,000	120,000
<b>B. Issued, Subscribed and paid up</b>			
20,00,000 Equity Shares of Rs.10/- each fully paid up ( Previous year 20,00,000 Equity Shares of Rs.10/- each)		20,000	20,000
[Out of the above 13,97,500 Shares ( Previous year 13,97,500 Shares) of Rs.10/- each are held by holding Company - Gujarat Gas Company Limited, ultimate holding company being BG Group plc ]		20,000	20,000
<b>SCHEDULE-2</b>			
<b>RESERVES AND SURPLUS</b>			
<b>General Reserve</b>			
Opening Balance	3,416		1,601
Add : Transferred from Profit & Loss Account	2,162		1,801
Add: Adjustment for change in Accounting Policy (Refer Note B10 on Schedule 17)	-		14
		5,578	3,416
<b>Special Reserve (as required by RBI)</b>			
Opening Balance	67,984		63,182
Add : Transferred from Profit & Loss Account	5,767		4,802
		73,751	67,984
<b>Profit &amp; Loss Account</b>			
		47,484	31,260
		126,813	102,660



**SCHEDULE - 3  
FIXED ASSETS**

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

**Rs. in thousand**

PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK		
	As at 01.01.2008	Additions during the year	Sales/Adj. during the year	Balance as at 31.12.2008	As at 01.01.2008	Additions during the year	Sales/Adj. during the year	As at 31.12.2008	As at 31.12.2007
<b>A. Assets given on Lease (Standard Asset)</b>									
Plant & Machinery	575,875	-	-	575,875	439,287	-	-	136,588	136,588
<b>Total - (A)</b>	<b>575,875</b>	<b>-</b>	<b>-</b>	<b>575,875</b>	<b>439,287</b>	<b>-</b>	<b>-</b>	<b>136,588</b>	<b>136,588</b>
<b>B. Other Assets</b>									
Computer	1,083	-	-	1,083	1,083	-	-	-	-
Office Equipment & Elect. Install	673	-	-	673	367	28	-	278	306
Furniture & Fixture	973	-	-	973	774	44	-	155	199
Vehicle	26	-	-	26	21	3	-	2	5
<b>Total - (B)</b>	<b>2,755</b>	<b>-</b>	<b>-</b>	<b>2,755</b>	<b>2,245</b>	<b>75</b>	<b>-</b>	<b>435</b>	<b>510</b>
<b>Total -(A)+(B)</b>	<b>578,630</b>	<b>-</b>	<b>-</b>	<b>578,630</b>	<b>441,532</b>	<b>75</b>	<b>-</b>	<b>137,023</b>	<b>137,098</b>
Lease Equalisation	-	-	-	-	136,588	-	-	(136,588)	(136,588)
<b>Total</b>	<b>578,630</b>	<b>-</b>	<b>-</b>	<b>578,630</b>	<b>578,120</b>	<b>75</b>	<b>-</b>	<b>435</b>	<b>510</b>
Previous Year	593,760	-	15,130	578,630	592,888	101	14,869	510	578,120



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

	Rs. in thousand	As at 31-12-2008 Rs. in thousand	As at 31-12-2007 Rs. in thousand
<b>SCHEDULE -4</b>			
<b>INVESTMENTS</b> (Refer Note A4 and B4 on Schedule 17)			
<b>LONG TERM - OTHERS</b>			
Other than trade- Quoted shares			
11,600 equity shares of Rs. 10/- each fully paid up (previous year 11,600 equity shares of Rs. 10/- each)	116		116
Less: Provision for diminution in value of investment	116		116
		-	-
<b>SCHEDULE-5</b>			
<b>INVENTORIES</b> ( Refer Note A5 on Schedule 17 )			
Stores and pipe fittings ( at cost )		76,629	65,406
		76,629	65,406
<b>SCHEDULE-6</b>			
<b>SUNDRY DEBTORS</b> (Unsecured )			
Considered Good			
Other Debts	248		-
		248	-
Considered Doubtful			
Debts outstanding for a period exceeding six months	214		332
Less: Provision for Doubtful Debts	(214)		(332)
		-	-
		248	-
<b>SCHEDULE-7</b>			
<b>CASH AND BANK BALANCES</b>			
Cash in hand		14	453
Balances with Scheduled Banks			
In Current Accounts		22,465	13,063
In Term Deposit *		128,900	82,802
In Dividend Accounts		191	55
		151,570	96,373
* Includes Term Deposit in an Escrow account as stipulated by RBI Rs. 500 thousand (Previous Year Rs. 500 thousand)			
<b>SCHEDULE-8</b>			
<b>OTHER CURRENT ASSETS</b> (Unsecured, considered good, unless otherwise stated)			
Interest accrued on Term Deposits with Scheduled Bank		1,598	627
		1,598	627
<b>SCHEDULE-9</b>			
<b>LOANS AND ADVANCES</b> ( Unsecured, considered good, unless otherwise stated )			
Advances recoverable in cash or in kind or for Value to be received.		10,274	6,650
Advance payment of tax and tax deducted at source	181,566		157,605
Less: Taxation Provision	(157,392)		(134,289)
		24,174	23,316
		34,448	29,966



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

	Rs. in thousand	As at 31-12-2008 Rs. in thousand	As at 31-12-2007 Rs. in thousand
<b>SCHEDULE-10</b>			
<b>CURRENT LIABILITIES &amp; PROVISION</b>			
<b>A. Current Liabilities</b>			
Sundry Creditors			
- Dues to micro enterprises and small enterprises* (Refer Note B15 on Schedule 17)		-	2,198
- Other Creditors		62,866	47,487
Advances from Customers		108,640	67,041
Security Deposits		-	562
Payable to Retrenched Employees (Refer Note B1(c) on Schedule 17)		677	677
Investor Education and Protection Fund			
Unpaid Dividend		190	55
Unpaid Matured Deposits		22	34
Other liabilities		6,861	5,210
		<u>179,256</u>	<u>123,264</u>
<b>B. Provisions</b>			
Provision for:			
Proposed Dividend ( Includes Corporate Dividend Tax Rs. 680 thousand (Previous Year Rs.680 thousand ))		4,680	4,680
Provision for Gratuity (Refer Note B10 and B11 on Schedule 17)		538	360
Provision for Leave Encashment (Refer Note B10 on Schedule 17)		331	245
Provision for Fringe Benefit Tax	63		48
Less: Advance payment of Fringe Benefit Tax	<u>(53)</u>		<u>(41)</u>
		<u>10</u>	<u>7</u>
		<u>5,559</u>	<u>5,292</u>
* As per the information available with the management there are no outstanding dues payable to micro enterprises and small enterprises for more than 45 days.			
<b>SCHEDULE-11</b>			
<b>MISCELLANEOUS EXPENDITURE</b> ( Refer Note A 11 & B 8 on Schedule 17 )			
<b>Deferred Revenue Expenditure</b>			
Opening balance	-		470
Less :Written off during the year	-		<u>(470)</u>
		-	-
		-	-
		-	-



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

	Rs. in thousand	Year ended 31-12-2008 Rs. in thousand	Year ended 31-12-2007 Rs. in thousand
<b>SCHEDULE-12</b>			
<b>INCOME FROM OPERATIONS</b> ( Refer Note A 2 on Schedule 17 )			
Income from Processing Fees	16,064		12,007
Surplus From Lease Related Activities (Refer Note A2(b) & B3 on Schedule 17)	-	16,064	217
Installation Income		127,620	12,224
Interest on :			107,590
Term Deposits [Gross, Tax deducted at source Rs.1,668 thousand (Previous Year Rs.1,653 thousand)]	8,515		7,228
From Customers	23	8,538	89
		152,222	7,317
		<u>152,222</u>	<u>127,131</u>
<b>SCHEDULE-13</b>			
<b>OTHER INCOME</b>			
Excess Provision Written Back		119	146
Profit on sale of assets(Net)		-	3,466
Miscellaneous Income		1,796	1,638
		1,915	5,250
		<u>1,915</u>	<u>5,250</u>
<b>SCHEDULE-14</b>			
<b>Installation Cost</b>			
Labour Charges		49,785	36,281
Service Charges (Refer Note B3 on Schedule 17)		83,125	69,690
		132,910	105,971
		<u>132,910</u>	<u>105,971</u>
<b>SCHEDULE-15</b>			
<b>PERSONNEL EXPENSES</b>			
Salaries and Allowances		2,185	2,764
Contribution to Provident & Other Funds (Refer Note B10 and B11 on Schedule 17)		275	301
Staff Welfare and other expenses		132	112
		2,592	3,177
		<u>2,592</u>	<u>3,177</u>
<b>SCHEDULE-16</b>			
<b>ADMINISTRATION AND OTHER EXPENSES</b>			
Insurance		24	92
Rates and Taxes		3,988	7,594
Legal and Professional Charges		6,879	5,377
Inventory Written off		490	-
Foreign Exchange Loss		187	-
Miscellaneous Expenses		795	614
		12,363	13,677
		<u>12,363</u>	<u>13,677</u>



## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

### A. SIGNIFICANT ACCOUNTING POLICIES

#### 1. Accounting Convention

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

#### 2. Revenue Recognition

(a) Sale of gas connection is recognised at the time of commissioning of gas connection at customer's premises. Sales revenue is solely comprised of material recovery charges collected from customers. Installation charges are separately shown as service income.

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

(d) 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.

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

#### 3. Fixed Assets

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

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

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

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

#### 4. Investments

Securities classified as long term investments are valued at cost and permanent diminution thereof, if any, in value is appropriately adjusted.

#### 5. Inventories

Stores and Pipe Fittings are valued at cost arrived on First in First Out method after providing for obsolete inventories.

#### 6. Retirement Benefits

##### Post-employment benefit plans

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

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

##### Short term employment benefits

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

#### 7. Foreign Currency Transactions

Foreign currency transactions are accounted for at the exchange rate prevailing at the transaction date. Year end





monetary assets & liabilities in foreign currency are translated at the applicable year end exchange rates and the resultant difference is recognised as gain/loss for the year.

#### 8. Earnings Per Share (EPS)

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

#### 9. Taxation

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

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

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

#### 10. Impairment

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

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

#### 11. Miscellaneous Expenditure

Deferred Revenue Expenditure is amortised in equal installments over a period of 5 years from the year the same is incurred.

#### 12. 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. 87,250 Thousand (Previous Year Rs. 67,115 Thousand)

i. Includes income tax demand of Rs. 12,557 thousand (Previous Year Rs. 12,557 thousand) including interest on tax, relating to Assessment Years 1996-97 due to disallowance of depreciation claimed on leased assets. The total amount paid by company / adjusted by tax authorities on account of above demand aggregates to Rs. 12,557 thousand (Previous year Rs. 12,199 thousand). The Company has claimed depreciation on leased assets for other years (Assessment Year 1997-98 to Assessment Year 2000-01) for which Income tax demands amounts to Rs.4,929 thousand. The total tax exposure, net of interest on tax, on account of the above for all the years aggregates to Rs. 17,486 thousand (Previous year Rs. 17,486 thousand). The appeals for all the above years are pending with the ITAT.

The Assessing Officer has also raised a demand of Rs. 6,773 thousand (Previous Year Rs 6,773 thousand) for penalty under section 271(1)(c) for Assessment Year 1996-97. The penalty demand has been reduced by Rs. 4,144 thousand after adjusting the refund of various years. The Company has filed an appeal against the order with the ITAT.

ii. Includes Income Tax Demand of Rs. 5,462 thousand (Previous Year Rs. 5,462 thousand) for the Assessment Years 1996-97 on account of disallowance of loss on sale of securities as business loss. CIT (Appeals) has ruled in favour of the company and deleted the demand. However, the Income Tax Department has filed an appeal against the above order.

iii. Includes Income Tax Demand of Rs. 14,422 thousand (Previous Year Rs. 14,422 thousand) for the Assessment Year 2001-02 on account of disallowance of claim for bad debts. Total demand paid by the Company on account of above demand amounts to Rs 7,600 thousand (Previous Year Rs. 7,600 thousand) out of the above demand.

Further, the Company has also received a demand for penalty under section 271(1)(c) of the Income Tax Act 1961, amounting Rs. 10,007 thousand (Previous Year Rs 10,007 thousand). The Company had filed appeal against the



above demand and the CIT (A) has decided the matter in favour of the company. However, the Income Tax Department has filed an appeal against the same in ITAT.

- iv. Includes Income Tax Demand of Rs. 17,894 thousand (Previous Year Rs. 17,894 thousand) for the Assessment Years 2002-03, 2003-04 and 2004-05 on account of disallowance of claim for bad debts (Rs. 17,079 thousand) and professional expenses (Rs. 815 thousand). The total amount paid by company / adjusted by tax authorities towards above demand aggregates to Rs. 8,826 thousand (Previous year Rs. 8,826 thousand) for Assessment Year 2002-03 and Rs. 227 thousand (Previous Year Rs. 227 thousand) for Assessment Year 2004-05. The company preferred an appeal against the above demand and the CIT (A) has ruled in favour of the company for Assessment Year 2003-04 and has quashed the demand of Rs. 2,855 thousand (Rs. 2,855 thousand). The appeal for all the three years is pending with the ITAT.
- v. Includes income tax demand of Rs.20,135 thousand (Previous Year Rs Nil) for the Assessment Year 2006-07 on account of disallowance of service charges paid to Gujarat Gas Company Limited and inventory written off during the year. The company has preferred an appeal before the CIT (A) against the said order.
- b. Interest tax exposures of Rs. 4,146 thousand (Previous Year Rs. 4,146 thousand). The Interest Tax Authorities in the assessment contented that the activities of the Company are chargeable to interest tax and raised a total demand of Rs. 56,395 thousand 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 Assessment Year 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. However, the ITAT has ruled partly against the company and has asked the Assessing Officer to re-examine the levy. The Company has preferred an appeal before the High Court against the ITAT order.
- Further, the Assessing Officer has levied a penalty in Assessment Year 1999-2000 under section 13 of the Interest Tax Act 1974, amounting Rs. 1,982 thousand (Previous Year Rs 1,982 thousand). CIT (A) has ruled in favour of the Company and deleted the penalty demand. However, the Income tax department has preferred an appeal against the same with the ITAT.
- In view of the favorable legal advice obtained by the Company, no provision has been created for the above demands.
- c. The Company had retrenched 8 employees in the year 2002 under the provisions of The Industrial Disputes Act, 1949. The employees had filed an appeal against the above retrenchment in a labour court. The Company had reached a settlement with two of the above employees and had provided for Rs. 677 Thousand (Previous Year Rs. 677 thousand), being the compensation payable to the remaining employees under The Industrial Disputes Act, 1949. Any additional amount due to the employees will be determined based on decision by the labour court and hence amount payable ultimately cannot be ascertained at this stage.

2. **The statement of disputed dues is given below :**

Name of the statute	Nature of Dues	Amount (Rs. In Thousand)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Penalty U/S 271(1)(C)	3,018	A.Y. 1996-97	ITAT
	Income Tax & Interest thereon	6,822	A.Y. 2001-02	High Court
	Income Tax & Interest thereon	5,986	A.Y. 2002-03	High Court
Interest Tax Act, 1974	Interest Tax	2,896	A.Y. 1999-00	High Court

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 14 - Installation Cost.



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

	As at December 31, 2008			As at December 31, 2007		
	Face Value Rs.	Number	Rs. in thousand	Face Value Rs.	Number	Rs. in thousand
<b>SHARES-FULLY PAID UP</b>						
Quoted Equity Shares of Prudential Sugar Corporation Limited (formerly Prudential Mouli Sugars Limited) (Previous Year quoted equity Shares of Prudential Sugar Corporation Limited (formerly Prudential Mouli Sugars Limited))	10	11,600	116	10	11,600	116
<b>TOTAL</b>			<b>116</b>			<b>116</b>

## 5. Auditors' Remuneration:

	As at December 31, 2008 (Rs. In thousand)	As at December 31, 2007 (Rs. in thousand)
Audit Fees	350	400
Out of Pocket expenses (including service tax)	63	67
	<b>413</b>	<b>467</b>

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

	As at December 31, 2008 (Rs. In thousand)	As at December 31, 2007 (Rs. in thousand)
Spares	18,625	19,981

7. The provision for income tax has been calculated based on income earned during the year ended December 31, 2008 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, 2009, the ultimate liability for the Assessment Year 2009-10 will be determined on the total income of the company for the year ending March 31, 2009.

8. Deferred Revenue Expenditure represents expenditure incurred for compensation paid to employees pursuant to a Voluntary Retirement Scheme introduced by the Company.

## 9. Earnings Per Share (EPS):

Particulars	As at December 31, 2008 (Rs. In thousand)	As at December 31, 2007 (Rs. in thousand)
Net Profit attributable to Shareholders (Rs. In Thousands)	28,833	24,010
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.)	14.42	12.01

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. The company had adopted Accounting Standard 15 "Employee Benefits "(Revised 2005) issued by the Institute of Chartered Accountants of India with effect from January 1, 2007. Consequent upon its adoption, in accordance with the transitional provisions contained in the Accounting Standard, the net difference of Rs. 14 thousand (after adjustment for deferred tax of Rs. 7 thousand) between the liability in respect of Gratuity and other employee benefits existing on the date of adoption and the liability that would have been recognised at the same date under the previous Accounting Standard, had been adjusted against the opening balance of General Reserve.



## 11. Disclosures as per AS - 15(Revised) 'Employee Benefits' for year ended December 31, 2008:

## (i) Disclosures for Defined Benefit Plans

	(Rs. in thousand)	
	Year ended December 31, 2008	Year ended December 31, 2007
<b>Gratuity (Funded)</b>		
<b><u>Change in the defined benefit obligations</u></b>		
Defined benefit obligation at beginning of the year	361	498
Service cost	37	29
Interest cost	27	41
Actuarial loss/(gain)	114	86
Benefits paid	-	(294)
<b>Defined benefit obligation at the end of the year</b>	<b>539</b>	<b>360</b>
<b><u>Change in plan assets</u></b>	<b>N.A.</b>	<b>N.A.</b>
<b>Present value of unfunded obligations</b>	<b>539</b>	<b>360</b>
<b>The Net amount recognized in the statement of Profit &amp; Loss for year ended December 31, 2008 is as follows</b>		
Current Service cost	37	29
Interest cost	27	41
Expected return on plan assets	-	-
Net actuarial loss/(gain) recognised	114	86
<b>Net amount recognised during the year</b>	<b>178</b>	<b>156</b>
<b>The principal actuarial assumptions used as at December 31, 2008 are as follows</b>		
Discount rate	7.50%	8.15%
Expected rate of return on Plan assets	-	-
Rate of increase in compensation levels (Refer Note )	7.00%	7.00%
(ii) <b>Disclosures for Defined Contribution Plans</b>		
Employer's contribution towards Provident Fund	97	118
	<b>97</b>	<b>118</b>

## 12. Deferred Tax

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

	Amount in Rs. Thousand	
	Year ended December 31, 2008	Year ended December 31, 2007
<b>Opening Balance</b>	58,334	55,821
Provision for current year deferred tax asset	8,366	2,520
Adjustment on account of change in accounting policy	-	(7)
<b>Closing Balance</b>	<b>66,700</b>	<b>58,334</b>

(B) Break up of deferred tax assets

<b>Deferred Tax Assets:</b>		
Tax impact of difference between carrying amount of fixed assets in the financial statements and the income tax return	67,068	57,929
Tax impact of expenses charged in the financial statements but allowable as deductions in future years under income tax:		
Provision for doubtful debts	73	113
Expenditure under section 43B of the Income Tax Act	295	292
	<b>66,700</b>	<b>58,334</b>

**13. 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.

**14. Related Party disclosures under Accounting Standard 18:**

The following transaction were carried out during the year in ordinary course of business.

Name of Related Party	Nature of Relationship	Nature of Transaction	Amount (Rs. In Thousand)	
			Year ended December 31, 2008	Year ended December 31, 2007
Gujarat Gas Company Limited	Holding Company	Service Charges for domestic connection	83,125	79,423
		Dividend Paid	2,795	2,795
		Amount payable at year end	22,151	21,235
		Equity Share Capital held	13,975	13,975

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

**15. Disclosures required for Small and Micro Enterprises for year ended December 31, 2008**

Particulars	Amount (Rs. In Thousand)			
	As at December 31, 2008		As at December 31, 2007	
	Principal Amount	Interest Amount	Principal Amount	Interest Amount
Unpaid Principal and Interest thereon at end of the year	Nil	Nil	2,198	Nil
Delayed payments due at end of the year	Nil	Nil	Nil	Nil
Interest paid on delay payment during the year	Nil	Nil	Nil	Nil
Interest due on principal amounts paid beyond the due date during the year	Nil	Nil	Nil	Nil
Interest accrued but not due	Nil	Nil	Nil	Nil
Total Interest Due but not paid	Nil	Nil	Nil	Nil

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

**16. Details of each class of goods traded as at December 31, 2008**

	As at December 31, 2008			As at December 31, 2007		
	Amount (Rs. In Thousand)			Amount (Rs. In Thousand)		
	Qty. (Nos.)	Amount	Total	Qty. (Nos.)	Amount	Total
<b>Opening Stock</b>						
Meters	6,701	10,514		2,014	2,865	
(Refer Note 2 below)	4,362	6,145		5,506	8,770	
Others (Refer Note 2 below)	-	48,747	65,406	-	34,721	46,356
<b>Purchases</b>						
Meters	31,542	36,160		26,431	29,416	
Regulators	23,248	23,435		11,362	15,427	
Others (Refer Note 2 below)	-	90,778	150,373	-	96,952	141,795
<b>Sales</b>						
Meters	33,068	-		21,744	-	
Regulators	21,718	-		12,506	-	
Others (Refer Note 2 below)	-		139,150	-	-	122,745
<b>Closing Stock</b>						
Meters	5,175	12,619		6,701	10,514	
Regulators	5,892	6,465		4,362	6,145	
Others (Refer Note 2 below)	-	57,545	76,629	-	48,747	65,406

Notes:

1. Company was primarily engaged in leasing business. From April 1, 2007 the company has stopped leasing business and started selling gas connections. Hence comparative figures for previous year figures are for nine months.
2. Others includes spares and support items for meters and regulators.



17. Information required in terms of Paragraph 13 of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007:

Particulars	(Rs. In thousand) Year Ended December 31, 2008		(Rs. In thousand) Year Ended December 31, 2007	
	Amount outstanding	Amount outstanding	Amount overdue	Amount overdue
<b>Liabilities side :</b>				
(1) Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid:				
(a) Debentures				
Secured	Nil	Nil	Nil	Nil
Unsecured (other than falling within the meaning of public deposits*)	Nil	Nil	Nil	Nil
(b) Deferred Credits	Nil	Nil	Nil	Nil
(c) Term Loans	Nil	Nil	Nil	Nil
(d) Inter-corporate loans and borrowing	Nil	Nil	Nil	Nil
(e) Commercial Paper	Nil	Nil	Nil	Nil
(f) Other Loans (specify nature)	Nil	Nil	Nil	Nil
* Please see Note (a) below				
(2) Break-up of Loans and Advances including bills receivables [other than those included in (4) below] :				
(a) Secured	Nil		Nil	
(b) Unsecured	11,872		7,277	
(3) Break up of Leased Assets and stock on hire and hypothecation loans counting towards EL/HP activities				
(i) Lease assets including lease rentals under sundry debtors :				
(a) Financial lease	214		332	
(b) Operating lease	Nil		Nil	
(ii) Stock on hire including hire charges under sundry debtors:				
(a) Assets on hire	Nil		Nil	
(b) Repossessed Assets	Nil		Nil	
(iii) Hypothecation loans counting towards EL/HP activities				
(a) Loans where assets have been repossessed	Nil		Nil	
(b) Loans other than (a) above	Nil		Nil	



	(Rs. In thousand) Year ended December 31, 2008	(Rs. In thousand) Year ended December 31, 2007
	Amount Outstanding	Amount Outstanding
<b>Liabilities side :</b>		
(4) Break-up of Investments :		
Current Investments :	N.A.	N.A.
1 Quoted :		
(i) Shares :		
(a) Equity		
(b) Preference		
(ii) Debentures and Bonds		
(iii) Units of mutual funds		
(iv) Government Securities		
(v) Others (please specify)		
2 Unquoted :		
(i) Shares :		
(a) Equity		
(b) Preference		
(ii) Debentures and Bonds		
(iii) Units of mutual funds		
(iv) Government Securities		
(v) Others (please specify)		
Long Term investments :		
1 Quoted :		
(i) Shares :		
(a) Equity	116	116
(b) Preference	Nil	Nil
(ii) Debentures and Bonds	Nil	Nil
(iii) Units of mutual funds	Nil	Nil
(iv) Government Securities	Nil	Nil
(v) Others (please specify)	Nil	Nil
2 Unquoted :		
(i) Shares :		
(a) Equity	Nil	Nil
(b) Preference	Nil	Nil
(ii) Debentures and Bonds	Nil	Nil
(iii) Units of mutual funds	Nil	Nil
(iv) Government Securities	Nil	Nil
(v) Others (please specify)	Nil	Nil



- (5) Borrower group-wise classification of all leased assets, stock-on-hire and loans and advances:  
Please see Note (b) below

(Rs. In thousand)

Category	Year Ended December 31, 2008			Year Ended December 31, 2007		
	Amount net of provisions			Amount net of provisions		
	Secured	Unsecured	Total	Secured	Unsecured	Total
1 Related Parties **						
(a) Subsidiaries	-	-	-	-	-	-
(b) Companies in the same group	-	-	-	-	-	-
(c) Other related parties	-	-	-	-	-	-
2 Other than related parties	-	12,086	12,086	-	7,609	7,609
Total	-	12,086	12,086	-	7,609	7,609

- (6) Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted):

Please see note (c) below

Category	Year Ended December 31, 2008		Year Ended December 31, 2007	
	Market Value / Break up or fair value or NAV	Book Value (Net of Provisions	Market Value / Break up or fair value or NAV	Book Value (Net of Provisions
1 Related Parties **				
(a) Subsidiaries	Nil	Nil	Nil	Nil
(b) Companies in the same group	Nil	Nil	Nil	Nil
(c) Other related parties	Nil	Nil	Nil	Nil
2 Other than related parties	Nil	-	Nil	-
Total	Nil	-	Nil	-

\*\* As per Accounting Standard of ICAI [Please see Note( c)]

	(Rs. In thousand) Year Ended December 31, 2008	(Rs. In thousand) Year Ended December 31, 2007
--	------------------------------------------------------	------------------------------------------------------

- (7) Other information

Particulars	Amount	Amount
(i) Gross Non-Performing Assets		
(a) Related parties	Nil	Nil
(b) Other than related parties	214	332
(ii) Net Non-Performing Assets		
(a) Related parties	Nil	Nil
(b) Other than related parties	-	-
(iii) Assets acquired in satisfaction of debt	Nil	Nil

Notes:

- As defined in Paragraph 2(1)(xii) of the Non-Banking Financial Companies Acceptance of Public Deposit (Reserve Bank) Directions, 1998.
- Provisioning norms shall be applicable as prescribed in the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.
- All Accounting Standards and Guidance Notes issued by ICAI are applicable including for valuation of investments and other assets as also assets acquired in satisfaction of debt. However, market value in respect of quoted investments and break up/fair value/NAV in respect of unquoted investments should be disclosed irrespective of whether they are classified as long-term or current in column (4) above.

18. Previous year's figure have been regrouped, where necessary, to conform to current year's classification.





Information pursuant to part (IV) of the Companies Act, 1956  
**BALANCE SHEET ABSTRACT AND COMPANY'S  
GENERAL BUSINESS PROFILE**

<b>I. REGISTRATION DETAILS</b>	:	
Registration No.	:	21778 of 1994
State Code	:	04
Balance Sheet Date	:	31-12-2008
<b>II. CAPITAL RAISED DURING THE YEAR</b>	:	
(Amount Rs. in thousands)		
Public Issue	:	Nil
Rights Issue	:	Nil
Bonus Issue	:	Nil
Private Placement	:	Nil
<b>III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS</b>	:	
(Amount Rs. in thousands)		
Total Liabilities	:	331,628
Total Assets	:	331,628
Sources of Funds	:	
Paid-up Capital	:	20,000
Reserves and Surplus	:	126,813
Secured Loans	:	Nil
Unsecured Loans	:	Nil
Deferred Tax Liability	:	Nil
<b>Applications of Funds</b>	:	
Net Fixed Assets	:	435
Investments	:	Nil
Net Current Assets	:	79,678
Miscellaneous ExpenditureAccumulated Losses	:	Nil
Deferred Tax Assets	:	66,700
<b>IV. PERFORMANCE OF THE COMPANY</b>	:	
(Amount Rs. in thousands)	:	
Total Income	:	330,675
Total Expenditure	:	287,090
Profit Before Tax	:	43,585
Profit After Tax	:	28,833
Earnings Per Share (Rs.)	:	14.42
Dividend Rate (%)	:	20%
<b>V. GENERIC NAME OF PRINCIPAL PRODUCTS/ SERVICES OF THE COMPANY (As per monetary terms)</b>	:	
Item Code No. ( ITC Code )	:	-
Product Description	:	Lease Financing, Hire Purchase & Investments and sale of Gas Connections



**GUJARAT GAS**

Registered Office: 2, Shantisadan Society, Near Parimal Garden, Ellisbridge, Ahmedabad – 380 006

**Electronic Clearing Service (Credit Clearing)**

**Option Invitation Letter**

Gujarat Gas Company Limited is offering Electronic Clearing Service (ECS) at the following centres and ECS centres offered by other banks on their availability through dividend banker.

**Reserve Bank of India**

Ahmedabad	Bangalore	Bhubaneshwar	Chandigarh	Chennai
Guwahati	Hyderabad	Jaipur	Kanpur	Kolkata
Mumbai	Nagpur	New Delhi	Patna	Thiruvananthapuram

ECS operates as under:

1. Shareholders holding shares in physical mode may avail the facility by filling in the mandate form given overleaf. The information supplied should be accurate and complete in all respects. Shareholders who had already submitted the ECS form earlier should re-submit the form if there are any changes.  
In case of shareholders holding shares in dematerialized mode, the ECS details in the data made available by National Securities Depository Limited and Central Depository Services (India) Limited would be used for making dividend payment through ECS. Shareholders are requested to ensure that these details are upto date.
2. GGCL would instruct its Dividend Banker to credit your account with the amount of dividend payable to you. Your account would get a credit with marking 'GGCL Dividend' for the amount of dividend. The shareholders would be intimated of credit instructions in due course of time.
3. This is an alternative mode of payment and is optional.
4. Shareholders not residing in the above-mentioned cities may avail the facility of bank mandate. Shareholders may write to the company at the registered office for obtaining the bank mandate form. The bank mandate form is also available at the company's website viz. [www.gujaratgas.com](http://www.gujaratgas.com)
5. The ECS form / bank mandate form should reach the registered office of the company latest by 15 April 2008.

To,  
The Company Secretary,  
Gujarat Gas Company Limited  
2, Shantisadan Society,  
Near Parimal Garden,  
Ellisbridge,  
Ahmedabad 380006

**Electronic Clearing Service (Credit Clearing)**

**Mandate Form**

**Dividend Payment**

1)	Shareholder's Name	
2)	Registered Folio No.	
3)	Particulars of Bank account	
	A Name of the Bank	
	B Name of the branch and address Telephone No.	
	C 9-Digit code number of the bank and branch appearing on the MICR cheque issued by the bank	
	D Type of the account (S.B., Current or Cash Credit) with code (10/11/13)	
	E Ledger and Ledger folio number	
	F Account number (as appearing on the cheque book)	
In lieu of the bank certificate to be obtained as under, please attach a blank cancelled cheque or photocopy of a cheque or front page of your saving bank pass book issued by your bank, for verification of the above particulars.		
I hereby declare that the particulars given above are correct and complete. If the transaction is delayed or not effected at all for reason of incomplete or incorrect information, I would not hold Gujarat Gas Company Limited responsible. I have read the option invitation letter and agree to discharge the responsibility expected of me as a participant under the scheme.		

Date:

.....  
Signature of the Shareholder

Certified that the particulars furnished above are correct as per our records.  
Bank's Stamp

Date:

.....  
Signature of the authorised  
official of the bank



**GUJARAT GAS**

Registered Office: 2, Shantisadan Society, Near Parimal Garden, Ellisbridge, Ahmedabad – 380 006

**FORM OF PROXY**



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 TWENTY NINTH ANNUAL GENERAL MEETING of the Company to be held on Thursday,  
30 April 2009 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 ....., 2009.

DP ID & Client ID / Membership Folio No./ .....

No. of Shares held.....

Fifteen Paise  
Revenue  
Stamp

**IMPORTANT**

- (a) Revenue Stamp of Fifteen paise is to be affixed on this form.
- (b) The Form should be signed across the stamp as per specimen signature registered with the Company.
- (c) 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.
- (d) A Proxy need not be a Member.



**GUJARAT GAS**

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 TWENTY NINTH ANNUAL GENERAL MEETING of the Company at H.T. Parekh Convention Centre, Ahmedabad Management Association, ATIRA, Dr. Vikram Sarabhai Marg, Vastrapur, Ahmedabad – 380 015 on Thursday, 30th April, 2009.

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

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

