



GUJARAT GAS

BOARD OF DIRECTORS

Hasmukh Shah, *Chairman*
Derek Alan Fisher
Rajeev Khanna
Prof. Pradip Khandwalla
Jal Patel
Ajit Kapadia
Bikash C. Bora
Shaleen Sharma, *Managing Director*
Rajeshwari Sharma, *Company Secretary*

GROUP HEADS

David Brooks, *Director – Technical*
Himanshu K. Upadhyay, *Director – Policy and Corporate Affairs*
L. Balasundaram, *Director – Human Resources & Administration*
Priyaranjan Sekhon, *Legal Counsel*
Rahul Bhatia, *Director – Commercial*
Sadhan Banerjee, *Director – Management Services*
Sugata Sircar, *Director – Finance*
Nakul Raheja, *General Manager – Regulations & New Business Development*
Nitin Mehta, *General Manager – HSSE*
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, 7th & 8th Floor, Tower B,
DLF Cyber City, Gurgaon – 122 022
Haryana

CORPORATE OFFICE

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

OFFICES

SURAT

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

CNG Office (Surat)

CNG Office, 3rd Floor, Swastik House,
Kargil Chowk, Piplod, Surat - 395007

ANKLESHWAR

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

BHARUCH

Anand Mangal Society,
Son Talavadi, Bharuch - 392001

VAPI

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

30th Annual General Meeting

Date : 22 April 2010
Day : Thursday
Time : 10.00 a.m.
Venue: H. T. Parekh Convention Centre
Ahmedabad Management Association
ATIRA, Dr. Vikram Sarabhai Marg
Vastrapur, Ahmedabad – 380 015

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NOTICE

NOTICE is hereby given that the Thirtieth Annual General Meeting of the Members of Gujarat Gas Company Limited will be held on Thursday, 22 April 2010 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 2009, the Balance Sheet as that date and the Auditors' Report thereon.
2. To declare dividend on preference shares.
3. To declare dividend on equity shares.
4. To appoint a Director in place of Mr. Hasmukh Shah, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. Ajit Kapadia, 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 a Special Resolution:

"RESOLVED THAT the Chairman and Independent Directors of the Company, be paid commission for the financial year 2009, as set out in the Explanatory Statement annexed to this Notice convening the Thirtieth 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 : 15 March 2010
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 2009.
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 Thirtieth Annual General Meeting.
5. Dividend for the financial year ended 31 December 2002, 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 31st December 2002, 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 2002, it will not be possible to entertain the claims received by the Company Secretary after 18 June 2010. 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. Nomination form may be downloaded from the Company's website www.gujaratgas.com under the investors section.
8. Pursuant to SEBI circular, the shareholders holding shares in physical form are requested to submit the notarised copy of the PAN in compliance of the KYC norms.

EXPLANATORY STATEMENT

Annexed to the Notice convening the Thirtieth Annual General Meeting to be held on Thursday, 22 April 2010.

ITEM NO. 4

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

Brief resume and nature of expertise

Mr. Hasmukh Shah is holding the office of the Chairman of the Company since 1999. Earlier, Mr. Shah was Chairman &

Managing Director, Indian Petrochemicals Corporation Ltd (IPCL); Joint Secretary to the Prime Minister; Secretary, Posts & Telegraph Board; Founder Chairman, Gujarat Institute of Desert Ecology; Chairman, Gujarat Industrial Investment Corporation (GIIC); Chairman, National Institute of Design for 11 years; Vice Chairman, GE Capital (India); Advisor, General Electric Co.; Chairman, Gujarat Industrial Research & Development Agency (GIRDA); Chairman, Vikram A. Sarabhai Community Science Centre; Member, Board of Governors of IIT (Mumbai); Chairman, Gujarat Ecology Commission; Jt. Director, Bureau of Public Enterprise, Govt. of India; headed several government committees.

Mr. Shah does not hold any shares and beneficial interest in any shares of your Company. Apart from Gujarat Gas Company Limited, Mr. Shah holds directorship and Membership of the following companies/ committees:

Directorships

Sr. No.	Name of the Company	Designation
1	Shaily Engineering Plastics Limited	Chairman
2	Supreme Petrochem Limited	Director
3	Micro Inks Limited	Director
4	Sun Pharmaceuticals Industries Limited	Director
5	Atul Limited	Director
6	Deepak Nitrite Limited	Director
7	Cosmo Films Limited	Director
8	Dinesh Remedies Limited	Director
9	Mahindra Gujarat Tractor Limited	Chairman
10	Flexican Bellows & Hoses Private Limited	Director

Membership of Committees

Sr. No.	Name of the Company	Committee	Designation
1	Supreme Petrochem Limited	Remuneration Committee	Chairman
2	Micro Inks Limited	Audit Committee Shareholders' Grievance Committee	Chairman Chairman
3	Sun Pharmaceuticals Industries Limited	Audit Committee Shareholders' Grievance Committee	Member Chairman
4	Atul Limited	Remuneration Committee	Chairman
5	Cosmo Films Limited	Remuneration Committee	Member
6	Dinesh Remedies Limited	Audit Committee	Member

Your directors recommend re-appointment of Mr. Hasmukh Shah as a director.

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

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

ITEM NO. 5

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

Brief resume and nature of expertise

Mr. Ajit Kapadia, after completing B.Sc. (Hons.) from Bombay University in 1960, proceeded to the U.S.A. and joined the University of Louisville, KY and completed M. Che. (Chemical Engineering) in 1963. Immediately, he joined Girdler Corporation in Louisville as a Process Engineer. During the four year tenure at Girdler, Mr. Kapadia was involved in design of fertilizer plants (Ammonia, Urea, etc.) and Methanol. In 1966, as a part of the Girdler technical team, Mr. Kapadia spent nine months assisting Fertilizer Corporation of India in commissioning their first methanol plant. In 1966, he joined Fluor Corporation in Houston, Texas. At Fluor, Mr. Kapadia got the first exposure to hydrocarbon processing and especially natural gas processing. Having been offered the position of Senior Engineer with Engineers India Limited (EIL) to participate in process design of the naphtha cracker plant for Indian Petrochemicals Corporation Limited (IPCL), he returned to India in 1971.

With EIL, Mr. Kapadia had full involvement with Bombay High's development plan and especially with natural gas processing and transportation. In 1982, he was appointed as the Head of the Gas Task Force, a group formed by the Petroleum Ministry to review the entire country's natural gas availability and utilization pattern. In 1984, Mr. Kapadia was appointed as the first Director (Planning) with Gas Authority of India Limited (GAIL). After three years at GAIL, he joined Hindustan Oil Exploration Company Limited (HOEC) as the first employee and was soon invited to join the Board as the Managing Director. He has spent seventeen years establishing HOEC as the first private sector oil company in India.

Mr. Ajit Kapadia does not hold any shares or beneficial interest in any shares of your Company. He is on the Board of your Company from July 2003. Apart from Gujarat Gas Company Limited, Mr. Kapadia holds directorship and membership of the following companies / committees:

Directorships

Sr. No.	Name of the Company	Designation
1	Rubamin Limited	Director
2	Quanta Process Solutions Pvt. Limited	Director
3	Entegra Limited	Director
4	Enertech Biofuels Limited	Director
5	Central UP Gas Company Limited	Director

Membership of Committees

Sr. No.	Name of the Company	Committee	Designation
1	Rubamin Limited	Audit Committee	Chairman

Your directors recommend re-appointment of Mr. Ajit Kapadia as a director.

No director other than Mr. Ajit Kapadia is in any way interested or concerned in the said resolution.

ITEM NO. 7

The Chairman and the Independent Directors are being paid sitting fees for attending the meetings of the Board of Directors and its Committees. Remuneration by way of commission aggregating to Rupees Twenty One lac, for CY 2008 was paid to these non-executive directors, after the approval of the Board, Shareholders and the Central Government.

The remuneration of the Chairman and the Independent Directors has to be in line with current trends and has to be commensurate to the time devoted and the contribution made by them. While acknowledging that the rich experience and the expertise of the above mentioned Directors enables them to significantly contribute to the business of the Company, the Board of Directors, at its meeting held on 4 March 2010, as a token of appreciation and gratitude to them, has proposed to pay the following remuneration by way of commission for the financial year 2009, subject to the approval of the shareholders, in addition to the sitting fees being paid:

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

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

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

By Order of the Board

Rajeshwari Sharma
 Company Secretary

Date : 15 March 2010
 Place : Ahmedabad

DIRECTORS' REPORT

DEAR SHAREHOLDERS,

Your directors have pleasure in presenting the 30th Annual Report and the audited accounts for the year ended on 31 December 2009.

1. FINANCIAL RESULTS

(Rs. in crores)

Particulars	Consolidated Financials		Stand-alone Financials	
	Current Year	Previous Year	Current Year	Previous Year
Total income	1,446.31	1,342.46	1,442.96	1,335.77
Gross profit before interest, depreciation and tax	306.15	276.45	303.56	271.20
Less: Interest	0.14	0.11	0.14	0.11
Depreciation	47.38	41.80	46.06	40.44
Profit before tax	258.63	234.55	257.36	230.65
Tax expenses	83.61	73.03	82.23	71.84
Net Profit	175.02	161.52	175.13	158.81
Minority Interest	0.85	0.87	-	-
Profit attributable to Group	174.17	160.65	-	-
Add: Undistributed profit of earlier years	511.26	391.16	494.90	375.86
Balance available for Appropriation	685.43	551.81	670.03	534.67
Less: Appropriations:				
Transfer to General Reserve	17.70	16.15	17.60	16.00
Special reserve as stipulated by RBI	0.57	0.58	0.00	0.00
Preference dividend	1.08	1.08	1.08	1.08
Proposed Equity dividend	102.60	19.24	102.60	19.24
Corporate dividend tax	17.25	3.50	17.22	3.45
Surplus retained	546.23	511.26	531.53	494.90
Earning per Share (Rs.)	13.48	12.43	13.56	12.28

2. DIVIDEND

Your directors recommend for consideration of the share holders at the Annual General Meeting, payment of dividend for 2009 of Rs. 3.00 and a one time special dividend of Rs. 5.00 per equity share of Rs. 2 each and dividend of Re. 0.75 per Redeemable Cumulative Non-convertible Preference Share of Rs. 10 each, involving total payout of Rs 120.90 crores, including corporate dividend tax of Rs 17.22 crores.

3. MANAGEMENT ANALYSIS

3.1. Industry Structure and developments

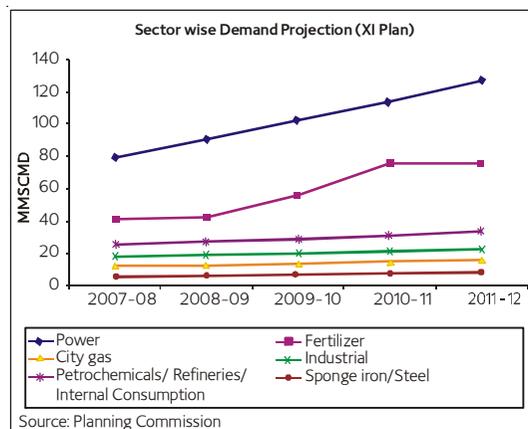
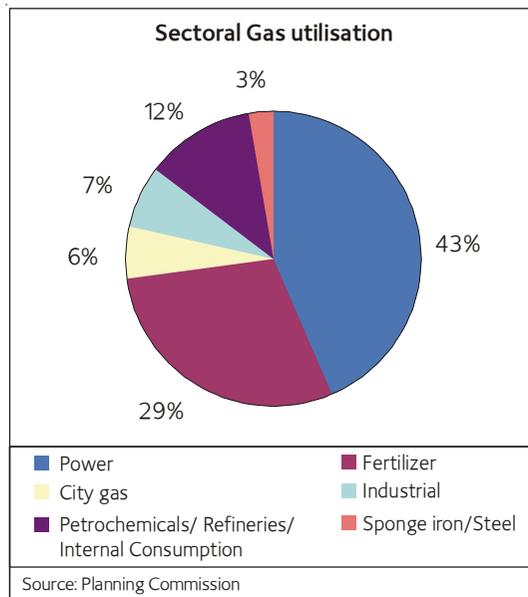
Natural gas currently constitutes about 9 % of India's primary energy basket. This is expected to grow to 23% of the primary energy basket by the year 2020. There is therefore a significant growth potential for the natural gas business in India. Availability of additional sources of long term gas at optimal prices will play a major role in determining growth in this segment.

The scenario for supply of natural gas in India has changed significantly with the advent of volumes from

Reliance Industries operated D6 fields in the Krishna Godavari basin offshore Indian east coast. About 8 mmcmd of gas commenced flowing in April 2009, which increased up to 60 mmcmd by December 2009. The Ministry of Petroleum and Natural Gas (MoPNG), Government of India, under the aegis of the EGOM (Empowered Group of Ministers) allocates gas from the D6 fields as per the Gas Utilisation Policy. Under this policy, preferential allotment has been made to units in the core sectors of power and fertilizer. While some gas volumes of D6 gas was allocated to certain city gas distribution companies for supply to residential households and transport (CNG) sectors, no gas allocation was made during the year to your Company. The additional supply of KG D6 gas raised the supply level of indigenous gas in the Indian markets to about 133 mmcmd by December 2009. The consumption of Regasified Liquefied Natural Gas (RLNG) in Indian markets also increased through the year, primarily due to the availability of spot cargoes. Your Company was successful in procuring RLNG at market determined

prices on short term basis to meet the current gas requirements of its customers from March 2009 onwards. Gas availability from some indigenous sources in the western offshore and Cambay basin fields has also increased marginally, thereby positively impacting India's gas demand-supply scenario in the near term. Concerns remain, however, regarding the demand-supply gap in the long term.

The demand for natural gas remained robust, signifying a clear market preference for natural gas as a safer, cleaner and economical source of energy. While the large consumers of natural gas in the country continued to be the power and fertilizer units, the demand from City Gas Distribution (CGD) customers viz. smaller industrial units, natural gas vehicles, households and commercial establishments, continued to grow. Moreover, the sectoral gas demand has remained largely consistent over the years, with almost 45% being consumed by power sector followed by fertilizers with a share of 24%. The sector-wise gas demand projections as in XI – XII plan are shown below.



Your Company maintained its status as the largest CGD company in India by volumes, even though it faced a constraint in adding long term sources of gas supply to its portfolio. While new entrants are expected in the CGD space in India, issues relating to authorizations still need to be clarified.

The Delhi High Court has recently held that the Petroleum and Natural Gas Regulatory Act does not empower the Petroleum and Natural Gas Regulatory Board (PNGRB) to authorize the operation of CGD companies. This has held up the applications for authorization which are pending with the PNGRB

3.2. Opportunities and Challenges

The developments described above open material opportunities for your Company while also posing certain challenges.

The flow of additional volumes of gas by way of RLNG and by way of indigenous gas mainly from the East Coast of the country, offer several options for gas sourcing in the future, which will lead to fulfilling the significant demand in the operating areas of your Company.

The growth of industrialization continues to be robust in your Company's areas of operation. While this was affected temporarily during the economic downturn, the industrial units in South Gujarat are again showing a strong appetite for gas use. Growth of urbanization in Surat and Ankleshwar has also been rapid and continues unabated. These factors create opportunities for growing the market for natural gas for industrial applications, household usage and for use as CNG in vehicles.

The challenges that your Company expects to face relate mainly to ensuring safe operations in line with the Company's objectives, competition in certain market segments, retention of critical talent and resourcing and the growth of its pipeline network. Your Company has strong processes in place to address these challenges.

3.3. Operations and Market Performance

Your Company continued to face constraints on gas availability, which was more pronounced in the early part of the year. While significant volumes of RLNG were sourced from March 2009 onwards, D6 gas was not allocated to your Company. RLNG was purchased on a short term basis at market determined prices to meet all the demand from existing customers. Gas sales volumes therefore did not grow over the previous year, but the Company plans to grow its customer base by procuring long term gas supply from both indigenous and RLNG sources at market determined prices.

The average cost of gas for the Company's portfolio increased over the previous year, primarily due to forex which made it necessary to align the gas sales prices in

all the market segments. Margins were therefore optimized.

About 28,000 new household customers were connected on natural gas during the year, taking the total number of domestic customers of the Company to over 270,000. More than 100,000 vehicles now ply in the Company's operating areas on natural gas. The company has around 2,80,000 customers, including industrial units. Sales volumes grew by 8% in the Industrial segment and 18% in the CNG segment.

Your Company continues to invest in pipeline network, CNG stations and other infrastructure. 35 km of steel pipelines and 392 km of PE pipelines were laid during the year. Total capital investments were Rs 1553 million.

Operating costs of the Company were optimized through stringent measures adopted in all the areas of operation. Your Company endeavours to build a strong culture of cost optimization which ensures that the maximum value is derived for all expenditure. Your Company could take the advantage of negotiating purchase contracts for materials at very competitive rates for its capital projects as well as for certain recurring activities.

The Co-generation business segment operated with its existing contracts. Growth outlook in this segment continues to remain conservative due to potential credit risks.

Your Company invested its surplus funds under an investment strategy designed to ensure complete safety of the funds and to ensure the best possible returns within the given safety parameters.

The consolidated income increased from Rs. 13424 million to Rs. 14463 million. Gas sales volume was 1035 mmscm, compared to 1089 mmscm in the previous year, due to declining availability of PMT gas. The Profit Before Tax increased from Rs 2345 million to Rs 2586 million mainly due to market optimization. The profit after tax increased from Rs. 1615 million to Rs. 1750 million.

3.4. Future outlook

Your Company's application for authorisation is pending with the PNGRB. This is expected to be progressed pending resolution of the PNGRB's authorization powers. Your Company has in the meantime obtained the permission from the regulator to continue capital works in its key areas of operation as well as for the expansion areas planned in immediate future.

Sourcing additional sources of long term gas is critical for the growth of the business. RLNG as well as indigenous sources of gas are being explored for this purpose.

Your Company endeavours to grow its retail markets to take full advantage of the growth in industrialization and urbanization in its areas. The management is focused in ensuring that the adequate systems, processes,

resources and infrastructure are available and are scalable to enable the growth of the Company.

Your Company considers Health, Safety, Security and Environment (HSSE) to be of prime importance in all its activities. Continuous engagement with the staff, contractors, customers and other stakeholders is designed to create and sustain a strong culture where HSSE is perceived to be of highest importance in any activity of the Company. Systems and processes are laid and geared up to enable this culture. Your Company endeavours to ensure that all its employees and contractors work in an environment which is totally safe and are able to return home safely after every day's work.

Your Company also believes that ensuring road safety is critical for its operations and has made significant progress to develop procedures, enhance awareness and positively influence behaviour of all concerned. Your Company works very closely with its business partners in the CNG business segment to ensure safe operations.

Your Company believes that partnering with its contractors is vital to its growth. A comprehensive contracting strategy has been developed with a high level of engagement with employees, contractors and experts to address this issue.

3.5 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. A well defined system comprising of adequate checks and balances exists, which is commensurate with the size of the Company and the nature of its business. 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 system-based approach to business risk management. Risk identification process ensures that all the levels of business clearly identify their top risks and set out a mitigation plan with agreed timelines and accountability. A comprehensive exercise ensures that relevant business risks have been identified, assessed, evaluated and appropriate mitigation systems are implemented. The senior management undertakes

periodic review of the Risk Register maintained by the Company to ensure its efficacy by suitably addressing the emerging challenges in a competitive and a dynamic business environment. The Audit Committee of the Board closely monitors the adequacy of the business risk management policies and processes.

Your Company has also implemented a Value Assurance Framework (VAF) for all major projects, which provides independent assessment of whether the risks and opportunities are being effectively managed. This involves rigorous scrutiny of all aspects of a project, right from conceptualisation to commissioning. During the year, the CNG projects were also brought under the fold of VAF. The Company also carried out self-assessment of its governance processes and has formalised action plans for the improvement areas.

3.6 Health, Safety, Security and Environment (HSSE)

Outstanding business performance requires outstanding HSSE performance. This means the protection of the health & safety of our people and those affected by our business.

The management of your Company believes that all injuries are preventable and hence strives towards a goal of Zero Injuries. Your Company conducts its business in a responsible manner and goes beyond compliance with local regulation to meet internationally accepted best practices and thereby reinforces its commitment to the health, safety and security of its people and protection of the environment, while delivering projects safely.

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

Total recordable case frequency (TRCF) for 2009 is 0.17 which represents an improvement over the TRCF performance of 0.89 for 2008.

As a part of HSSE improvement plans and initiatives, your Company carried out the following activities during the year:

- Self audits in the areas of CNG / Construction / Engineering Operations / Health / Driving / Permit to work system
- Employees' and contractors' involvement in managing safety through the Behaviour Based Safety scheme

significantly exceeded the target with over 7956 observations

- Safety Road Show for Contractors was organized to exhibit the Company's ongoing pursuit to enhance its HSSE culture and involve our contractors to embrace this culture as our partners in the growth.
- The senior management team undertook safety tours at various worksites to review effectiveness of HSSE controls at sites, to recognize good HSSE practices, to understand the HSSE concerns of the staff at site all designed to support to further improve HSSE performance.
- An HSSE review was conducted by a high level audit team from the BG Group to strengthen the safety aspects of your Company.
- Focused efforts to strengthen safety in the Company were initiated through a "Step Forward" initiative, which was launched by the Chief Executive of the BG Group.
- An "Accountability Framework" model has been rolled out successfully for all employees of your Company and training was imparted on the same. This model provides a framework for reward, recognition, as well as corrective measures, commensurate with the efforts put in by employees and contractor staff in the area of HSSE.
- The "Life Saver" campaigns on Lifting Operations, Asset Integrity and Confined Space working and rescue operations were successfully launched for educating the employees as well contract staff working for your Company.
- Awareness programs on HIV/AIDS, stress management & Swine Flu were done for the employees of the Company as well its contractors.
- Training initiatives were also made for the Company's employees and contractors in the following areas:
 - Night defensive driving training through a reputed external certified agency for all drivers associated with handling emergencies and round the clock operations
 - Defensive driving training was also extended to our contract drivers
 - Audio/visual sessions with Migrant workers to enable them to adopt safe practices for manual excavation

Contribution to Environment

Det Norske Veritas (DNV) has carried out "Re-certification audit" for OHSAS-18001-2007 and Environment Management System (ISO 14001-2004) across your Company's installations and offices in November and have recommended for recertification

for the next three years. As a result of this audit, both these standards have been integrated and OHSAS 18001-1999 has been upgraded to OHSAS 18001-2007. This approach yield benefits such as external auditing cost, minimisation of documentation, reduction in numbers of audit.

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

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

- Reduction in vehicular pollution in Surat and Bharuch districts by establishing new CNG stations and upgrading the existing CNG stations. The Company dispenses about 300,000 cubic metres of gas per day of this clean fuel to over 100,000 vehicles through its 31 CNG stations.
- Reduced waste generation and improved waste management by developing and implementing an Environment Plan.
- Celebration of World Environment Day 2009 with tree plantations at the Company's contractor sites and schools
- Reduction of 1528 tonnes of CO₂ through various Green House Gas emissions projects.
- The Company did not experience any Occupational Health illness case and no hazardous chemicals were spilled in to the external environment.

3.7 Contribution to Society

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

During the year under review, your Company supported "Science is Fun" events in Surat and Ankleshwar which contributed towards generating interest on pure science amongst school-going children. Your Company also supported the renovation of the Aanganwadi in Adajan area of Surat along with distribution of the gas stoves in rural areas of Surat district. Your Company continued to support a Government of Gujarat initiative to promote school enrolment of children from economically weak background and provided computers to schools.

Your Company supported a BG Group sponsored Skill Development Project at ITI Zhagadia. The pilot programme on gas plumbing, which is a part of the overall "Gujarat Sustainable Development Strategy", was taken up to equip local unemployed youth with technical and

safety skills. The project was launched at Industrial Training Institute, Zhagadia, on 23rd October 2009.

4. SUBSIDIARIES

4.1 Gujaratgas Trading Company Limited (GTCL)

Gujaratgas Trading Company Limited (GTCL), a wholly-owned subsidiary of the Company is engaged in the business of selling natural gas. During the year under review, GTCL achieved sales of Rs. 679.51 mn as against Rs. 835.21 mn during the previous year. Volumes during the year were lower compared to the previous year on account of reduction in gas supplies from one of its suppliers. Total income for the year was Rs. 687.57 mn including other income of Rs. 8.06 mn as against total income of Rs. 846.62 mn including other income of Rs. 11.41 mn in the previous year.

Profit before tax (PBT) was Rs. 8.03 mn during the year as against Rs. 11.65 mn in the previous year.

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

4.2 Gujarat Gas Financial Services Limited (GFSL)

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

During the year under review, the income was Rs. 50.66 mn. as compared to Rs. 58.61 mn. in the year 2008 and the profit after tax was Rs. 28.39 mn. as compared to Rs. 28.83 mn. for the previous year.

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

5. FINANCE

Your Company continued to have a robust 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. ISSUE OF BONUS EQUITY SHARES

64,125,000 bonus equity shares of Rs 2 each were allotted on 22 September 2009 in the ratio of one bonus share for every fully paid up equity share held. The total number of fully paid up equity shares of the Company was thereby increased to 128,250,000.

7. STATUTORY INFORMATION

As required under Section 212 of the Companies Act, 1956, the audited accounts for the year ended on 31 December 2009 and Auditors' Report thereon, along with the Directors' Reports of Gujaratgas Trading Company Limited and Gujarat Gas Financial Services Limited, the subsidiaries of GGCL, are attached to GGCL's balance sheet.

7.1 Energy, Technology and Foreign Exchange

Since the Company is not a scheduled industry, the details in respect of Form A pursuant to Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are not required to be furnished. However, the details in respect of Form B pursuant to Rule 2 are submitted as Annexure-1 and forms part of this report.

7.2 Human Relations and Particulars of Employees

Core values are the pillars on which the institution of your Company is built. Your Company employed 562 persons as on December 31, 2009. All new recruits are initiated to these values through the Company's "Value Alignment" programmes.

Your Company has a strong focus on developing the competencies of its employees to enhance performance through various initiatives in learning & development such as coaching and mentoring, training and job rotation. During the year, the Company initiated annual development review of its managerial personnel. Further Options were granted under the Employee Stock Option Plan, which was introduced last year, 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 keeping in mind industry practices and also to serve as a retention tool.

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.

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

The details of the Options granted up to 31st December, 2009 under the Gujarat Gas Company Limited Employee Stock Option Plan 2008 ("the ESOP 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 Company's Auditors, Price Waterhouse, have certified 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 in this regard.

Under the ESOP 2008, 1,69,500 Options were granted during the year, which 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. 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, 1526644 equity shares of Rs. 2/- each, as of 31 December 2009 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.

7.4 Directors' Responsibility Statement

Your directors hereby state:

- i. that in the preparation of the annual accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- ii. that the directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 31 December 2009 and of the profit of the Company for the year ended on that date;
- iii. that the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. that the directors have prepared the annual accounts on a going concern basis.

7.5 Report on Corporate Governance

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

8. AUDITORS AND AUDITORS' REPORT

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

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

9. DIRECTORS

Mr. Hasmukh Shah and Mr. Ajit Kapadia, 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 re-appointment.

10. APPRECIATION

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

Your directors place on record their appreciation for the employees for their dedicated performance.

Your directors 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 : 4 March 2010
Place : Ahmedabad

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

Sr. No.	Particulars	Action taken
1 Research and Development (R&D)		
A	Specific areas in which R&D carried out by the Company	Nil
B	Benefits derived as a result of the above R&D	NA
C	Future plan of action	Nil
D	Expenditure on R&D	
	a. Capital	Nil
	b. Recurring	Nil
	c. Total	
	d. Total R&D expenditure as a percentage of total turnover	Nil
2 Technology absorption, adaptation and innovation		
A	Efforts in brief, made towards technology absorption, adaptation and innovation	<ul style="list-style-type: none"> • 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. • Live Network Modeling (LNM): Integration of GIS depository with Advantica's SynerGEE Gas software to enhance network planning and validation. Development of " Rodent Repellent PE Pipeline"
B	Benefits derived as a result of the above efforts	<ul style="list-style-type: none"> • Enhance the safety of NGVs. • PHD: Improve the data accuracy, security and management for transmission network. <ol style="list-style-type: none"> 1. Daily reporting of process data on desktop for analysis of line loss and gas pipeline network. 2. A secured and huge database to accommodate upto 5 years of process history pertaining to gas network parameters. • LNM: <ol style="list-style-type: none"> 1. The software will provide upto date information to improve the business critical decision making. 2. Provides Geo-reference representation of the distribution network for better planning and operations. • Reduction in rat bites resulting into Reduced PE damages, Reduction in gas escapes, Safer network
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	
3 Foreign Exchange Earnings & Outgo		
		Current Year (Rs. in million)
		Previous Year (Rs. in million)
	Total Foreign Exchange earned	Nil
	Total Foreign Exchange outgo	47.31
		54.53

For and on behalf of the Board

HASMUKH SHAH
CHAIRMAN

Date : 4 March 2010
Place : Ahmedabad

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 2009

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.

Name and (Age)	Designation / Nature of duties	Remuneration Rupees	Qualification & Experience (Years)	Date of Commencement of Employment	Last Employment held
Himanshu Upadhyay (54)	Director-External Affairs	2,931,281	B. Sc; MLW; LLB; Dip. in Corporate Comm (32)	01/09/1998	Manager (HR & Admn.) Petroleum Infra. Ltd
Nitin Patil (47)	GM – Technical Group	3,959,329/-	B.E. Mech. Certificate-piping Eng. (23)	10/03/2005	District Engineering Manager (Egypt), Nile Valley Gas Co.
Nitin Mehta (47)	G M- HSSE	2,745,125/-	Dip. in Electrical Eng; Dip. in Mech. Engg; Dip. in Management (30)	22/05/1989	Shift Incharge Mipco Seamless Rings
Bhupendra Gheewala (47)	G M-MS Group	3,553,642/-	M. Com, CA, PG Dip. in Taxation Laws (24)	01/06/1991	Sr. Accountant – Shri Dinesh Mills Limited
Kuntal Mehta (37)	GM- Finance	2,937,527/-	B.Com. CA (14)	03/06/2002	Manager – Glaxo Smithkline
Mohmed I. Vakharwala (45)	G M – Commercial	37,59,622/-	BE (Mech.), MBA (21)	11/10/1989	Jr. Engr., Asian Paints
Maqsood Shaikh (38)	GM – Commercial	3,093,971/-	B Tech. (Ind. Elect. Engg.) (14)	21/02/2008	GM –Actaris Industries Pvt. Ltd.
Kishore Hirani (40)	G M – MS Group	4,133,662/-	BE (Comp. Engg) PGD in Business Admn. (17)	17/03/2008	IT Manager - GE India
Sanjeev Gupta (38)	G M- Internal Audit	2,610,159/-	B.Com.;ICWA;CA; CS;CIA (14)	01/04/2008	GM (Corp Audit) Aditya Birla Management Corp. Ltd.
Mukesh Asudani (43)	G M – HR & Admin.	3,422,812/-	BSc, MSW, Dip. in IRPM, LLB (20)	01/05/2008	Head HR – Ingersoll Rand
Abhirup Bhattacharya (40)	G M- Technical	2,745,265/-	B.Tech . (18)	09/11/2004	Asst. Manager- Tata Chem Ltd
Nitesh Bhandari (33)	G M- Finance	2,837,516/-	B.Com; CA;	26/06/2002	Asst. Manager- Glaxo Smith Link Pharma

Note: The employees are not related to any director of the Company.

For and on behalf of the Board

Date : 4 March 2010
 Place : Ahmedabad

HASMUKH SHAH
 CHAIRMAN

ANNEXURE - 3
Statement as at 31 December 2009 pursuant to clause 12 (Disclosures in the Directors' Report) of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

a)	Total number of Options granted	Gujarat Gas Company Limited Employee Stock Option Plan – 2008 14,80,000 Options (2008) 3,40,0,00 Options (2009)
b)	(i) Pricing Formula	The Pricing Formula as approved by the Shareholders of the Company provides that the Exercise Price for Grants made in November, 2008, shall be calculated at 10% discount of the latest available closing price of the Shares on the Stock Exchange on which there was highest trading volumes on the date of the Board Meeting in which the grant of Options is approved. The 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. 95.00, adjusted on allocation of bonus for 13,93,000 Options granted in November, 2008, (Rs. 189.00, calculated at 10% discount of Rs. 210.00 being the closing price of the Shares on the NSE having highest trading volumes on 23 October 2008). Rs. 115.00, adjusted on allocation of bonus for 2,89,000 Options granted in May 2009, (Rs. 230.00, calculated at 10% discount of Rs. 255.00 being the closing price of the Shares on the BSE having largest trading volumes on 29 th April 2009). Rs. 143.00, adjusted on allocation of bonus for 21,000 Options granted in August 2009, (Rs. 286.00 calculated at 10% discount of Rs. 317.40 being the closing price of the Shares on the BSE having largest trading volumes on 27 July 2009).
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	58,500 numbers period prior to issuance of bonus shares 40,000 numbers period after issuance of bonus shares
g)	Variation of terms of Options	NA
h)	Money realised by exercise of Options	NA
i)	Total number of Options in force	1,663,000 numbers (post issuance of bonus shares)
j)	Employee wise details of options granted to:-	
	(i) senior managerial personnel;	Himanshu Upadhyay - 65000 Sanjeev Gupta - 50000
	(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. 99/- The weighted average fair value per Option at the grant date is Rs 35/-.																				
n)	A description of the method and significant assumptions used during the year to estimate the fair values of options	<p>The fair value of each Option is calculated based on the Fair Value method of accounting using the Black-Scholes Option Pricing Formula. The significant assumptions for estimating the fair value of options :</p> <p>For stock options granted on May 11, 2009:</p> <table border="0"> <tr> <td>(i) Risk-free interest rate</td> <td>4.62%</td> </tr> <tr> <td>(ii) Expected life</td> <td>3 years</td> </tr> <tr> <td>(iii) Expected volatility</td> <td>25.00%</td> </tr> <tr> <td>(iv) Expected dividends</td> <td>1.17%</td> </tr> <tr> <td>(v) The price of the underlying share in market at the time of Option grant (closing price on BSE on 11 May, 2009)</td> <td>Rs. 279.45</td> </tr> </table> <p>For stock options granted on August 1, 2009:</p> <table border="0"> <tr> <td>(i) Risk-free interest rate</td> <td>5.92%</td> </tr> <tr> <td>(ii) Expected life</td> <td>3 years</td> </tr> <tr> <td>(iii) Expected volatility</td> <td>25.60%</td> </tr> <tr> <td>(iv) Expected dividends</td> <td>1.17%</td> </tr> <tr> <td>(v) The price of the underlying share in market at the time of Option grant - (closing price on BSE on 31 July 2009)</td> <td>Rs.366.60</td> </tr> </table>	(i) Risk-free interest rate	4.62%	(ii) Expected life	3 years	(iii) Expected volatility	25.00%	(iv) Expected dividends	1.17%	(v) The price of the underlying share in market at the time of Option grant (closing price on BSE on 11 May, 2009)	Rs. 279.45	(i) Risk-free interest rate	5.92%	(ii) Expected life	3 years	(iii) Expected volatility	25.60%	(iv) Expected dividends	1.17%	(v) The price of the underlying share in market at the time of Option grant - (closing price on BSE on 31 July 2009)	Rs.366.60
(i) Risk-free interest rate	4.62%																					
(ii) Expected life	3 years																					
(iii) Expected volatility	25.00%																					
(iv) Expected dividends	1.17%																					
(v) The price of the underlying share in market at the time of Option grant (closing price on BSE on 11 May, 2009)	Rs. 279.45																					
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(ii) Expected life	3 years																					
(iii) Expected volatility	25.60%																					
(iv) Expected dividends	1.17%																					
(v) The price of the underlying share in market at the time of Option grant - (closing price on BSE on 31 July 2009)	Rs.366.60																					

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

For and on behalf of the Board

HASMUKH SHAH
CHAIRMAN

Date : 4 March 2010
Place : Ahmedabad

**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, 2009, 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.

Place : Ahmedabad
Date : 4 March, 2010

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

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 Board of Directors of the Company consists of illustrious professionals with a wide range of relevant experience. The Board endeavours to create a culture of transparency and trust, which helps to establish and sustain the credibility of the Company before its various stakeholders.

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 and are continuously propagated among the employees of the Company and its other stakeholders.

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

2. Board of Directors

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

Details of composition of the Board, category of the Directors as well as their directorships and memberships in other companies/committees including those of your Company, private and foreign companies as on 31 January 2010 are given below:

Names of the Directors	Category	Number of Directorship in Companies	Number of Membership/ Chairmanship in Board Committees	
			Membership	Chairmanship
Mr. Hasmukh Shah, Chairman	Promoter & non-executive directors	11	3	5
Mr. Derek Fisher		5	-	1
Mr. Rajeev Khanna		4	1	-
Prof. Pradip Khandwalla	Non-executive and independent directors	7	1	1
Mr. Jal Patel		9	4	3
Mr. Ajit Kapadia		6	-	1
Mr. B. C. Bora		4	1	2
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, six Board Meetings were held on 26 February 2009, 30 April 2009, 28 July 2009, 26 October 2009, 29 October 2009 and 17 December 2009.

Details of attendance of the directors at the Board Meetings held during the year 2009 and at the last Annual General Meeting are given below:

Names of the directors	Number of Board Meetings held while holding the office	Number of Board Meetings attended while holding the office	Attendance at the last AGM
Mr. Hasmukh Shah	6	5	Yes
Mr. Derek Fisher	6	4	Yes
Mr. Rajeev Khanna	6	5	Yes
Prof. Pradip Khandwalla	6	6	Yes
Mr. Jal Patel	6	6	Yes
Mr. Ajit Kapadia	6	6	Yes
Mr. B. C. Bora	6	4	Yes
Mr. Shaleen Sharma	6	5	Yes

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

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

3. Audit Committee

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

The Committee invites senior management personnel of the Company 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 2009.

Details of meetings of Audit Committee and attendance

Sr.No.	Date of Meeting	Number of Members	Attendance
1	26 February 2009	3	3
2	29 April 2009	3	3
3	28 July 2009	3	3
4	29 October 2009	3	3

4. Remuneration of Directors

The Board of Directors has constituted a Remuneration Committee comprising of Mr. Jal Patel (Chairman), Prof. Pradip Khandwalla and Mr. Derek Fisher. The terms of reference include review of, and decision on the remuneration of the

Managing Director, based on the performance and defined assessment criteria and to consider such other matters as may be required by the Board of Directors from time to time. The Committee makes recommendations for the consideration and approval of the Board of Directors. The meeting of this Committee was held on 1 July 2009, where all the members were present.

The details of managerial remuneration paid to the Managing Director in the year 2009 are given below.

Details of remuneration package of the Managing Director

Elements of remuneration package	Fixed component / Performance linked incentive	C.Y.2009 Amount Rs.
Basic salary	Fixed	6,915,300
Contribution to provident fund and gratuity fund		1,192,439
Perquisites and Allowances	Value of benefits with upper ceiling	
HRA/Rent free accommodation, Medical and other allowance		2,194,590
Gas, electricity and other expenses		87,305
Expenses on cook, sweeper and servant		156,700
Performance bonus	Performance linked incentive	4,726,740
Total		15,273,074

Other Details

Criteria

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

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

Details of sitting fees paid during the year

Sitting fees are paid to the Chairman and Independent Directors for attending meetings of the Board of Directors and its Committees. An amount of Rs.20,000 per meeting was paid as sitting fees for attending Board Meetings and Rs.18,000 per meeting for attending Committee Meetings. The Managing Director is not paid sitting fees for attending the meetings of the Board of Directors or its Committees. Total sitting fees paid during the year 2009 amounted to Rs. 10,62,000.

Details of commission paid to Directors

In order to ensure that remuneration of the Chairman and of the Independent Directors is commensurate with the time devoted and the contribution made by them, remuneration by way of commission was paid for CY 2008 to these non-executive Directors, after the approval of the Board, Shareholders and the Central Government:

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

The above commission was within one percent of the net profits of the Company for CY 2008 and was calculated in accordance with the provisions of the applicable laws. The Commission was paid for their contribution at the Board and its Committee Meetings as well as for time spent on operational matters other than at the meetings.

5. Shareholders' Grievances Committee

GGCL has a Shareholders' Grievances Committee to approve share transfers, transmissions, consolidation, sub-division, etc. and for redressal of complaints / requests received from the shareholders. The present members of the Committee are Prof. Pradip Khandwalla, the Chairman, Mr. Jal Patel and Mr. Shaleen Sharma. Ms. Rajeshwari Sharma, Company Secretary is the Compliance Officer.

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

The Company received 96 complaints during the year 2009. All the complaints were resolved to the satisfaction of the shareholders.

6. Compensation Committee

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

- 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 three meetings of the Compensation Committee were held on 29 April 2009, 28 July 2009 and 29 October 2009.

7. General Body Meetings

Location and time of last three AGMs / EGMs

Date	Time	Venue
30 April 2009 (AGM)	10.00 a.m.	
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 (AGM)	10.00 a.m.	
30 April 2007	10.00 a.m.	

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

Annual General Meeting held on 30 April 2009

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

Annual General Meeting held on 30 April 2007

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

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

Postal Ballot

No special resolution was passed through Postal Ballot in the year 2009 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

Your Company 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

Your Company 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 the Company's website. In compliance with the Code, the Board of Directors and senior management personnel of the Company have affirmed compliance with the Code for the year ended 31 December 2009. 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, your Company 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, 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 2009 is annexed to this report.

For and on behalf of the Board

Hasmukh Shah
Chairman

Date : 4 March 2010
Place : Ahmedabad



Certificate of Compliance with the Code of Conduct

To,

The Shareholders,
Gujarat Gas Company Limited

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

For Gujarat Gas Company Limited

Shaleen Sharma
Managing Director

Date : 15 February 2010
Place : Ahmedabad

INFORMATION FOR INVESTORS

1. Annual General Meeting details

At 10.00 a.m. on Thursday, 22 April 2010 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 2010:

4 March 2010 (already held)	22 April 2010
22 July 2010	28 October 2010
9 December 2010	

3. Book Closure Date

The Register of Members and Share Transfer Book of the Company shall remain closed from 17 March 2010 to 19 March 2010 (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 22 April 2010, 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 2009-10 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 2009 is given below:

Month	Highest (Rs.)	Lowest (Rs.)
January	245.00	206.35
February	235.00	208.00
March	279.90	220.00
April	305.00	245.85
May	348.00	254.60
June	370.00	251.00
July	387.60	291.00
August	387.80	345.05
September	*445.00	*201.00
October	217.00	196.00
November	254.00	196.10
December	245.90	218.30

*Cum-bonus and ex-bonus

7. Performance in Comparison to BSE Sensex

Performance of share price of your company in comparison to BSE Sensex for the year 2009 is given on the inside cover page.

8. Registrar and Share Transfer Agents and Share Transfer System

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

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

Karvy Computershare Private Limited, **Unit: GUJARAT GAS COMPANY LIMITED**, Plot no. 17 to 24, Vittalrao Nagar, Madhapur, Hyderabad 500 081. Phone Numbers: 040-23420818 and 23420828, Fax Number: 040-23420814

9. Distribution of shareholding

Distribution of Shareholding as on 31 December 2009 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	20522	2,114,150	10,093,260	12,207,410	9.52
Foreign Institutional Investors (FIIs)	15	0	18,551,857	18,551,857	14.47
Non-resident Indians (NRIs)	386	7000	292,962	299,962	0.23
Indian Companies	520	13,010	1,532,681	1,545,691	1.21
Mutual Funds & UTI	31	1000	7,758,398	7,759,398	6.05
Public Financial Institutions, Government Companies and Banks	11	3000	4,097,377	4,100,377	3.20
Foreign Promoters	1	83,518,750	-	83,518,750	65.12
Others	462	13,000	253,555	266,555	0.20
Total	21,948	85,669,910	42,580,090	128,250,000	100.00

10. Dematerialisation of shares and liquidity

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

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,
Surat

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, Ellis Bridge, Ahmedabad – 380006, India. Telephone Numbers: (079) 26462980, 26460095, 26467876, Fax: (079) 26466249. Email address: contactggcl@gujaratgas.com

E-mail address of the Company Secretary and Compliance officer is: Rajeshwari.sharma@gujaratgas.com Shareholders may lodge their complaints on this email address.

14. Nomination facility

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

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

15. Unclaimed dividend

The Company has transferred unclaimed dividend for the financial years 1991-92 to 1994-95 to the General Revenue Account of the Central Government. Shareholders, who have not encashed their dividend warrants for the above years, are requested to lodge their claims with the Registrar of Companies, Gujarat, Ahmedabad. Your Company has also transferred unclaimed dividend for the financial years 1995-96 to 1998-99, financial period of April-December 1999 and interim including final dividend for the year 2001 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 2002 to the Investor Education and Protection Fund on or after 18 June 2010 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

HASMU KH SHAH
CHAIRMAN

Date : 4 March 2010

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, 2009, 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, 2009;
 - (b) in the case of the consolidated profit and loss account, of the consolidated results of operations of the Group for the year ended on that date; and
 - (c) in the case of the consolidated cash flow statement, of the consolidated cash flows of the Group for the year ended on that date.

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

Place : Ahmedabad
Date : March 4, 2010

V. Nijhawan
Membership Number: F87228
Partner

BALANCE SHEET AS AT DECEMBER 31, 2009

	Schedule	Rs. in million	As at 31-12-2009 Rs. in million	As at 31-12-2008 Rs. in million
SOURCES OF FUNDS				
SHAREHOLDER'S FUNDS				
Share Capital	1	400.50		272.25
Stock Options outstanding Account	2	21.29		2.88
Reserves and Surplus	3	7,375.23		6,971.15
			7,797.02	7,246.28
Minority Interest (Refer Note 26 on Schedule 20)			51.72	44.22
Deferred Tax Liability (Net) (Refer Note 14 and 34 on Schedule 20)			560.26	498.39
DEPOSITS (Refer Note 24 on Schedule 20)				
From Customers		1,514.81		1,235.00
From GAIL (India) Limited		38.69		38.69
			1,553.50	1,273.69
TOTAL			9,962.50	9,062.58
APPLICATION OF FUNDS				
FIXED ASSETS				
Gross Block	4	9,139.87		7,665.60
Less : Depreciation		3,040.98		2,582.20
Less : Impairment Loss		34.63		9.88
		6,064.26		5,073.52
Less : Lease Terminal Adjustment Account		255.45		255.45
Net Block		5,808.81		4,818.07
Capital work in progress		865.74		812.66
Capital Inventory		489.96		531.44
			7,164.51	6,162.17
INVESTMENTS	5		4,237.57	3,545.62
AMOUNT RECOVERABLE FROM ESOP TRUST (Refer Note 31 on Schedule 20)			243.00	10.50
CURRENT ASSETS, LOANS AND ADVANCES				
Inventories	6	211.27		177.92
Lease Receivable	7	99.45		139.24
Sundry Debtors	8	1,138.98		959.92
Cash and Bank Balances	9	79.14		224.68
Loans and Advances	10	263.95		246.16
Other Current Assets	11	0.01		1.60
		1,792.80		1,749.52
LESS: CURRENT LIABILITIES AND PROVISIONS	12			
Current Liabilities		2,152.21		2,075.33
Provisions		1,324.06		334.46
		3,476.27		2,409.79
NET CURRENT ASSETS			(1,683.47)	(660.27)
MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)	13		0.89	4.56
TOTAL			9,962.50	9,062.58
Significant Accounting Policies and Notes to the Consolidated Financial Statements				
	20			

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

For and on behalf of

**PRICE WATERHOUSE
CHARTERED ACCOUNTANTS**

V. Nijhawan
Membership No. F87228
Partner

Place : Ahmedabad
Date : March 04, 2010

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

For and on behalf of the Board

Hasmukh Shah
Chairman

Shaleen Sharma
Managing Director

Jal Patel Sugata Sircar
Director Finance Director

Rajeshwari Sharma
Company Secretary

Place : Ahmedabad
Date : March 04, 2010

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2009

	Schedule	Rs. in million	Year ended 31-12-2009 Rs. in million	Year ended 31-12-2008 Rs. in million
INCOME:				
Income from Operations	14	14,196.73		13,012.53
Other Income	15	266.32		412.11
			14,463.05	13,424.64
EXPENDITURE:				
Material consumed/processed (Refer Note 22 on Schedule 20)		10,031.21		9,336.59
Personnel Expenses	16	451.06		412.41
Operating and Other Expenses	17	915.60		896.13
Depreciation		473.82		417.96
Finance Charges	18	1.36		1.11
Deferred Revenue Expenditure Written off		3.67		15.00
			11,876.72	11,079.20
Profit before Taxes			2,586.33	2,345.44
Tax Expense	19		836.11	730.26
Profit after Taxes			1,750.22	1,615.18
Minority Shareholders Interest			8.55	8.69
Profit attributable to the Group			1,741.67	1,606.49
Profit brought forward			5,112.61	3,911.58
Profit available for Appropriations			6,854.28	5,518.07
APPROPRIATIONS :				
Proposed Dividend			10.80	10.80
- Preference Shares			1,026.00	192.38
- Equity Shares			172.55	35.01
Corporate Dividend Tax on Proposed Dividend			5.68	5.76
Special Reserve (As stipulated by RBI)			176.99	161.51
General Reserve			5,462.26	5,112.61
Profit Carried Forward			6,854.28	5,518.07
Basic/Diluted Earnings per Share (Rs.)			13.48	12.43
(Refer Note 13 and 27 on Schedule 20)				
Significant Accounting Policies and Notes to the Consolidated Financial Statements	20			

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

For and on behalf of

**PRICE WATERHOUSE
CHARTERED ACCOUNTANTS**

V. Nijhawan

Membership No. F87228
Partner

Place : Ahmedabad

Date : March 04, 2010

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

For and on behalf of the Board

Hasmukh Shah
Chairman

Shaleen Sharma
Managing Director

Jal Patel Sugata Sircar
Director Finance Director

Rajeshwari Sharma
Company Secretary

Place : Ahmedabad

Date : March 04, 2010

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2009

	Year ended 31-12-2009 Rs. in million	Year ended 31-12-2008 Rs. in million
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Tax	2,586.33	2,345.44
Adjustments for:		
Depreciation for the year	473.82	417.96
Provision for Gratuity	5.33	18.64
Provision for Leave Encashment	6.63	6.17
(Profit)/Loss on sale of Fixed Assets (Net)	9.55	0.82
Provision for doubtful debts	1.09	15.83
Provision for Stock Options Account	18.41	2.88
Other Provision	1.82	0.60
Provision for Wealth Tax	0.40	0.40
Provision for Diminution in the value of Fixed Assets / Capital Work in Progress	28.79	101.00
Bad Debts written off	0.20	-
Fixed assets written off	5.36	3.70
Inventory written off	9.52	1.81
Deferred Revenue Expenditure written off	3.67	15.00
Interest Expense	1.36	1.11
Profit on sale of investment (Net)	(35.30)	(13.89)
Liabilities no longer required Written Back	(13.14)	(106.37)
Reversal of Impairment provision	-	(17.06)
Dividend Income	(156.51)	(212.26)
Unrealised Foreign Exchange Gain (Net)	(0.36)	-
Interest Income	(22.78)	(22.46)
Operating Profit before working capital changes	2,924.19	2,559.32
Adjustments for changes in working capital		
(Increase)/Decrease in Sundry Debtors	(637.05)	(216.41)
(Increase)/Decrease in Amount Recoverable from ESOP trust	(232.50)	(10.50)
(Increase)/Decrease in Loans and Advances	(32.82)	(42.60)
(Increase)/Decrease in Other Current Assets	1.59	(0.97)
(Increase)/Decrease in Inventories	(34.31)	(2.74)
Increase/(Decrease) in Current Liabilities	570.85	346.95
Cash generated from operations	2,559.95	2,633.05
Taxes paid (Net of refunds)	(778.35)	(573.82)
Net Cash from Operating Activities	1,781.60	2,059.23
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(1,553.05)	(987.00)
Sale of Fixed Assets	36.54	88.10
Purchase of Investments	(14,224.71)	(12,985.20)
Sale of Investments	13,568.06	11,803.66
Net investment in Finance Lease (Net of Capital Recovery)	27.87	(78.07)
Interest received	22.78	22.46
Dividends received	156.51	212.26
Net Cash used in Investing Activities	(1,966.00)	(1,923.79)

C. CASH FLOW FROM FINANCING ACTIVITIES

Deposits accepted during the year (Net) **279.81**
 Interest Paid **(1.36)**
 Dividend Paid (including Corporate Dividend Tax) **(239.59)**
Net Cash generated from/(used in) Financing Activities **38.86**

NET INCREASE IN CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents at the beginning of the year **224.68**

Cash and Cash Equivalents at the end of the year **79.14**

Cash and Cash Equivalents comprise

Cash in hand **0.20**
 Cheques in hand **9.89**
 Balances with Scheduled Banks :
 - In Current accounts **62.28**
 - In Dividend Accounts **6.27**
 - In Fixed Deposits Account **0.50**
Total Cash and Cash Equivalents as per Cash Flow statement **79.14**

Year ended 31-12-2009 Rs. in million	Year ended 31-12-2008 Rs. in million
279.81	154.43
(1.36)	(1.11)
(239.59)	(239.59)
38.86	(86.27)
(145.54)	49.17
224.68	175.51
79.14	224.68
0.20	0.20
9.89	-
62.28	88.25
6.27	7.33
0.50	128.90
79.14	224.68

Notes to Cash Flow Statement:

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

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

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

V. Nijhawan
 Membership No. F87228
 Partner

Place : Ahmedabad
 Date : March 04, 2010

For and on behalf of the Board

Hasmukh Shah
 Chairman

Shaleen Sharma
 Managing Director

Jal Patel Sugata Sircar
 Director Finance Director

Rajeshwari Sharma
 Company Secretary

Place : Ahmedabad
 Date : March 04, 2010

SCHEDULES FORMING PART OF BALANCE SHEET (CONSOLIDATED)

	Rs. in million	As at 31-12-2009 Rs. in million	As at 31-12-2008 Rs. in million
SCHEDULE - 1			
SHARE CAPITAL			
Authorised			
140,000,000 (Previous year 140,000,000) Equity Shares of Rs. 2/- each		280.00	280.00
17,000,000 (Previous year 17,000,000) 7.5% Redeemable Preference Shares of Rs.10/- each		170.00	170.00
TOTAL		450.00	450.00
Issued, Subscribed and Paid up			
128,250,000 (Previous year 64,125,000) Equity Shares of Rs. 2/- each fully paid-up [Out of the above 83,518,750 (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.]		256.50	128.25
[Out of the above 64,125,000 (Previous year Nil) equity shares allotted as fully paid-up by way of bonus shares during the year]			
14,400,000 (Previous year 14,400,000) 7.5% Redeemable Cumulative Non Convertible Preference Shares of Rs.10/- each fully paid up, issued to holding company BG Asia Pacific Holdings Pte. Limited		144.00	144.00
TOTAL		400.50	272.25
SCHEDULE - 2			
STOCK OPTIONS OUTSTANDING ACCOUNT (Refer Note 31 on Schedule 20)			
Stock Options Outstanding Account		57.62	48.77
Less : Deferred Stock Option Outstanding Account		36.33	45.89
TOTAL		21.29	2.88
SCHEDULE - 3			
RESERVES AND SURPLUS			
GENERAL RESERVE			
As per last Balance Sheet	1,784.79		1,623.28
Add : Transferred from Profit and Loss Account	177.00		161.51
Less : Transfer to Share Capital on issuance of Bonus shares (Refer Note 27 on Schedule 20)	128.25		-
		1,833.54	1,784.79
SPECIAL RESERVE (AS REQUIRED BY RBI)		79.43	73.75
PROFIT AND LOSS ACCOUNT		5,462.26	5,112.61
TOTAL		7,375.23	6,971.15

GUJARAT GAS COMPANY LIMITED (CONSOLIDATED)
SCHEDULES FORMING PART OF BALANCE SHEET (CONSOLIDATED)
SCHEDULE - 4
FIXED ASSETS

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

(Rs. in million)

Particulars	GROSS BLOCK			DEPRECIATION			IMPAIRMENT LOSS			NET BLOCK			
	As at 01-01-2009	Additions For the year	Deduction/ Adjustments For the year	As at 31-12-2009	As at 01-01-2009	For the year	Deduction/ Adjustments For the year	As at 31-12-2009	As at 01-01-2009	For the year	Adjustments/ Reversals	As at 31-12-2009	As at 31-12-2008
TANGIBLE ASSETS													
Land (Refer Note 1 below)	44.27	298.87	-	343.14	-	-	-	-	-	-	-	343.14	44.27
Buildings	285.90	35.50	-	321.40	44.54	6.42	-	50.96	-	-	-	270.44	241.36
Plant and Machinery (Refer Note 6 below)	6,047.67	1,095.80	11.41	7,132.06	1,979.18	413.40	5.18	2,387.40	-	15.29	-	4,729.37	4,068.49
Furniture, Fixtures and Fittings	61.24	9.12	5.70	64.66	26.20	4.29	4.59	25.90	-	-	-	38.76	35.04
Vehicles	90.14	16.10	12.39	93.85	26.22	10.21	5.27	31.16	-	-	-	62.69	63.92
Assets given on Finance lease (Prior to April 1, 2001)													
Plant and Machinery	855.50	-	-	855.50	422.37	13.52	-	435.89	-	-	-	419.61	433.13
Assets given on Operating lease (After April 1, 2001)													
Plant and Machinery (Refer Note 2 below)	130.87	-	-	130.87	32.54	7.01	-	39.55	9.88	9.46	-	71.98	88.45
INTANGIBLE ASSETS													
Goodwill	1.22	-	-	1.22	1.22	-	-	1.22	-	-	-	-	-
Right of Use of Land	37.70	-	-	37.70	-	-	-	-	-	-	-	37.70	37.70
Software/Licences	111.09	48.38	-	159.47	49.93	18.97	-	68.90	-	-	-	90.57	61.16
TOTAL	7,665.60	1,503.77	29.50	9,139.87	2,582.20	473.82	15.04	3,040.98	9.88	24.75	-	6,064.26	5,073.52
(Less)/Add: Lease Terminal Adjustment	-	-	-	-	255.45	-	-	255.45	-	-	-	(255.45)	(255.45)
TOTAL	7,665.60	1,503.77	29.50	9,139.87	2,837.65	473.82	15.04	3,296.43	9.88	24.75	-	5,808.81	4,818.07
Capital Work in Progress (Refer Note 3 and 4 below)													
Capital Inventory [net of provision for obsolescence Rs. 8.55 million (Previous year Nil) (Refer Note 5 below)]	7,101.30	689.44	125.14	7,665.60	2,452.23	417.96	32.54	2,837.65	26.94	-	17.06	4,818.07	531.44
TOTAL Previous Year	7,665.60	1,503.77	29.50	9,139.87	2,837.65	473.82	15.04	3,296.43	9.88	24.75	-	7,164.51	6,162.17

NOTES:

- Land includes Leasehold Land Rs. 0.18 million (Previous year Rs. 0.18 million).
- Assets given on Operating lease includes Natural gas fired cogeneration unit at its net realisable value of Rs. 28.54 million (Previous year Rs. 38.00 million) for which agreement to lease has been terminated.
- Capital Work in Progress includes Capital Advances Rs. 49.51 million (Previous year Rs. 49.34 million)
- Capital Work in Progress includes Natural gas fired cogeneration units reclassified from finance lease receivables amounting to Rs. 11.91 million (Previous year Rs. 37.00 million (net of Provision for diminution in value Rs. 37.56 million)) 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. 34.92 million (Previous year Rs. 16.55 million)
- Plant and Machinery includes certain assets at its net realisable value of Rs. 1.92 million (Previous year Nil) which are held for disposal.

SCHEDULES FORMING PART OF BALANCE SHEET (CONSOLIDATED)

	Rs. in million	As at 31-12-2009 Rs. in million	As at 31-12-2008 Rs. in million
SCHEDULE - 5			
INVESTMENTS			
(Refer Note 6 and 28 on Schedule 20)			
A Long Term Investments (At Cost) :			
Equity Shares			
Trade -Unquoted	124.09		124.09
Less : Provision	<u>104.34</u>		<u>104.34</u>
		19.75	19.75
Other than Trade (Quoted)			
11,600 Equity Shares of Rs.10/- each fully paid up (Previous Year 11,600 Equity Shares of Rs.10/- each)			
	0.12		0.12
Less: Provision for diminution in value of Investment	<u>0.12</u>		<u>0.12</u>
		-	-
Long Term Investments (A)		<u>19.75</u>	<u>19.75</u>
B Current Investments :			
(At Cost or Fair Value whichever is lower, determined categorywise)			
Other than Trade (Unquoted)			
Units of Mutual Funds		4,217.82	3,525.87
Current Investment (B)		<u>4,217.82</u>	<u>3,525.87</u>
Total Investment (A+B)		<u>4,237.57</u>	<u>3,545.62</u>
Aggregate cost of Unquoted Investments		<u>4,342.03</u>	<u>3,650.08</u>
SCHEDULE - 6			
INVENTORIES			
(Refer Note 7 on Schedule 20)			
Stores and Pipe Fittings		211.27	177.92
[net of provision for obsolescence Nil (Previous year Rs. 1.32 million)]			
TOTAL		<u>211.27</u>	<u>177.92</u>
SCHEDULE - 7			
LEASE RECEIVABLE			
(Refer Note 35(i) on Schedule 20)			
(Unsecured - considered good, unless otherwise stated)			
Lease Receivable		99.45	139.24
TOTAL		<u>99.45</u>	<u>139.24</u>

SCHEDULES FORMING PART OF BALANCE SHEET (CONSOLIDATED)

	Rs. in million	As at 31-12-2009 Rs. in million	As at 31-12-2008 Rs. in million
SCHEDULE - 8			
SUNDRY DEBTORS			
Secured - Considered Good			
Exceeding Six Months		3.58	7.26
Others		917.34	724.81
Unsecured - Considered Good			
Exceeding Six Months		53.15	0.51
[includes Rs. 45.00 million (Previous year Nil) secured by bank guarantees]			
Others		164.91	227.34
[includes Rs. 105.65 million (Previous year Rs. 150.38 million) secured by bank guarantees]			
Unsecured - Considered Doubtful			
Exceeding Six Months	21.37		27.56
Less: Provision for Doubtful Debt	21.37		27.56
		-	-
TOTAL		1,138.98	959.92
SCHEDULE - 9			
CASH AND BANK BALANCES			
Cash in hand		0.20	0.20
Cheques in hand		9.89	-
Balances with Scheduled Banks:			
- In Current Accounts		62.28	88.25
- In Dividend Accounts		6.27	7.33
- In Fixed Deposit Account*		0.50	128.90
TOTAL		79.14	224.68
* Includes Term Deposit in an Escrow account as stipulated by RBI Rs. 0.5 million (Previous year Rs. 0.5 million)			
SCHEDULE - 10			
LOANS AND ADVANCES			
(Unsecured - considered good, unless otherwise stated)			
Advances recoverable in Cash or in kind or for value to be received		40.78	51.78
Deposit Paid		179.06	128.40
Balance due with statutory authorities		44.11	58.38
Advance payment of tax and tax deducted at source	-		4,537.18
Less: Taxation Provision	-		4,529.58
		-	7.60
TOTAL		263.95	246.16
SCHEDULE - 11			
OTHER CURRENT ASSETS			
(Unsecured - considered good, unless otherwise stated)			
Interest Accrued on Term Deposit with Schedule Bank		0.01	1.60
TOTAL		0.01	1.60

SCHEDULES FORMING PART OF BALANCE SHEET (CONSOLIDATED)

	Rs. in million	As at 31-12-2009 Rs. in million	As at 31-12-2008 Rs. in million
SCHEDULE -12			
CURRENT LIABILITIES AND PROVISIONS			
(A) CURRENT LIABILITIES			
Sundry Creditors			
- Dues to Micro and Small Enterprises (Refer Note 39 on Schedule 20)	13.87		3.39
- Others Creditors	<u>1,799.32</u>		<u>1,661.46</u>
		1,813.19	<u>1,664.85</u>
Deferred Revenue		59.90	62.62
Deposit From Collection Centres and CNG Franchisees		19.49	17.75
Advance From Customers		71.58	144.98
Payable to Retrenched Employees (Refer Note 19 (e) on Schedule 20)		0.68	0.68
Investor Education and Protection Fund			
- Unpaid Dividend		6.27	7.32
- Unpaid Matured Deposits		-	0.02
Other Liabilities		181.10	177.11
		<u>2,152.21</u>	<u>2,075.33</u>
(B) PROVISIONS			
Proposed Dividend		1,210.40	239.59
Gratuity and Leave Encashment (Refer Note 32 on Schedule 20) [Includes Short term benefits Rs. 0.42 million (Previous year Rs. 0.33 million)]		43.74	43.17
Other Provisions (Refer Note 36 on Schedule 20)		51.16	49.34
Provision for Taxation	5,303.21		-
Less: Advance Payment of Tax	<u>5,285.51</u>		-
		17.70	-
Provision for Fringe Benefit Tax	33.67		32.67
Less: Advance Payment of Tax	<u>32.61</u>		30.31
		1.06	2.36
		<u>1,324.06</u>	<u>334.46</u>
TOTAL		<u>3,476.27</u>	<u>2,409.79</u>
SCHEDULE -13			
MISCELLANEOUS EXPENDITURE			
(Refer Note 16 on Schedule 20)			
Deferred Revenue Expenditure			
a) Voluntary Retirement Scheme:			
Opening Balance:	4.56		9.22
Less: Written Off during the year	<u>3.67</u>		<u>4.66</u>
		0.89	4.56
b) SAP Implementation Cost:			
Opening Balance	-		10.34
Less: Written Off during the year	<u>-</u>		<u>10.34</u>
		-	-
TOTAL		<u>0.89</u>	<u>4.56</u>

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT (CONSOLIDATED)

	Rs. in million	Year ended 31-12-2009 Rs. in million	Year ended 31-12-2008 Rs. in million
SCHEDULE - 14			
INCOME FROM OPERATIONS			
(Refer Note 10 on Schedule 20)			
Sales of Natural Gas			
Sales of Natural Gas (Gross)	14,086.18		12,929.35
Less: Excise Duty	217.23		189.93
Sales of Natural Gas (Net)		13,868.95	12,739.42
Service and Fitting Income (Net)		114.32	198.37
Gas Transmission Income		169.46	21.38
Lease Income		24.40	32.61
Income from Finance Leases		19.60	20.75
TOTAL		14,196.73	13,012.53
SCHEDULE - 15			
OTHER INCOME			
Income from Investments (Refer Note 10(i) on Schedule 20)			
Long Term Investments			
Dividend from Trade Investment		2.00	2.00
Current Investments			
Dividend from Mutual Funds		154.51	210.26
Interest on Bank Fixed Deposits		3.10	8.52
[Gross, Tax deducted at source Rs. 0.97 million (Previous year Rs. 1.67 million)]			
Interest on Others (Customer & Staff Advances) (Refer Note 10 (j) on Schedule 20)		18.30	16.43
[Gross, Tax deducted at source Rs. 0.01 million (Previous year Rs. 0.02 million)]			
Interest on Income Tax Refund		4.50	6.06
Profit on Sale of Current Investments	35.43		14.06
Less : Loss on Sale of Current Investments	0.13		0.17
		35.30	13.89
Liabilities no longer required Written Back		13.14	106.37
Foreign Exchange Fluctuations Gain (Net)		0.50	-
Reversal of Impairment Provision		-	17.06
Miscellaneous Income		34.97	31.52
TOTAL		266.32	412.11
SCHEDULE - 16			
PERSONNEL EXPENSES			
(Refer Note 9 on Schedule 20)			
Salaries, Wages and Bonus		383.12	344.21
(Refer Note 32 (iii) on Schedule 20)			
Contribution to Provident and Other Funds		22.98	33.08
(Refer Note 32 (i) & (ii) on Schedule 20)			
Welfare Expenses		44.96	35.12
(Refer Note 31 on Schedule 20)			
TOTAL		451.06	412.41

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNTS (CONSOLIDATED)

	Rs. in million	Year ended 31-12-2009 Rs. in million	Year ended 31-12-2008 Rs. in million
SCHEDULE - 17			
OPERATING AND OTHER EXPENSES			
Stores and Chemicals consumed		26.39	19.07
Power and Fuel		175.27	142.63
Rent		25.73	22.69
Rates and Taxes		8.32	6.27
Repairs:			
- To Buildings	4.52		5.20
- To Plant and Machinery	157.02		126.74
- To Others	72.24		64.88
		233.78	196.82
Insurance		12.60	13.36
Stationery and Printing		9.23	8.67
Advertisement Expenses		14.10	9.07
Communication Expenses		18.33	19.24
Vehicle Hire Charges		33.24	27.00
Travelling Expenses		23.55	38.02
Donation		1.03	3.86
Legal, Professional and Consultancy		104.27	114.18
Loss on Sale of Fixed assets (Net)		9.55	0.82
Bad debts / Advances written off		0.20	-
Wealth Tax (Refer Note 38 on Schedule 20)		0.40	0.40
Other Provision (Refer Note 36 on Schedule 20)		1.82	0.60
Provision for Doubtful Debts		1.09	15.83
Provision for Diminution in the value of Fixed Assets / Capital Work in Progress (Refer Note 40 on Schedule 20)		28.79	101.00
Assets written off		5.36	3.70
Provision / write off for inventory obsolescence		9.52	1.81
Service Charges		73.10	66.81
Foreign Exchange Fluctuations Loss (Net)		-	1.25
Agency & Contract Staff Expenses (including security service charges)		35.57	22.39
Miscellaneous Expenses		64.36	60.64
TOTAL		915.60	896.13
SCHEDULE - 18			
FINANCE CHARGES			
Interest-Others		1.36	1.11
TOTAL		1.36	1.11
SCHEDULE - 19			
TAX EXPENSE			
(Refer Notes 14, 34 and 38 on Schedule 20)			
Current Income Tax		773.23	675.80
Deferred Income Tax		61.87	45.04
Fringe Benefit Tax		1.01	9.42
TOTAL		836.11	730.26

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.

(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 processing fees is recognized at the time of entering in to an agreement with the customer.
- (g) 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.
- (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:

- Claims against the group not acknowledged as debts Rs. 11.15 million (Previous year Rs. 10.79 million).
- Claims of Rs. 25.86 million (Previous year Rs. 23.80 million) against the Group have been disputed by the Group. The Group is, however, indemnified by an insurance policy.
- Income tax exposures of Rs. 308.84 million (Previous year Rs. 270.67 million)

In respect of holding company, Gujarat Gas Company Limited:

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

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

- Includes income tax demand of Rs. 122.38 million (Previous year Rs. 121.30 million) including interest on tax, relating to Assessment Years 1995-96 to 2006-07 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.121.67 million (Previous year Rs.121.30 million). The total tax exposure (though actually paid), net of interest on tax, on account of the above for all the years aggregates to Rs.115.04 million (Previous year Rs.115.04 million). The company's appeals against the above demands are pending with ITAT for Assessment years 1996-97, 1997-98, 1998-99, 1999-00, 2001-02 and 2002-03. For A.Y. 2000-01, 2003-04 and 2004-05 the matter has been decided in the company's favour by the ITAT. The High Court of Gujarat has allowed the company's claim on the same issue for A.Y. 1995-96 and this is likely to have a positive consequential effect on all the subsequent years.

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

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

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

year Rs. 8.67 million). The appeal for A.Y. 2005-06 and A.Y. 2006-07 is pending with CIT (A) and for A.Y. 2003-04 and 2004-05 with ITAT.

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

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

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

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

- ii. Includes income tax demand of Rs. 5.46 million (Previous year Rs. 5.46 million) for the A.Y. 1996-97 on account of disallowance of loss on sale of securities as business loss. The Company preferred an appeal against the above demand and CIT (A) has quashed the demand. However, the Income Tax Department has filed an appeal against the above order.
 - iii. Includes income tax demand of Rs. 14.42 million (Previous year Rs. 14.42 million) for the A.Y. 2001-02 on account of disallowance of claim for bad debts. The Company has paid an amount of Rs. 7.60 million (Previous year Rs. 7.60 million) out of the above demand. Recently the Tribunal has ruled partly in favour of the company by allowing bad debts towards bill discounting transactions. An appeal has been preferred with the High Court against the Tribunal order. Further the Assessing Officer has levied a penalty under section 271(1)(c) of the Income Tax Act 1961, amounting Rs. 10.00 million. The company preferred an appeal against the above demand and the ITAT has decided the matter in favour of the company.
 - iv. Includes income tax demand of Rs. 17.89 million (Previous year Rs. 17.89 million) for the A.Y. 2002-03 on account of disallowance of claim for bad debts (Rs. 14.00 million) and professional expenses (Rs. 0.82 million). The total amount paid by company / adjusted by tax authorities towards above demand aggregates to Rs. 8.83 million (Previous year Rs. 8.83 million). Recently the Tribunal has ruled partly in favour of the company by allowing bad debts towards bill discounting transactions. An appeal has been preferred with the High Court against the Tribunal order. Includes income tax demand of Rs. 2.86 million (Previous year Rs. 2.86 million) for the A.Y. 2003-04 on account of disallowance of claim for bad debts. The company preferred an appeal against the above demand and the CIT (A) has ruled in favour of the company and has quashed the demand. Includes income tax demand of Rs. 0.23 million (Previous year Rs. 0.23 million) for A.Y. 04-05 on account of disallowance of claim for bad debts. The appeal for A.Y. 2003-04 and A.Y 2004-05 is pending with the ITAT.
 - v. Includes income tax demand of Rs. 20.14 million (Previous year Rs. 20.14 million) for the assessment year 2006-07 on account of disallowance of service charges paid to GGCL and inventory written off during the year. The total amount paid by company / adjusted by tax authorities towards above demand aggregates to Rs. 18.28 million (Previous year Nil). The CIT (A) has decided the appeal partly in our favour by allowing the service charges as deductible business expenditure.
 - vi. Includes income tax demand of Rs. 25.35 million for the assessment year 2007-08 on account of disallowance of service charges paid to GGCL. The company has preferred an appeal before the CIT (A) against the said order.
- (d) Interest tax exposures of Rs. 4.15 million (Previous year Rs. 4.15 million). The interest tax authorities in the assessment contented that the activities of the Company are chargeable to interest tax and raised a total demand of Rs. 56.40 million for the Assessment Years 1995-96 to 2000-01. The Company had filed an appeal against the above demands and CIT (A) ruled in favour of the Company for the Assessment Years 1995-96, 1996-97, 1997-98, 1998-99 and 2000-01 and quashed the demands for these years aggregating to Rs. 50.27 million. However for A.Y.1999-2000, CIT (A) ruled against the company and raised a demand of Rs. 4.15 million. The Company has paid an amount of Rs. 1.25 million (Previous year Rs.1.25 million) out of the above demand. Recently 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 A.Y.1999-2000 under section 13 of the Interest Tax Act 1974, amounting Rs. 1.98 million. The Company preferred an appeal against the above demand and CIT (A) ruled in favour of the Company and quashed the penalty demand. The appeal is pending with the ITAT.

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

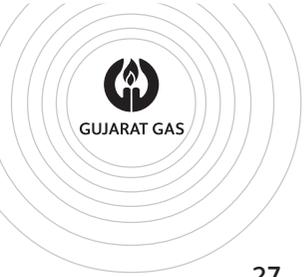
- (e) The Company had retrenched 8 employees in the year 2002 under the provisions of The Industrial Disputes Act, 1949. The employees had filed an appeal against the above retrenchment in a labour court. The Company had reached a settlement with two of the above employees and had provided for Rs. 0.68 million (Previous year Rs. 0.68 million), being the compensation payable to the remaining employees under The Industrial Disputes Act, 1949. Any additional amount due to the employees will be determined based on decision by the labour court and hence amount payable ultimately cannot be ascertained at this stage.
20. Estimated amount of contracts net of advances remaining to be executed on capital account and not provided for Rs.125.48 million (Previous year Rs. 29.36 million).
21. The Group had constructed a civil structure aggregating to Rs.19.04 million (Previous year Rs. 19.04 million) on land which is not yet owned by the Group. The management is confident of obtaining the requisite approvals of the Government Authorities for transfer of ownership of land.
22. **Material consumed includes:**
- (a) Rs. 30.30 million (Previous year Rs. 35.76 million) towards Internal consumption of Gas.
- (b) Gain of Rs. 21.82 million (Previous year loss of Rs. 60.88 million) as foreign exchange fluctuations.
23. **Obligations on Operating Leases:**
- The group has taken premises for office and residential use for its employees under cancellable operating lease agreements. The total lease rentals recognized as an expense during the year under the above lease agreements aggregates to Rs. 7.69 million (Previous year Rs. 4.63 million). The lease agreement typically ranges from 1 to 3 years.
24. Deposits from customers have been considered as a source of long term funds since the same are refundable only on termination/modification of the gas sale agreement.
25. The undertakings which have been consolidated in these financial statements are as follows:

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

26. **Minority Interest:**

Minority Interest of Rs. 51.72 million as at December 31, 2009 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, 2009 (Rs. in million)	Year ended December 31, 2008 (Rs. in million)
Opening balance	44.22	36.95
Add: Share in Current Year Profit	8.56	8.68
Less: Share in Proposed Dividend and Corporate Dividend Tax	1.06	1.41
Closing Balance	51.72	44.22



27. Earnings per share:

	Year ended December 31, 2009	Year ended December 31, 2008
Net Profit after tax attributable to the Group (Rs. in million)	1,741.67	1,606.49
Less: Preference Dividend and corporate dividend tax on preference dividend	12.59	12.64
Net Profit attributable to Equity Shareholders (Rs. in million)	1,729.08	1,593.85
Weighted average number of equity shares outstanding during the year (No. in million)	128.25	64.13
Basic earnings per share of Rs 2/- each (in Rs.)	13.48	12.43

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.

During the current year, the company issued bonus equity shares in the ratio of one equity share of the Company of Rs. 2/- each for every one equity share held by the equity shareholders of the Company.

Consequently, as per the requirements of Accounting Standard - 20, Earnings Per Share, the number of equity shares used for computation of earnings per share has been adjusted for Previous year presented above.

- 28.** 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.
- 29.** The Company is procuring natural gas from one of the suppliers on the basis of a Term Sheet agreed with the supplier effective April 1, 2008. Under the terms of the agreement with the supplier, the Term Sheet shall be superseded by a Gas Sales and Transmission Contract (GSTC) as and when the same is finalised. The GSTC would be effective from April 1, 2008. Pending the finalisation of the GSTC, the gas procurement cost is being recorded in the books of account on the basis of the terms provided in the Term Sheet.

30. Segmental Reporting:

The Group'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 and leasing of natural gas fired Cogeneration units, the income from which is not material in financial terms.

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

31. Employee Stock Option Plan 2008:

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

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

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

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

Details of movement under the Stock option plan for the year ended December 31, 2009 is as follows:

	Year ended December 31, 2009		Year ended December 31, 2008	
	Number of options	Weighted average exercise price (in Rs.)	Number of options	Weighted average exercise price (in Rs.)
Options outstanding at the beginning of the year	740,000	189	-	-
Options granted during the year	170,000	233	740,000	189
Options forfeited during the period prior to issuance of bonus shares (refer note below)	58,500	198	-	-
Options expired during the period	-	-	-	-
Options exercised during the period	-	-	-	-
Options outstanding before issuance of bonus shares (refer note below)	851,500	197	-	-
Increase in options on account of bonus issue	851,500	-	-	-
Less: Options forfeited during the period after issuance of bonus shares	40,000	97	-	-
Options outstanding at end of the year	1,663,000	99	740,000	189

Note:

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

The employee share based payment plans have been accounted based on the Fair value method of accounting using the Black-Scholes Option Pricing Formula. The weighted average fair value of options granted on 11th May 2009 is Rs 83.94 and those granted on 1st August 2009 is Rs. 88.48 per option. The weighted average balance life of options outstanding as on December 31, 2009 is 1.93 years (Previous year 2.83 years).

In accordance with Guidance Note on Accounting for Employee Share-based Payments issued by Institute of Chartered Accountants of India and SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 issued by Securities Exchange Board of India, an amount of Rs.18.41 million (Previous year Rs. 2.88 million) has been recognised as an expense in Welfare Expenses (Schedule 16) and corresponding liability has been disclosed as Stock Options Outstanding Account (Schedule 2). Further the company has made a partial advance of Rs. 243.00 million (Previous year Rs.10.50 million) on an estimated basis for the purchase of shares equivalent to the number of options granted which is utilized for the purpose.

32 Disclosures as per AS - 15 (Revised) 'Employee Benefits' for year ended December 31, 2009:
(Rs. in million)

	Year ended December 31, 2009	Year ended December 31, 2008
(i) Disclosures for Defined Contribution Plans		
Employer's contribution to Provident Fund	17.65	14.43
(ii) Disclosures for Defined Benefit Plans - Gratuity (Funded)		
<u>Change in the defined benefit obligations</u>		
Defined benefit obligation as at beginning of the year	52.87	38.54
Service cost	5.92	5.33
Interest cost	4.36	2.89
Actuarial loss/(gain)	3.50	8.14
Benefits paid	<u>(1.15)</u>	<u>(2.03)</u>
Defined benefit obligation as at year end	65.50	52.87
<u>Change in plan assets</u>		
Fair value of plan assets as at beginning of the year	37.29	32.64
Expected return on plan assets	4.16	3.32
Contributions by employer	10.53	8.96
Actuarial (loss)/gain	4.30	(5.60)
Benefits paid	<u>(1.15)</u>	<u>(2.03)</u>
Fair value of plan assets as at year end	55.13	37.29
Present value of unfunded obligations	10.37	15.58
The Net amount recognized in the statement of Profit & Loss is as follows		
Current Service cost	5.92	5.33
Interest cost	4.36	2.89
Expected return on plan assets	(4.16)	(3.32)
Net actuarial loss/(gain) recognised	<u>(0.79)</u>	<u>13.75</u>
Net amount recognised	5.33	18.65
Actual return on Plan Assets	8.46	(2.28)
The major categories of plan assets as a percentage of total plan assets as at year end are as follows:		
Government of India Securities	2%	4%
Insurer Managed Funds	98%	96%
The principal actuarial assumptions used are as follows		
Discount Rate	8.25%	7.50%
Expected rate of return on Plan Assets	9.00%	9.50%
Rate of increase in Compensation Levels (Refer Note below)	7.00%	7.00%

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

	(Rs. in million)	
	Year ended December 31, 2009	Year ended December 31, 2008
(iii) Disclosures for Defined Benefit Plans - Leave Encashment (Unfunded)		
Change in the defined benefit obligations		
Defined benefit obligation as at beginning of the year	27.27	22.66
Service cost	2.27	2.05
Interest cost	2.25	1.70
Actuarial loss/(gain)	2.11	2.43
Benefits paid	<u>(0.94)</u>	<u>(1.57)</u>
Defined benefit obligation as at year end	<u>32.96</u>	<u>27.27</u>
The Net amount recognized in the statement of Profit & Loss is as follows		
Current Service cost	2.27	2.05
Interest cost	2.25	1.70
Net actuarial loss/(gain) recognised	<u>2.11</u>	<u>2.43</u>
Net amount recognised	<u>6.63</u>	<u>6.18</u>
The principal actuarial assumptions used are as follows		
Discount Rate	8.25%	7.50%
Rate of increase in Compensation Levels (Refer Note below)	7.00%	7.00%

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

33. Related Party Transactions :

The Group 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 million)	
			Year ended December 31, 2009	Year ended December 31, 2008
BG International Limited	Under common control	Reimbursement of salary for seconded personnel (Paid) (including Tax Deducted at Source)	34.57	28.54
		Reimbursement of Software License	35.34	-
		Amount payable at the year end	114.21	93.39
BG Asia Pacific Holdings Pte. Limited	Holding company	Dividend paid - Equity	125.27	125.27
		- Preference	10.80	10.80
		- Issuance of bonus shares	83.52	-
		Share Capital held - Equity	167.03	83.52
		- Preference	144.00	144.00
Sensus Metering Systems India Limited	Joint Venture	Investment at year end	39.09	39.09
		Provision for diminution in value of investment	29.34	29.34
British Gas Energy Holding Limited	Under common control	Commission on purchases	4.00	3.49
		Commission on corporate guarantee given to supplier	6.14	8.22
		Amount payable at year end	7.74	9.43
Petroleum Infrastructure Limited	Joint Venture	Bad debts recovered	1.80	-
		Investment at year end	75.00	75.00
		Provision for diminution in value of investment	75.00	75.00
		Amount receivable at year end	-	0.12
Mahanagar Gas Limited	Under common control	Provision no longer required written back	1.71	-
		Provision for Doubtful Debts against amount receivable	-	7.14
		Amount receivable at the year end	-	7.14

Name of the Related Party	Nature of Relationship	Nature of Transaction	Amount (Rs. in million)	
			Year ended December 31, 2009	Year ended December 31, 2008
BG India Energy Private Limited	Under common control	Income:		
		Reimbursement of Expenses (received)	-	0.40
		Expense:		
		Legal and Professional	1.74	-
		Reimbursement of Expenses (Paid)	0.34	0.25
		Fixed Asset purchased	-	0.01
		Amount receivable at the year end	-	0.52
Amount payable at the year end	1.31	-		
BG India Energy Solutions Pvt. Limited	Under common control	Purchase of Natural Gas (Net of VAT)	176.99	-
BG Exploration and Production India Limited	Under common control	Income:		
		Service charges for secondment of employees	3.47	3.00
		Reimbursement of Expenses (Received)	2.03	1.20
		Expenses:		
		Legal and Professional	53.12	35.23
		Reimbursement of Expenses (Paid)	1.85	-
		Purchase of material	-	29.17
Amount payable at the year end	50.90	65.00		
Panna Mukta Tapi	Under common control	Purchase of Natural Gas	-	1,407.03
Shaleen Sharma	Key Management Personnel	Remuneration as Managing Director	15.27	11.55
Nirja Sharma	Relative of Key Management Personnel	Lease Rent paid	0.39	0.34
Gujarat Gas Company Limited Employee Stock Option Welfare Trust	Enterprise controlled by the Company	Advance paid for purchase of shares	232.50	10.50
		Amount Receivable at the year end	243.00	10.50
Gujarat Gas Company Limited Employees Gratuity Trust Fund	Enterprise controlled by the Company	Contribution paid	10.54	8.96

	Year ended December 31, 2009 (Rs. in million)	Year ended December 31, 2008 (Rs. in million)
34. Deferred Tax :		
(A) The movement in deferred tax account is as follows:		
Opening Balance	498.39	453.35
Provision for current year deferred tax asset/(liability) (Net)	61.87	45.04
Closing Balance	560.26	498.39
(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	687.66	593.67
Deferred Tax Assets	(127.40)	(95.28)
	560.26	498.39
(C) Break up of deferred tax assets/liabilities:		
Deferred Tax Liabilities:		
Tax impact of difference between carrying amount of fixed assets in the financial statements and the income tax return	687.66	593.67
TOTAL (A)	687.66	593.67
Deferred Tax Assets:		
Provision for doubtful debts	7.27	9.37
Expenditure under section 43B of the Income Tax Act	38.24	12.31
Provision for diminution of investment	6.37	6.37
Other Provision	17.39	16.77
Provision for diminution in value of		
Fixed assets / Capital Work in Progress	58.13	50.46
TOTAL (B)	127.40	95.28
Net Deferred Tax Liability	560.26	498.39
TOTAL (A-B)	560.26	498.39

GUJARAT GAS COMPANY LIMITED (CONSOLIDATED)
35. Assets given on lease:

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

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

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

	Year ended December 31, 2009				Year ended December 31, 2008			
	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
Total	134.70	30.94	4.40	99.36	209.74	63.93	6.57	139.24
Out of the above, receivable:								
Not Later than 1 year	42.63	-	-	28.58	48.70	-	-	25.67
Later than 1 year and not later than 5 years	92.07	-	-	70.78	159.52	-	-	112.14
Later than 5 years	-	-	-	-	1.52	-	-	1.43

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, 2009 Rs. in million	Year ended December 31, 2008 Rs. in million
36. Pursuant to AS 29 - The Disclosure relating to Provisions are given below:		
Opening Balance	49.35	48.75
Additions during the Year	<u>1.82</u>	<u>0.60</u>
Closing Balance	<u>51.17</u>	<u>49.35</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.

37. Managerial Remuneration

i) Managing Director		
- Salary and Bonus	11.88	9.23
- Allowances	1.03	0.65
- Perquisites	1.17	0.66
- P.F. and Gratuity	<u>1.19</u>	<u>1.01</u>
	15.27	11.55
ii) Commission to Non Whole Time Directors	2.10	2.25
iii) Directors' Sitting Fees	1.06	0.81

38. The provision for income tax has been calculated based on income earned during the year ended December 31, 2009 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, 2010 the ultimate liability for the Assessment Year 2010-11 will be determined based on the total income of the Company for the year ending March 31, 2010. The provision for wealth tax has been made based on the net wealth as on December 31, 2009. However the ultimate liability for the Assessment Year 2010-11 will be determined based on the net wealth as on March 31, 2010.

39. Disclosures required for Small Enterprises and Micro Enterprises for year ended December 31, 2009

(Rs. in million)

Particulars	Year ended December 31, 2009	Year ended December 31, 2008
The principal amount remaining unpaid as at the end of accounting year [including Interest due thereon - Nil (Previous year - Nil)]	13.90	3.39
Interest paid by the company in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during accounting year	Nil*	Nil
Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006	Nil	Nil
Interest accrued and remaining unpaid at the end of accounting year	0.03	Nil
Further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006	0.02	Nil

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

40. Capital Work in Progress includes investment of Rs. 254.90 million (Previous year Rs. 254.90 million) for setting up a City Gas Distribution (CGD) network in Valsad and Navsari district, Union Territories of Silvassa and Daman which has not yet commenced operations. The Company is exploring options of utilising this investment. However, considering the uncertainty involved in the utilisation of this network, the Company, based on engineering estimates, has made a provision of Rs. 105.04 million (Previous year Rs. 101.00 million) to bring the carrying value of the investment to its expected recoverable amount.
41. In view of the general clarification issued by the Institute of Chartered Accountants of India on Accounting Standard 21 "Consolidated Financial Statements", the consolidated financial statements do not include notes such as quantitative information, forex earnings/expense etc. which are not necessary to present true and fair view of the financial statements.
42. Previous year figures have been reclassified/regrouped wherever considered necessary to conform to the current year figures.

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, 2009, 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, 2009 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, 2009;
 - ii) in case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

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

V. Nijhawan
Membership Number: F87228
Partner

Place : Ahmedabad
Date : March 4, 2010

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, 2009]

- 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, the particulars of dues of income tax as at December 31, 2009 which have not been deposited on account of dispute are as follows:

Name of the statute	Nature of Dues	Amount (Rs. in million)	Period to which the amount relates	Forum where the dispute is pending
Income Tax Act, 1961	Corporate Tax	11.88	Assessment Year 2006-07	Commissioner of Income Tax (Appeals)

There are no dues of wealth tax, service tax, custom 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, 2009 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
- xi) According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
- xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) The provision of any special statute applicable to chit fund/ nidhi/ mutual benefit fund/ societies are not applicable to the Company.
- xiv) In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
- xv) In our opinion and according to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
- xvi) During the year, the company has not obtained any term loans.
- xvii) On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
- xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
- xix) The Company has not issued any debentures during the year and there are no debentures outstanding as at the year end.
- xx) The Company has not raised any money by public issues during the year.
- xxi) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

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

V. Nijhawan
Membership Number: F87228
Partner

Place : Ahmedabad
Date : March 4, 2010

BALANCE SHEET AS AT DECEMBER 31, 2009

	Schedule	Rs. in million	As at 31-12-2009 Rs. in million	As at 31-12-2008 Rs. in million
SOURCES OF FUNDS				
SHAREHOLDER'S FUNDS				
Share Capital	1	400.50		272.25
Stock Options Outstanding Account	2	21.29		2.88
Reserves and Surplus	3	7,123.63		6,709.63
			7,545.42	6,984.76
DEFERRED TAX LIABILITY (Net) (Refer Notes 12 and 29 on Schedule 19)			604.86	530.06
DEPOSITS (Refer Note 20 on Schedule 19)				
From Customers		1,514.81		1,235.00
From GAIL (India) Limited		38.69		38.69
			1,553.50	1,273.69
TOTAL			9,703.78	8,788.51
APPLICATION OF FUNDS				
FIXED ASSETS				
Gross Block	4	8,580.93		7,084.50
Less : Depreciation		2,686.46		2,240.88
Less : Impairment Loss		34.63		9.88
		5,859.84		4,833.74
Less : Lease Terminal Adjustment Account		118.86		118.86
Net Block		5,740.98		4,714.88
Capital work in progress		865.73		812.66
Capital Inventory		489.96		531.44
			7,096.67	6,058.98
INVESTMENTS	5		4,121.54	3,456.20
AMOUNT RECOVERABLE FROM ESOP TRUST (Refer Note 26 on Schedule 19)			243.00	10.50
CURRENT ASSETS, LOANS AND ADVANCES				
Inventories	6	110.92		101.30
Lease Receivables	7	99.45		139.24
Sundry Debtors	8	1,138.98		959.67
Cash and Bank Balances	9	72.16		68.46
Loans and Advances	10	266.22		233.35
		1,687.73		1,502.02
LESS: CURRENT LIABILITIES AND PROVISIONS	11			
Current Liabilities		2,116.65		1,896.76
Provisions		1,329.40		346.99
		3,446.05		2,243.75
NET CURRENT ASSETS			(1,758.32)	(741.73)
MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)	12		0.89	4.56
TOTAL			9,703.78	8,788.51
Significant Accounting Policies and Notes to Accounts 19				

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

For and on behalf of

**PRICE WATERHOUSE
CHARTERED ACCOUNTANTS**

V. Nijhawan

Membership No. F87228
Partner

Place : Ahmedabad

Date : March 04, 2010

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

For and on behalf of the Board

Hasmukh Shah
Chairman

Shaleen Sharma
Managing Director

Jal Patel Sugata Sircar
Director Finance Director

Rajeshwari Sharma
Company Secretary

Place : Ahmedabad

Date : March 04, 2010

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2009

	Schedule	Rs. in million	Year ended 31-12-2009 Rs. in million	Year ended 31-12-2008 Rs. in million
INCOME:				
Income from Operations (Gross)	13	14,393.61		13,154.60
Less: Excise Duty on Gas Sales		217.22		189.93
Income from Operations (Net)		14,176.39		12,964.67
Other Income	14	253.20		393.04
			14,429.59	13,357.71
EXPENDITURE :				
Material consumed / processed (Refer Note 19 and 25 on Schedule 19)		10,032.06		9,337.84
Personnel Expenses	15	447.97		409.82
Operating and Other Expenses	16	910.35		883.06
Depreciation		460.63		404.36
Finance Charges	17	1.36		1.11
Deferred Revenue Expenditure Written off		3.67		15.00
			11,856.04	11,051.19
Profit before Taxes			2,573.55	2,306.52
Tax Expense	18		822.30	718.40
Profit after Taxes			1,751.25	1,588.12
Profit brought forward			4,949.01	3,758.60
Profit available for Appropriations			6,700.26	5,346.72
APPROPRIATIONS:				
Proposed Dividend				
- Preference Shares			10.80	10.80
- Equity Shares			1,026.00	192.38
Corporate Dividend Tax			172.20	34.53
Transfer to General Reserve			176.00	160.00
Profit Carried Forward			5,315.26	4,949.01
			6,700.26	5,346.72
Basic/ Diluted Earnings per Share (Rs.) (Refer Notes 11 and 22 on Schedule 19)			13.56	12.28
Significant Accounting Policies and Notes to Accounts	19			

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

For and on behalf of

**PRICE WATERHOUSE
CHARTERED ACCOUNTANTS**

V. Nijhawan

Membership No. F87228
Partner

Place : Ahmedabad

Date : March 04, 2010

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

For and on behalf of the Board

Hasmukh Shah
Chairman

Shaleen Sharma
Managing Director

Jal Patel Sugata Sircar
Director Finance Director

Rajeshwari Sharma
Company Secretary

Place : Ahmedabad

Date : March 04, 2010

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2009

	Year ended 31-12-2009 Rs. in million	Year ended 31-12-2008 Rs. in million
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Tax	2,573.55	2,306.52
Adjustments for:		
Depreciation for the year	460.63	404.36
Provision for Gratuity	5.20	18.47
Provision for Leave Encashment	6.65	6.09
Provision for Diminution in the value of Fixed Assets / Capital Work in Progress	28.79	101.00
(Profit)/ Loss on sale of Fixed Assets (Net)	9.55	0.82
Provision for Doubtful Debts	1.09	15.83
Provision for Stock Options Account	18.41	2.88
Provision for Wealth Tax	0.40	0.40
Other Provisions	1.82	0.60
Bad Debts written off	0.20	-
Fixed assets written off	5.36	3.70
Inventory written off	9.51	1.32
Deferred Revenue Expenditure written off	3.67	15.00
Interest Expense	1.36	1.11
(Profit) / Loss on sale of investment (Net)	(35.30)	(13.88)
Liabilities no longer required Written Back	(13.03)	(106.26)
Reversal of Impairment Provision	-	(17.06)
Dividend Income	(154.18)	(208.61)
Interest Income	(19.85)	(17.51)
Operating Profit before working capital changes	2,903.83	2,514.78
Adjustments for changes in working capital		
(Increase)/Decrease in Sundry Debtors	(180.60)	(99.94)
(Increase)/Decrease in Amount Recoverable from ESOP trust	(232.50)	(10.50)
(Increase)/Decrease in Loan and Advances	(5.17)	(16.35)
(Increase)/Decrease in Inventories	(10.58)	8.97
Increase/(Decrease) in Current Liabilities	221.54	158.11
Cash generated from operations	2,696.52	2,555.07
Taxes paid (Net of refunds)	(766.78)	(578.92)
Net Cash from Operating Activities	1,929.74	1,976.15
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(1,575.21)	(987.00)
Sale of Fixed Assets	36.54	88.10
Purchase of Investments	(14,177.08)	(12,829.26)
Sale of Investments	13,547.04	11,679.66
Net investment in Finance Lease (Net of Capital Recovery)	27.90	(78.06)
Interest received	19.85	17.51
Dividends received	154.18	208.61
Net Cash used in Investing Activities	(1,966.78)	(1,900.44)

C. CASH FLOW FROM FINANCING ACTIVITIES

Deposits accepted during the year (Net)

Interest Paid

Dividend Paid (including Corporate Dividend Tax)

Net Cash generated from/(used in) Financing Activities
NET INCREASE IN CASH AND CASH EQUIVALENTS
Cash and Cash Equivalents at the beginning of the year
Cash and Cash Equivalents at the end of the year
Closing Cash and Cash Equivalents comprise:

Cash in hand

Cheques in hand

Balances with Scheduled Banks :

- In Current accounts

- In Dividend Accounts

Total Cash and Cash Equivalents as per Cash Flow statement

Year ended 31-12-2009 Rs. in million	Year ended 31-12-2008 Rs. in million
279.81	154.43
(1.36)	(1.11)
(237.71)	(237.71)
40.74	(84.39)
3.70	(8.68)
68.46	77.14
72.16	68.46
0.18	0.19
9.89	-
56.24	61.14
5.85	7.13
72.16	68.46

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.
- 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 brackets indicate Cash outflow.

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

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

For and on behalf of the Board

 Hasmukh Shah
 Chairman

 Shaleen Sharma
 Managing Director

V. Nijhawan
 Membership No. F87228
 Partner

 Jal Patel Sugata Sircar
 Director Finance Director

 Rajeshwari Sharma
 Company Secretary

 Place : Ahmedabad
 Date : March 04, 2010

 Place : Ahmedabad
 Date : March 04, 2010

SCHEDULES FORMING PART OF BALANCE SHEET

	As at 31-12-2009 Rs. in million	As at 31-12-2008 Rs. in million
SCHEDULE - 1		
SHARE CAPITAL		
Authorised		
140,000,000 (Previous year 140,000,000) Equity Shares of Rs. 2/- each	280.00	280.00
17,000,000 (Previous year 17,000,000) 7.5% Redeemable Preference Shares of Rs.10/- each	170.00	170.00
TOTAL	450.00	450.00
Issued, Subscribed and Paid up		
128,250,000 (Previous year 64,125,000) Equity Shares of Rs. 2/- each fully paid-up [Out of the above 83,518,750 (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.] [Out of the above 64,125,000 (Previous year Nil) equity shares allotted as fully paid-up by way of bonus shares during the year]	256.50	128.25
14,400,000 (Previous year 14,400,000) 7.5% Redeemable Cumulative Non Convertible Preference Shares of Rs.10/- each fully paid up, issued to holding company BG Asia Pacific Holdings Pte. Limited	144.00	144.00
TOTAL	400.50	272.25
SCHEDULE - 2		
STOCK OPTIONS OUTSTANDING ACCOUNT (Refer Note 26 on Schedule 19)		
Stock Options Outstanding Account	57.62	48.77
Less : Deferred Stock Option Outstanding Account	36.33	45.89
TOTAL	21.29	2.88
SCHEDULE - 3		
RESERVES AND SURPLUS		
GENERAL RESERVE		
As per last Balance Sheet	1,760.62	1,600.62
Add : Transferred from Profit and Loss Account	176.00	160.00
Less : Transfer to Share Capital on issuance of Bonus shares (Refer Note 22 on Schedule 19)	128.25	-
	1,808.37	1,760.62
PROFIT AND LOSS ACCOUNT	5,315.26	4,949.01
TOTAL	7,123.63	6,709.63

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

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

(Rs. in million)

Particulars	GROSS BLOCK			DEPRECIATION			IMPAIRMENT LOSS			NET BLOCK	
	As at 01-01-2009	Additions For the year	Deduction/ Adjustments For the year	As at 01-01-2009	For the year	Deduction/ Adjustments For the year	As at 01-01-2009	For the year	Adjustments/ Reversals	As at 31-12-2009	As at 31-12-2008
Tangible Assets:											
Land (Refer Note 1 below)	44.27	298.87	-	343.14	-	-	-	-	-	343.14	44.27
Buildings	285.90	35.50	-	321.40	44.54	6.42	-	-	-	270.44	241.36
Plant and Machinery (Refer Note 6 below)	6,045.02	1,117.96	11.41	7,151.57	1,976.82	413.78	5.19	15.29	-	4,750.87	4,068.20
Furniture, Fixtures and Fittings	60.26	9.12	5.70	63.68	25.38	4.24	4.59	-	-	38.65	34.88
Vehicles	89.76	16.10	12.39	93.47	25.84	10.21	5.27	-	-	62.69	63.92
Assets given on Finance Lease (Prior to April 1, 2001)											
Plant and Machinery	279.63	-	-	279.63	85.83	-	-	-	-	193.80	193.80
Asset given on Operating Lease (After April 1, 2001)											
Plant and Machinery (Refer Note 2 below)	130.87	-	-	130.87	32.54	7.01	-	9.46	-	71.98	88.45
Intangible Assets:											
Software/License	111.09	48.38	-	159.47	49.93	18.97	-	-	-	90.57	61.16
Right of use of Land	37.70	-	-	37.70	-	-	-	-	-	37.70	37.70
(Less)/Add:											
Lease Terminal Adjustment	-	-	-	-	118.86	-	-	-	-	(118.86)	(118.86)
TOTAL	7,084.50	1,525.93	29.50	8,580.93	2,240.88	460.63	15.05	24.75	-	5,859.84	4,833.74
Capital Work in Progress (Refer Notes 3 and 4 below)											
Capital Inventory [Net of provision for obsolescence Rs. 8.5 million (previous year Nil)] (Refer Note 5 below)											
TOTAL	7,084.50	1,525.93	29.50	8,580.93	2,359.74	460.63	15.05	24.75	-	7,096.67	6,058.98
Previous Year	6,520.20	689.44	125.14	7,084.50	1,987.90	404.36	26.94	-	17.06	4,714.88	4,068.20

NOTES :

- Land includes Leasehold Land Rs. 0.18 million (Previous year Rs. 0.18 million).
- Assets given on Operating lease includes Natural gas fired cogeneration unit at its net realisable value of Rs. 28.54 million (Previous year Rs. 38.00 million) for which agreement to lease has been terminated.
- Capital Work in Progress includes Capital Advances Rs. 49.51 million (Previous year Rs. 49.34 million)
- Capital Work in Progress includes Natural gas fired cogeneration units reclassified from finance lease receivables amounting to Rs. 11.91 million [Previous year Rs. 37.00 million (net of Provision for diminution in value Rs. 37.56 million)] 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. 34.92 million (Previous year Rs. 16.55 million)
- Plant and Machinery includes certain assets at its net realisable value of Rs. 1.92 million (Previous year Nil) which are held for disposal

SCHEDULES FORMING PART OF BALANCE SHEET

	Rs. in million	As at 31-12-2009 Rs. in million	As at 31-12-2008 Rs. in million
SCHEDULE - 5			
INVESTMENTS			
(Refer Notes 4, 24 and 30 on Schedule 19)			
A Long Term Investments :			
(At Cost)			
Equity Shares			
Trade -Unquoted	139.36		139.36
Less: Provision	104.34		104.34
Long Term Investments (A)		35.02	35.02
B Current Investments :			
(At Cost or Fair Value whichever is lower, determined categorywise)			
Other than Trade (Unquoted)			
Units of Mutual Funds		4,086.52	3,421.18
Current Investment (B)		4,086.52	3,421.18
Total Investment (A+B)		4,121.54	3,456.20
Aggregate cost of Unquoted Investments		4,225.88	3,560.54
SCHEDULE - 6			
INVENTORIES			
(Refer Note 5 on Schedule 19)			
Stores and Pipe Fittings		110.92	101.30
[net of provision for obsolescence Nil (Previous year Rs. 1.32 million)]			
TOTAL		110.92	101.30
SCHEDULE - 7			
LEASE RECEIVABLES			
(Refer Note 31 (i) on Schedule 19)			
(Unsecured - considered good, unless otherwise stated)			
Lease Receivables		99.45	139.24
TOTAL		99.45	139.24
SCHEDULE - 8			
SUNDRY DEBTORS			
Secured - Considered Good			
Exceeding Six Months		3.58	7.26
Others		917.34	724.81
Unsecured - Considered Good			
Exceeding Six Months		53.15	0.51
[includes Rs. 45.00 million (Previous year Nil) secured by bank guarantees]			
Others		164.91	227.09
[includes Rs. 105.65 million (Previous year Rs. 150.38 million) secured by bank guarantees]			
Unsecured - Considered Doubtful			
Exceeding Six Months	21.26		27.35
Less: Provision for Doubtful Debt	21.26		27.35
TOTAL		1,138.98	959.67

SCHEDULES FORMING PART OF BALANCE SHEET

	Rs. in million	As at 31-12-2009 Rs. in million	As at 31-12-2008 Rs. in million
SCHEDULE - 9			
CASH AND BANK BALANCES			
Cash in hand		0.18	0.19
Cheques in hand		9.89	-
Balances with Scheduled Banks :			
- In Current Accounts		56.24	61.14
- In Dividend Accounts		5.85	7.13
TOTAL		72.16	68.46
SCHEDULE - 10			
LOANS AND ADVANCES			
(Unsecured - considered good, unless otherwise stated)			
Advances to Subsidiaries		-	22.15
Advances recoverable in Cash or in kind or for value to be received		59.92	41.50
Deposit Paid		179.05	128.40
Balance due with Government Authorities		27.25	41.30
TOTAL		266.22	233.35
SCHEDULE - 11			
CURRENT LIABILITIES AND PROVISIONS			
(A) CURRENT LIABILITIES			
Sundry Creditors			
- Dues to Micro and Small Enterprises (Refer Note 44 on Schedule 19)	9.77		3.39
- Other Creditors	<u>1,537.09</u>		<u>1,537.59</u>
Deferred Revenue		1,546.86	1,540.98
(Refer Note 8(c) on Schedule 19)		59.90	62.62
Deposit From Collection Centres and CNG Franchisees		19.50	17.75
Advance From Customers		38.57	36.34
Due to Subsidiaries		273.90	62.83
Investor Education and Protection Fund			
- Unpaid Dividend		5.85	7.13
Other Liabilities		172.07	169.11
		<u>2,116.65</u>	<u>1,896.76</u>
(B) PROVISIONS			
Proposed Dividend		1,209.00	237.70
[Including Corporate Dividend tax Rs. 172.20 million (Previous Year Rs. 34.53 million)]			
Gratuity and Leave encashment		42.76	42.30
[Includes short term employee benefit Rs. 0.42 million (Previous Year Rs. 0.33 million)]			
(Refer Note 27 on Schedule 19)			
Other Provisions		51.16	49.34
(Refer Note 32 on Schedule 19)			
Provision for Taxation	4,925.88		4,178.98
Less: Advance payment of tax and tax deducted at source	<u>4,900.44</u>		<u>4,163.67</u>
		25.44	15.31
Provision for Fringe Benefit Tax	33.60		32.60
Less: Advance Payment of Tax	<u>32.56</u>		<u>30.26</u>
		1.04	2.34
TOTAL		1,329.40	346.99
		3,446.05	2,243.75

SCHEDULES FORMING PART OF BALANCE SHEET

	Rs. in million	As at 31-12-2009 Rs. in million	As at 31-12-2008 Rs. in million
SCHEDULE - 12			
MISCELLANEOUS EXPENDITURE			
(Refer Note 14 on Schedule 19)			
Deferred Revenue Expenditure			
a) Voluntary Retirement Scheme:			
Opening Balance	4.56		9.22
Less: Written Off during the year	3.67		4.66
		0.89	4.56
b) SAP Implementation Cost			
Opening Balance	-		10.34
Less: Written Off during the year	-		10.34
		-	-
TOTAL		0.89	4.56

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

	Rs. in million	Year ended 31-12-2009 Rs. in million	Year ended 31-12-2008 Rs. in million
SCHEDULE - 13			
INCOME FROM OPERATIONS			
(Refer Note 8 on Schedule 19)			
Natural Gas Sales (Gross)		14,086.18	12,929.35
Gas Transmission Income		169.46	21.38
Service and Fitting Income (Net)		93.98	150.51
Lease Income		24.40	32.61
Income from Finance Leases		19.59	20.75
TOTAL		14,393.61	13,154.60
SCHEDULE - 14			
OTHER INCOME			
Income from Investments			
(Refer Note 8(f) on Schedule 19)			
Long Term			
Dividend from Subsidiary Company		2.80	2.80
Dividend from Trade Investment		2.00	2.00
Current			
Dividend from Mutual Funds		149.38	203.81
Interest on Others (Customers and Staff advances)		15.35	11.45
[Gross, Tax deducted at source Rs. 0.01 million (Previous year Rs. 0.02 million)]			
[Refer note 8 (g) on Schedule 19]			
Interest on Income Tax Refund		4.50	6.06
Profit on Sale of Current Investments	35.43		14.05
Less: Loss on Sale of Current Investments	(0.13)		(0.17)
		35.30	13.88
Liabilities no longer required Written Back		13.03	106.26
Reversal of Impairment Provision		-	17.06
Foreign Exchange Fluctuations Gain (Net)		0.30	-
Miscellaneous Income		30.54	29.72
TOTAL		253.20	393.04

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

	Rs. in million	Year ended 31-12-2009 Rs. in million	Year ended 31-12-2008 Rs. in million
SCHEDULE - 15			
PERSONNEL EXPENSES			
(Refer Note 7 on Schedule 19)			
Salaries, Wages and Bonus		380.43	342.02
(Refer Note 27 (iii) on Schedule 19)			
Contribution to Provident and Other Funds		22.74	32.80
(Refer note 27 (i) & (ii) on Schedule 19)			
Welfare Expenses		44.80	35.00
(Refer note 26 on Schedule 19)			
TOTAL		447.97	409.82
SCHEDULE - 16			
OPERATING AND OTHER EXPENSES			
Stores and Chemicals consumed		26.39	19.07
Power and Fuel		175.27	142.63
Rent		25.73	22.69
Rates and Taxes		4.81	2.28
Repairs:			
- To Buildings	4.52		5.20
- To Plant and Machinery	157.02		126.74
- To Others	72.24		64.88
		233.78	196.82
Insurance		12.60	13.34
Stationery and Printing		9.23	8.67
Advertisement Expenses		14.10	9.07
Communication Expenses		18.33	19.24
Vehicle Hire Charges		33.24	27.00
Travelling Expenses		23.55	38.02
Donation		1.03	3.86
Legal, Professional and Consultancy		102.76	106.66
Loss on Sale of Fixed assets (Net)		9.55	0.82
Bad debts / Advances written off		0.20	-
Wealth Tax		0.40	0.40
Other Provision		1.82	0.60
(Refer Note 32 on Schedule 19)			
Provision for Doubtful Debts		1.09	15.83
Provision for Diminution in the value of Fixed Assets / Capital Work in Progress		28.79	101.00
(Refer Note 45 on Schedule 19)			
Assets written off		5.36	3.70
Provision / write off for inventory obsolescence		9.51	1.32
Service Charges		73.10	66.81
Foreign Exchange Fluctuations Loss (Net)		-	1.06
Agency & Contract Staff Expenses (including security service charges)		35.57	22.39
Miscellaneous Expenses		64.14	59.78
TOTAL		910.35	883.06

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

		Year ended 31-12-2009 Rs. in million	Year ended 31-12-2008 Rs. in million
SCHEDULE - 17			
FINANCE CHARGES			
Interest - Others		1.36	1.11
TOTAL		<u>1.36</u>	<u>1.11</u>
SCHEDULE - 18			
TAX EXPENSE			
(Refer Notes 12, 29 and 43 on Schedule 19)			
Current Income tax		746.50	651.00
Deferred Income tax		74.80	58.00
Fringe benefit tax		1.00	9.40
TOTAL		<u>822.30</u>	<u>718.40</u>

SCHEDULE -19
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS
SIGNIFICANT ACCOUNTING POLICIES:

1. Accounting Convention:

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

2. Fixed Assets:

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

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.

(c) Employee Stock Option Plan

Stock Option grants to the employees who accept the grant under the Company's Stock Option Plan are accounted in accordance with Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 and Guidance Note on Accounting for Employee Share-based Payments issued by Institute of Chartered Accountants of India. The Company follows the fair value method for option pricing and accordingly the fair value of the option as of the date of the grant of the option 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 consumption of material and labour charges is disclosed as Service and Fitting Income (Net) under Income from operations.

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

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

9. Borrowing Costs:

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

10. Operating Leases:

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

11. Earnings Per Share (EPS):

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.11.15 million (Previous year Rs.10.79 million).
- (b) Claims of Rs. 25.86 million (Previous year Rs. 23.80 million) against the Company have been disputed by the Company. The Company is, however, indemnified by an insurance policy.
- (c) Income tax related exposures Rs. 196.24 million (Previous year Rs. 183.42 million)
- (i) Includes income tax demand of Rs. 53.46 million relating to Assessment Years 1998-99, 1999-00 and 2000-01 due to disallowance of interest on debentures issued for the Hazira Ankleshwar pipeline and incurred during its construction, claimed as revenue expenditure. The amount of Rs. 53.46 million (Previous year Rs. 53.46 million) has been paid under protest.
- CIT (Appeals) has ruled in favour of the company and deleted the demand of Rs. 6.87 millions pertaining to A.Y. 2000-01. The Income-tax department has preferred an appeal against the said order of CIT (Appeals) but ITAT allowed the claim for A.Y. 2000-2001. The appeal for the other two years is pending with the ITAT.
- (ii) Includes income tax demand of Rs. 122.38 million (Previous year Rs. 121.30 million) including interest on tax, relating to Assessment Years 1995-96 to 2006-07 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.121.67 million (Previous year Rs.121.30 million). The total tax exposure (though actually paid), net of interest on tax, on account of the above for all the years aggregates to Rs.115.04 million (Previous year Rs. 115.04 million). The company's appeals against the above demands are pending with ITAT for Assessment years 1996-97, 1997-98, 1998-99, 1999-00, 2001-02 and 2002-03. For A.Y. 2000-01, 2003-04 and 2004-05 the matter has been decided in the company's favour by the ITAT. The High Court of Gujarat has allowed the company's claim on the same issue for A.Y. 1995-96 and this is likely to have a positive consequential effect on all the subsequent years.
- (iii) Includes income tax demand for Rs.7.99 million (Previous year Nil) for disallowances under Section 14A on account of expenditure incurred for earning exempt income for Assessment years 2004-05, 2005-06 and 2006-07. The total amount paid by company / adjusted by tax authorities on account of above demand aggregates to Rs.1.39 million. The Appeal for A.Y. 2005-06 and A.Y. 2006-07 is pending with CIT (A) and for A.Y 2004-05 with ITAT.

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

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

17. Estimated amount of contracts net of advances remaining to be executed on capital account and not provided for Rs. 125.48 million (Previous year Rs. 29.36 million).

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

19. Material consumed includes:

- (a) Rs. 30.30 million (Previous year Rs. 35.76 million) towards internal consumption of Gas.
(b) Gain of Rs. 21.82 million (Previous year loss of Rs. 60.88 million) as foreign exchange fluctuations.

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

21. Obligations on Operating Leases:

The company has taken premises for office and residential use for its employees under cancellable operating lease agreements. The total lease rentals recognized as an expense during the year under the above lease agreements aggregates to Rs. 7.69 million (Previous year Rs. 4.63 million). The lease agreement typically ranges from 1 to 3 years.

22. Earnings per share (EPS):

	Year ended December 31, 2009	Year ended December 31, 2008
Net Profit after tax (Rs. in million)	1,751.24	1,588.12
Less: Preference Dividend and corporate dividend tax on preference dividend	12.59	12.64
Net Profit attributable to Equity Shareholders (Rs. in million)	1,738.65	1,575.48
Weighted average number of equity shares outstanding during the year (No. in million)	128.25	64.13
Basic earnings per share of Rs. 2/- each (in Rs.)	13.56	12.28

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.

During the current year, the company issued bonus equity shares in the ratio of one equity share of the Company of Rs. 2/- each for every one equity share held by the equity shareholders of the Company.

Consequently, as per the requirements of Accounting Standard - 20, Earnings Per Share, the number of equity shares used for computation of earnings per share has been adjusted for previous year presented above.

23. Segment Reporting:

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

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

24. Accounting for Joint Venture:

The Company's joint ventures "Petroleum Infrastructure Limited" (incorporated in India with 50% stake being held by the Company) and "Sensus Metering Systems India Limited" (incorporated in India with 49% stake being held by the Company) are under liquidation. Therefore, the Company's interest in the joint ventures has been accounted for in accordance with Accounting

Standard 13 “Accounting for Investments” and has not been disclosed as per Accounting Standard 27 “Financial Reporting of Interest in Joint Ventures”.

Accordingly, the investments have been written down to the realizable value. (Refer Note 30 on Schedule 19)

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

26. Employee Stock Option Plan 2008:

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

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

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

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

Details of movement under the Stock option plan for the year ended December 31, 2009 is as follows:

	Year ended December 31, 2009		Year ended December 31, 2008	
	Number of options	Weighted average exercise price (in Rs.)	Number of options	Weighted average exercise price (in Rs.)
Options outstanding at the beginning of the year	740,000	189	-	-
Options granted during the year	170,000	233	740,000	189
Less: Options forfeited during the period prior to issuance of bonus shares (refer note below)	58,500	198	-	-
Less: Options expired during the period	-	-	-	-
Less: Options exercised during the period	-	-	-	-
Options outstanding before issuance of bonus shares (refer note below)	851,500	197	-	-
Add: Increase in options on account of bonus issue	851,500	-	-	-
Less: Options forfeited during the period after issuance of bonus shares	40,000	97	-	-
Options outstanding at end of the year	1,663,000	99	740,000	189

Note:

In accordance with the approval granted by the members of the Company, to the issue of Bonus Shares in the ratio of one equity share of the Company of Rs. 2/- each for every one equity share of the Company held by the Shareholders of the Company as on September 19, 2009, being the Record Date, the Compensation Committee of the Board of Directors of the

Company, on September 22, 2009, has approved adjustments to the Options granted and unvested as on September 19, 2009, under the Gujarat Gas Company Limited – Employee Stock Option Plan 2008, whereby each option has been doubled and the Exercise Price thereof been halved with effect from September 22, 2009.

The employee share based payment plans have been accounted based on the Fair value method of accounting using the Black-Scholes Option Pricing Formula. The weighted average fair value of options granted on 11th May 2009 is Rs. 83.94 and those granted on 1st August 2009 is Rs. 88.48 per option. The weighted average balance life of options outstanding as on December 31, 2009 is 1.93 years (Previous year 2.83 years).

In accordance with Guidance Note on Accounting for Employee Share-based Payments issued by Institute of Chartered Accountants of India and SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 issued by Securities Exchange Board of India, an amount of Rs.18.41 million (Previous year Rs. 2.88 million) has been recognised as an expense in Welfare Expenses (Schedule 15) and corresponding liability has been disclosed as Stock Options Outstanding Account (Schedule 2). Further the company has made a partial advance of Rs. 243.00 million (Previous year Rs.10.50 million) on an estimated basis for the purchase of shares equivalent to the number of options granted which is utilized for the purpose.

27. Disclosures as per AS - 15 (Revised) 'Employee Benefits' for year ended December 31, 2009:

	(Rs. in million)	
	Year ended December 31, 2009	Year ended December 31, 2008
(i) Disclosures for Defined Contribution Plans		
Employer's contribution to Provident Fund	17.54	14.34
(ii) Disclosures for Defined Benefit Plans - Gratuity (Funded)		
<u>Change in the defined benefit obligations</u>		
Defined benefit obligation as at beginning of the year	52.33	38.18
Service cost	5.88	5.29
Interest cost	4.32	2.86
Actuarial loss/(gain)	3.46	8.03
Benefits paid	(1.16)	(2.03)
Defined benefit obligation as at year end	64.83	52.33
<u>Change in plan assets</u>		
Fair value of plan assets as at beginning of the year	37.29	32.64
Expected return on plan assets	4.16	3.32
Contributions by employer	10.53	8.96
Actuarial (loss)/gain	4.30	(5.60)
Benefits paid	(1.15)	(2.03)
Fair value of plan assets as at year end	55.13	37.29
Present value of unfunded obligations	9.70	15.04
The Net amount recognized in the statement of Profit & Loss is as follows		
Current Service cost	5.88	5.29
Interest cost	4.32	2.86
Expected return on plan assets	(4.16)	(3.32)
Net actuarial loss/(gain) recognised	(0.84)	13.63
Net amount recognised	5.20	18.46
Actual return on Plan Assets	8.46	(2.28)
The major categories of plan assets as a percentage of total plan assets as at year end are as follows:		
Government of India Securities	2%	4%
Insurer Managed Funds	98%	96%
The principal actuarial assumptions used are as follows:		
Discount Rate	8.25%	7.50%
Expected rate of return on Plan Assets	9.00%	9.50%
Rate of increase in Compensation Levels (Refer Note below)	7.00%	7.00%

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

	(Rs. in million)	
	Year ended December 31, 2009	Year ended December 31, 2008
(iii) Disclosures for Defined Benefit Plans - Leave Encashment (Unfunded)		
Change in the defined benefit obligations		
Defined benefit obligation as at beginning of the year	26.93	22.41
Service cost	2.26	2.02
Interest cost	2.22	1.68
Actuarial loss/(gain)	2.17	2.39
Benefits paid	<u>(0.94)</u>	<u>(1.57)</u>
Defined benefit obligation as at year end	<u>32.64</u>	<u>26.93</u>
The Net amount recognized in the statement of Profit & Loss is as follows		
Current Service cost	2.26	2.02
Interest cost	2.22	1.68
Net actuarial loss/(gain) recognised	<u>2.17</u>	<u>2.39</u>
Net amount recognised	<u>6.65</u>	<u>6.09</u>
The principal actuarial assumptions used are as follows:		
Discount Rate	8.25%	7.50%
Rate of increase in Compensation Levels (Refer Note below)	7.00%	7.00%

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

28. Related Party Transactions:

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

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

Name of the Related Party	Nature of Relationship	Nature of Transaction	Amount (Rs. in million)	
			Year ended December 31, 2009	Year ended December 31, 2008
BG International Limited	Under common control	Reimbursement of salary for seconded personnel (Paid) (including Tax Deducted at Source)	34.57	28.54
		Reimbursement of Software License	35.34	-
		Amount payable at the year end	114.21	93.39
BG Asia Pacific Holdings Pte. Limited	Holding company	Dividend paid		
		- Equity	125.27	125.27
		- Preference	10.80	10.80
		Issuance of bonus shares	83.52	-
		Share Capital held		
		- Equity	167.03	83.52
		- Preference	144.00	144.00
Gujarat Gas Financial Services Limited (Refer Note below)	Subsidiary	Income:		
		Service Charges for domestic gas connections	23.20	83.12
		Dividend	2.80	2.80
		Expense :		
		Service Charges for domestic gas connections (Paid)	191.35	-
		Reimbursement of Alteration charges	15.06	-
		Investment at year end	14.00	14.00
		Amount receivable at the year end	-	22.15
		Amount payable at the year end	28.65	-
Gujaratgas Trading Company Limited (Refer Note below)	Subsidiary	Income:		
		Service charges	0.30	0.30
		Expenses:		
		Purchase of Natural Gas (Net of VAT)	679.51	835.21
		Investment at year end	1.28	1.28
		Amount payable at the year end	245.25	62.83
Sensus Metering Systems India Limited	Joint Venture	Investment at year end	39.09	39.09
		Provision for diminution in value of investment	29.34	29.34
Petroleum Infrastructure Limited	Joint Venture	Bad debts recovered	1.80	-
		Investment at year end	75.00	75.00
		Provision for diminution in value of investment	75.00	75.00
		Amount receivable at the year end	-	0.12
Mahanagar Gas Limited	Under common control	Provision no longer required written back	1.71	-
		Provision for Doubtful Debts against amount receivable	-	7.14
		Amount receivable at the year end	-	7.14

Name of the Related Party	Nature of Relationship	Nature of Transaction	Amount (Rs. in million)	
			Year ended December 31, 2009	Year ended December 31, 2008
BG India Energy Private Limited	Under common control	Income:		
		Reimbursement of Expenses (received)	-	0.40
		Expense:		
		Legal and Professional	1.74	-
		Reimbursement of Expenses (Paid)	0.34	0.25
		Fixed Asset purchased	-	0.01
		Amount Receivable at the year end	-	0.52
BG India Energy Solutions Pvt. Limited	Under common control	Amount payable at the year end	1.31	-
		Purchase of Natural Gas (Net of VAT)	176.99	-
BG Exploration and Production India Limited	Under common control	Income:		
		Service charges for secondment of employees	3.47	3.00
		Reimbursement of Expenses (Received)	2.03	1.20
		Expenses:		
		Legal and Professional	53.12	35.23
		Reimbursement of Expenses (Paid)	1.85	-
Panna Mukta Tapti	Under common control	Purchase of material	-	29.17
		Amount payable at the year end	50.90	65.00
		Purchase of Natural Gas	-	1,407.03
Shaleen Sharma	Key Management Personnel	Remuneration as Managing Director	15.27	11.55
Nirja Sharma	Relative of Key Management Personnel	Lease Rent paid	0.39	0.34
Gujarat Gas Company Limited Employee Stock Option Welfare Trust	Enterprise controlled by the Company	Advance paid for purchase of shares	232.50	10.50
		Amount Receivable at the year end	243.00	10.50
Gujarat Gas Company Limited Employees Gratuity Trust Fund	Enterprise controlled by the Company	Contribution paid	10.54	8.96

Note:

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

	Year ended December 31, 2009 (Rs. in million)	Year ended December 31, 2008 (Rs. in million)
29. Deferred Tax:		
(A) The movement in deferred tax account is as follows:		
Opening Balance	530.06	472.06
Provision for current year deferred tax liability (Net)	<u>74.80</u>	<u>58.00</u>
Closing Balance	<u><u>604.86</u></u>	<u><u>530.06</u></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	731.25	624.98
Deferred Tax Assets	<u>(126.39)</u>	<u>(94.92)</u>
	<u><u>604.86</u></u>	<u><u>530.06</u></u>
(C) Break up of deferred tax assets/liabilities:		
Deferred Tax Liabilities:		
Tax impact of difference between carrying amount of fixed assets in the financial statements and the income tax return	<u>731.25</u>	<u>624.98</u>
Total (A)	<u><u>731.25</u></u>	<u><u>624.98</u></u>
Deferred Tax Assets:		
Tax impact of expenses charged in the financial statements but allowable as deductions in future years under income tax:		
Provision for doubtful debts	7.23	9.30
Provision for diminution of investment	6.37	6.37
Provision for Diminution in the value of Fixed Assets / Capital Work in Progress	58.13	50.46
Other Provision	17.39	16.77
Expenditure under section 43B of the Income Tax Act	<u>37.27</u>	<u>12.02</u>
Total (B)	<u><u>126.39</u></u>	<u><u>94.92</u></u>
Net Deferred Tax Liability (A-B)	<u><u>604.86</u></u>	<u><u>530.06</u></u>

	As at December 31, 2009 (Rs. in million)	As at December 31, 2008 (Rs. in million)
30. Details of investment in Schedule 5 are:		
INVESTMENTS		
A Long Term Investments (At cost)		
Trade Investments :		
1. In Shares of Subsidiary Company (Unquoted) :		
1,397,500 Equity Shares of Rs. 10/- each fully paid in Gujarat Gas Financial Services Limited	14.00	14.00
9,000 Equity Shares of Rs. 100/- each fully paid in Gujaratgas Trading Company Limited	1.27	1.27
2. In Equity Shares of Associate Companies (Unquoted) :		
3,909,293 Equity Shares of Rs. 10/- each fully paid in Sensus Metering Systems India Limited	39.09	39.09
Less : Provision	29.34	29.34
7,500,000 Equity Shares of Rs. 10 /- each fully paid in Petroleum Infrastructure Limited	75.00	75.00
Less : Provision	75.00	75.00
3. Other (Unquoted)		
20,000,000 Equity Shares of Rs. 1/- each fully paid in Gujarat State Petroleum Corporation Limited	10.00	10.00
Long Term Investments (A)	<u>35.02</u>	<u>35.02</u>
B Current Investments (At cost or market value whichever is lower, determined categorywise)		
Other than Trade - Unquoted		
- Units of Mutual Funds	4,086.52	3,421.18
Current Investment (B)	<u>4,086.52</u>	<u>3,421.18</u>
Total Investment (A+B)	<u>4,121.54</u>	<u>3,456.20</u>
Notes :		
1 Aggregate cost of Unquoted Investments	4,225.88	3,560.54
2 Quantitative Movement of Investments from January 1, 2009 to December 31, 2009 is given below		

Scheme	No. of units at the beginning of the year	Opening Value (Rs. in million)	No. of Units Purchased	No. of Units sold	No. of Units in hands at the year end	Cost of units in hands at the year end at lower of cost or market value (Rs. in million)
Birla SL Medium Term Plan Insti.Quarterly Dividend	-	-	5,000,000	5,000,000	-	-
Birla SL Cash Plus Insti.Premium.Dividend	2,986,738	29.92	127,680,503	130,667,241	-	-
Birla SL Interval Income Insti.Quarterly Series-2 Dividend	3,000,000	30.00	-	3,000,000	-	-
Birla SL Quarterly Interval Series-7 Dividend	3,000,000	30.00	-	3,000,000	-	-
Birla SL Dynamic Bond Fund Retail Plan Dividend	4,972,142	50.36	4,897,176	-	9,869,318	101.35
Birla SL Floating Rate Fund Retail Long Term Growth	-	-	3,423,509	-	3,423,509	50.00
Birla SL FTP Series BG Retail Dividend .	1,000,000	10.00	-	1,000,000	-	-
Birla SL Income Plus Quarterly Dividend	1,671,933	20.00	98,143	-	1,770,076	21.10
Birla SL Saving Fund Insti. Dividend	6,327,594	63.32	108,324,748	110,653,307	3,999,035	40.01
Birla SL Savings Fund Insti.Growth	-	-	35,203,774	20,684,506	14,519,268	250.00
Birla SL Short Term Fund Insti.Dividend	26,938,822	269.54	19,317,719	46,256,541	-	-
Birla SL Short Term Fund Insti.Growth	-	-	9,608,548	9,608,548	-	-
DSP BR Short Term Fund Dividend	-	-	15,099,249	-	15,099,249	153.78
DSP BR Strategic Bond Fund Insti. Dividend	49,845	50.00	31,369	81,214	-	-
DSP BR Liquidity Fund Insti.Dividend	30,221	30.22	616,055	646,276	-	-
DSP BR Money Manager Fund Insti.Dividend	-	-	508,003	508,003	-	-
DSP BR FMP 12M Series-3 Insti. Growth	2,000,000	20.00	-	2,000,000	-	-
DSP BR FMP 3M Series-16 Insti.Dividend	3,000,000	30.00	73,154	3,073,154	-	-
DWS Insta Cash Plus Fund Insti. Dividend	-	-	4,974,853	4,974,853	-	-
DWS Money Plus Fund Insti.Dividend	2,003,556	20.07	5,027,562	7,031,118	-	-
Fidelity Cash Fund Insti.Dividend	-	-	31,294,738	31,294,738	-	-
Fidelity FMP Series 1 Plan C 12Mth Insti.Growth	2,000,519	20.01	-	2,000,519	-	-
Fidelity Ultra Short Term Debt Fund Insti.Dividend	-	-	13,830,484	13,830,484	-	-
Fidelity Ultra Short Term Debt Fund Super Insti.Dividend	-	-	45,365,904	45,365,904	-	-
Fidelity Ultra Short Term Debt Fund Super Insti.Growth .	-	-	25,655,780	12,884,605	12,771,175	150.00
Fortis Money Manager Plus Insti. Dividend	-	-	158,883,862	158,831,885	51,977	0.52
Fortis Money Plus Insti.Growth	-	-	29,406,143	18,444,195	10,961,948	150.00
Fortis Overnight Fund Insti.Dividend	-	-	139,821,392	139,821,392	-	-
HDFC Floating Rate Income STP Wholesale Growth .	-	-	45,052,192	28,873,056	16,179,136	250.00
HDFC Floating Rate Income STP Wholesale Dividend .	6,804,962	68.60	147,797,648	150,633,143	3,969,467	40.02
HDFC FMP 90D November 2008 (X) (1) Wholesale Dividend	2,000,000	20.00	-	2,000,000	-	-
HDFC FMP 90D October 2008 (IX) (1) Wholesale Dividend	1,000,000	10.00	-	1,000,000	-	-
HDFC High Interest Fund Quarterly Dividend	8,709,925	103.14	-	-	8,709,925	103.14
HDFC Liquid Premium Plan Dividend	-	-	102,428,557	102,428,557	-	-
HDFC Short Term Plan Dividend	-	-	4,936,737	-	4,936,737	50.88
HSBC Cash Fund Insti.Dividend	-	-	3,319,233	3,319,233	-	-
HSBC Fixed Term Series 52 Inst. 1 Year Growth	2,000,000	20.00	-	2,000,000	-	-
HSBC Fixed Term Series 53 Inst. 370 Days Growth	1,000,000	10.00	-	1,000,000	-	-
IDFC Cash Fund Insti.plan B Dividend .	-	-	43,477,495	43,477,495	-	-
IDFC Fixed Maturity Plan Quarterly series 46 Dividend .	2,000,000	20.00	-	2,000,000	-	-
IDFC Fixed Maturity Plan Yearly Series 24 Plan B Growth	2,000,000	20.00	-	2,000,000	-	-
IDFC Money Manager Fund Treasury Plan Insti. Plan B Dividend	45,191,281	455.09	48,028,381	93,219,662	-	-
IDFC Money Manager Fund Investment Plan Insti.Plan B Growth .	-	-	48,694,452	30,790,897	17,903,555	252.34
IDFC Money Manager Fund Treasury Plan Super Insti.Plan C Growth	-	-	21,968,391	21,968,391	-	-
IDFC Money Manager Fund Investment Plan Insti.Plan B Dividend .	-	-	50,175,017	50,175,017	-	-
IDFC Money Manager Fund Treasury Plan Super Insti.Plan C Dividend	-	-	64,827,260	60,690,896	4,136,364	41.37
ING Treasury Advantage Fund Insti. Dividend	8,523,980	85.27	111,810	8,635,790	-	-
JM Fixed Maturity fund XVI Yearly Plan Insti.Growth	-	-	3,000,000	-	3,000,000	30.00
JM High Liquidity Super Insti.Dividend	-	-	4,992,553	4,992,553	-	-

Scheme	No. of units at the beginning of the year	Opening Value (Rs in million)	No. of Units Purchased	No. of Units sold	No. of Units in hands at the year end	Cost of units in hands at the year end at lower of cost or market value (Rs. in million)
JM Interval Fund Qtrly Pl- 4 Insti.Dividend	2,000,000	20.00	-	2,000,000	-	-
JM Interval Fund Qtrly Pl- 5 Insti.Dividend	2,000,000	20.00	-	2,000,000	-	-
JM Interval Fund Quarterly Pl-2 Insti.Dividend	1,498,860	14.99	-	1,498,860	-	-
JM Money Manager Super Plus Dividend	2,002,658	20.04	10,583,430	12,586,088	-	-
Kotak Liquid Insti.Premium Dividend	5,917,642	72.36	283,203,435	289,121,077	-	-
Kotak Bond Short Term Monthly Dividend	-	-	5,046,218	-	5,046,218	51.14
Kotak Flexi Debt Scheme Insti.Growth	-	-	98,319,452	66,945,356	31,374,096	350.00
Kotak Flexi Debt Scheme Insti.Dividend	18,429,230	185.17	369,881,460	353,719,831	34,590,859	347.55
Kotak FMP 12M Series 5 Insti. Growth	2,000,000	20.00	-	2,000,000	-	-
Kotak Qtrly Interval Plan Series- 3 Dividend	2,000,000	20.00	-	2,000,000	-	-
Kotak Qtrly Interval Plan Series- 5 Dividend	2,000,000	20.00	-	2,000,000	-	-
Kotak Qtrly Interval Plan Series- 6 Dividend	3,000,000	30.00	-	3,000,000	-	-
Kotak Qtrly Interval Plan Series- 9 Dividend	2,000,248	20.00	-	2,000,248	-	-
Religare Qtrly Interval Fund Plan G Insti. Dividend	2,000,000	20.00	-	2,000,000	-	-
Prudential ICICI Flexible Income Plan Dividend	26,970,653	285.17	112,495,559	138,657,443	808,769	85.52
Prudential ICICI Flexible Income Plan Premium Growth	-	-	11,217,786	9,439,785	1,778,001	300.00
Prudential ICICI FMP Series 49 - 1 Year Plan B Insti.Growth	-	-	3,000,000	-	3,000,000	30.00
Prudential ICICI Insti.Liquid Super Insti.Dividend	-	-	115,245,326	115,245,326	-	-
Prudential ICICI Insti.Short Term Plan Dividend	-	-	4,124,596	-	4,124,596	50.00
Reliance Fixed Horizon Fund XI Series-1 Insti.Dividend	2,000,000	20.00	43,935	2,043,935	-	-
Reliance Fixed Horizon Fund XII Series-3 Insti .Plan Growth	-	-	5,000,000	-	5,000,000	50.00
Reliance Fixed Horizon XII Series 14 Super Insti.Dividend	3,000,000	30.00	-	3,000,000	-	-
Reliance Income Fund Retail Plan Monthly Dividend	4,660,522	53.34	306,965	-	4,967,487	56.52
Reliance Money Manager Fund Retail Option Dividend	95,030	95.11	94	95,124	-	-
Reliance Money Manager Fund Insti.Dividend	120,339	120.48	3,171,835	3,106,470	185,704	185.92
Reliance Liquidity Insti. Dividend	-	-	271,174,900	269,972,912	1,201,988	12.02
Reliance Medium Term Fund Insti. Dividend	9,211,733	157.48	69,582	9,281,315	-	-
Reliance Money Manager Fund Insti.Growth	-	-	804,123	521,018	283,105	350.00
Reliance Qtrly Interval Fund Series- I Insti.Dividend	4,998,590	50.00	-	4,998,590	-	-
Reliance Qtrly Interval Fund Series-II Insti.Dividend	1,999,820	20.00	-	1,999,820	-	-
Reliance Qtrly Interval Fund Series-II Retail Dividend	1,999,280	20.00	-	1,999,280	-	-
Reliance Short Term Fund Qtrly Dividend	-	-	3,718,329	-	3,718,329	50.00
Sundaram BNP Money Fund Inst.Dividend	-	-	25,361,865	25,361,865	-	-
Sundaram BNP Paribas Floater STP Regular Dividend	-	-	45,770,057	45,770,057	-	-
Sundaram BNP Paribas Interval Fund Qtrly Plan-C-Insti.Dividend	1,500,000	15.00	-	1,500,000	-	-
Sundaram BNP Paribas Ultra Short Term Fund Super Insti.Dividend	28,689,288	287.61	88,814,967	117,504,255	-	-
Sundaram -BNP Ultra ST Fund Super Insti.Growth	-	-	23,754,122	23,754,122	-	-
Sundaram Bond Saver Insti.Bonus	465,435	5.00	-	-	465,435	5.00
TATA Fixed Investment Plan-2 Scheme-B Insti.Growth	1,000,000	10.00	-	1,000,000	-	-
Tata Floater Fund Growth	-	-	29,593,018	3,728,839	25,864,179	350.17
Tata Floater Fund Dividend	19,303,356	193.72	20,420,493	39,723,849	-	-
TATA Floating Rate Fund STP Insti.Dividend	-	-	55,353,527	55,353,527	-	-
TATA Treasury Manager SHIP Dividend	-	-	490,168	490,168	-	-
TATA Treasury Manager SHIP Growth	-	-	339,282	339,282	-	-
UTI Treasury Advantage Fund Insti.Plan Dividend	50,121	50.13	497,932	519,889	28,164	28.17
UTI Short Term FMP Series-I - V 140 Days Dividend	2,000,000	20.00	-	2,000,000	-	-
UTI Fixed Income Interval Fund Series-II Qtrly Plan VII Insti. Dividend	1,000,800	10.01	-	1,000,800	-	-
UTI Fixed Maturity Plan YFMP 04 / 08 Insti.Growth	1,000,000	10.00	-	1,000,000	-	-
UTI Fixed Maturity Plan YFMP 06 / 08 Dividend	3,038	0.03	-	3,038	-	-
UTI Money Market Fund Dividend	-	-	15,338,079	15,338,079	-	-
UTI Short Term FMP Series -II 90 days Insti. Dividend	2,000,000	20.00	-	2,000,000	-	-
UTI Treasury Advantage Fund Insti.Plan Growth	-	-	164,895	82,832	82,063	100.00
Total	295,128,161	3,421.18	2,976,257,824	3,017,566,253	253,819,732	4,086.52

31. Assets given on lease:

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

i) Assets given on finance lease:

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

(Rs. in million)								
	Year ended December 31, 2009				Year ended December 31, 2008			
	Gross Investment in the lease	Unearned Finance Income	Taxes	Present Value of minimum Lease payments receivable	Gross Investment in the lease	Unearned Finance Income	Taxes	Present Value of minimum Lease payments receivable
Total	134.70	30.94	4.40	99.36	209.74	63.93	6.57	139.24
Out of the above, receivable:								
Not Later than 1 year	42.63	-	-	28.58	48.70	-	-	25.67
Later than 1 year and not later than 5 years	92.07	-	-	70.78	159.52	-	-	112.14
Later than 5 years	-	-	-	-	1.52	-	-	1.43

ii) Asset given on operating lease:

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

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

	Year ended December 31, 2009 Rs. in million	Year ended December 31, 2008 Rs. in million
Opening Balance	49.34	48.74
Additons during the Year	1.82	0.60
Closing Balance	<u>51.16</u>	<u>49.34</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.

	Rs. in million	Year ended December 31, 2009 Rs. in million	Year ended December 31, 2008 Rs. in million
33. Managerial Remuneration			
a) Computation of Net Profit in accordance with Section 349/198 of the Companies Act, 1956 and calculation of commission payable to Non Whole-Time Directors			
Profit before Tax as per Profit and Loss Account		2,573.55	2,306.52
Add:			
Depreciation as per Books of account	460.63		404.36
Provision for doubtful debts	1.09		15.83
Provision for Diminution in the value of Fixed Assets / Capital Work in Progress	28.79		101.00
Commission to Non Whole Time Directors	2.10		2.25
Directors' Sitting Fees	1.06		0.81
Provision for contingencies	1.82		0.60
		495.49	524.85
Less:			
Depreciation under section 350 of the Companies Act, 1956	460.63		
		460.63	404.36
Profit as per Section 349		2,608.41	2,427.01
Add : Director's remuneration		15.27	11.55
Profit as per Section 198		2,623.68	2,438.56
Maximum Commission under Sec 309 of the Companies Act, 1956 @ 1%		26.24	24.39
Commission Payable to Non Whole Time Directors: (Subject to the approval of Board of Directors and Shareholders)		2.10	2.25
b) Remuneration Paid To Directors			
i) Managing Director			
- Salary and Bonus	11.88		9.23
- Allowances	1.03		0.65
- Perquisites	1.17		0.66
- P.F. and Gratuity	1.19		1.01
		15.27	11.55
ii) Commission to Non Whole Time Directors		2.10	2.25
iii) Directors' Sitting Fees		1.06	0.81
34. Payments to Auditors			
- Audit Fees		4.50	3.65
- Reimbursement of Expenses (Including Service Tax)		0.74	0.65
		5.24	4.30
35. Value of Imports calculated on C.I.F. Basis			
Capital Goods		19.80	16.94
Spare parts		21.19	15.92
		40.99	32.86

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

	Year ended December 31, 2009		Year ended December 31, 2008	
	Percentage	Rs. in million	Percentage	Rs. in million
(a) Raw Materials - Natural Gas				
- Indigenous	100%	10,032.06	100%	9,337.84
(b) Stores and spares				
- Imported	24%	9.75	6%	1.96
- Indigenous	76%	30.39	94%	29.26
TOTAL	100%	40.13	100%	31.22

37. Purchases, Production / Processed and Sales :

Natural Gas	Current Year		Previous Year	
	Qty (in LSCM)	Rs. in million	Qty (in LSCM)	Rs. in million
Purchased / Processed	10,513.04	10,032.06	10,946.20	9,337.84
Sales*	10,351.64	14,086.18	10,887.29	12,929.35

* Excluding line loss and internal consumption of 161.40 LSCM (Previous year 58.91 LSCM)

38. Licensed and Installed Capacity :

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

39. Materials Consumed:

	Units	Qty.	Rs.in million
Natural Gas	LSCM	10,513.04	10,032.06
	LSCM	(10,946.20)	(9,337.84)

Previous year figures are in brackets

40. Expenditure in foreign currency

	Year ended December 31, 2009 Rs. in million	Year ended December 31, 2008 Rs. in million
(i) Travelling expenses	0.96	3.94
(ii) Subscription	0.27	0.06
(iii) Training	0.57	0.86
(iv) Reimbursement of Salary	-	11.99
(v) Legal & Professional	4.51	4.82

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

Particulars	Amount (Rs. in million)	No. of Non Resident Shareholders	No. of Shares (Refer Note 22)	Year ended
Final Dividend				
- Equity	125.27 (125.27)	1 (1)	41,755,875 (41,755,875)	December 31, 2008 December 31, 2007
- Preference	10.80 (10.80)	1 (1)	14,400,000 (14,400,000)	December 31, 2008 December 31, 2007

Previous year figures are in brackets

42. The subsidiary company Gujarat Gas Financial Services Limited has proposed final dividend 15% and this will be accounted for in the books on declaration by the Company.

43. The provision for income tax has been calculated based on income earned during the year ended December 31, 2009 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, 2010 the ultimate liability for the Assessment Year 2010-11 will be determined based on the total income of the Company for the year ending March 31, 2010. The provision for wealth tax has been made based on the net wealth as on December 31, 2009. However the ultimate liability for the Assessment Year 2010-11 will be determined based on the net wealth as on March 31, 2010.
44. Disclosures required for Small Enterprises and Micro Enterprises for year ended December 31, 2009

Particulars	(Rs. in million)	
	Year ended December 31, 2009	Year ended December 31, 2008
Principal amount remaining unpaid as at the end of accounting year [including Interest due thereon - Nil (Previous Year - Nil)]	9.77	3.39
Interest paid by the company in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during accounting year	Nil	Nil
Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006	Nil	Nil
Interest accrued and remaining unpaid at the end of accounting year	Nil	Nil
Further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006	Nil	Nil

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

45. Capital Work in Progress includes investment of Rs 254.90 million (Previous year Rs 254.90 million) for setting up a City Gas Distribution (CGD) network in Valsad and Navsari district, Union Territories of Silvassa and Daman which has not yet commenced operations. The Company is exploring options of utilising this investment. However, considering the uncertainty involved in the utilisation of this network, the Company, based on engineering estimates, has made a provision of Rs. 105.04 million (Previous year Rs. 101.00 million) to bring the carrying value of the investment to its expected recoverable amount.
46. Previous year figures have been reclassified/regrouped wherever considered necessary to conform to the current year figures.

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

I. REGISTRATION DETAILS		
Registration No.	:	3623
State Code	:	04
Balance Sheet Date	:	31-12-2009
II. CAPITAL RAISED DURING THE YEAR (Amount Rs. in million)		
Public Issue	:	Nil
Rights Issue	:	Nil
Bonus Issue	:	128.25
Private Placement	:	Nil
III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount Rs. in million)		
Total Liabilities	:	13,149.83
Total Assets	:	13,149.83
Sources of Funds		
Paid-up Capital	:	400.50
Reserves and Surplus	:	7,123.63
Stock Options Outstanding Account	:	21.29
Secured Loans	:	Nil
Deferred Tax Liability	:	604.86
Unsecured Loans	:	Nil
Deposits	:	1,553.50
Applications of Funds		
Net Fixed Assets	:	7,096.67
Investments	:	4,121.54
Amount Recoverable from ESOP Trust	:	243.00
Net Current Assets	:	(1,758.32)
Miscellaneous Expenditure	:	0.89
Accumulated Losses	:	Nil
IV. PERFORMANCE OF THE COMPANY (Amount Rs. in million)		
Total Turnover	:	14,429.59
Total Expenditure	:	11,856.04
Profit Before Tax	:	2,573.55
Profit After Tax	:	1,751.25
Earnings Per Share (Rs.) (Annualized)	:	13.56
Dividend Rate (%)	:	400%
V. GENERIC NAME OF PRINCIPAL PRODUCTS/ SERVICES OF THE COMPANY (As per monetary terms)		
Item Code No. (ITC Code)	:	-
Product Description	:	PROCESSING, TRANSMISSION & DISTRIBUTION OF NATURAL GAS

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

Name of the subsidiary

Gujaratgas Trading Company Ltd.

1. The financial year of the Subsidiary Company ended on	31st December 2009
2. (a) No. of Equity Shares held by Gujarat Gas Company Limited in the subsidiary as on 31st December, 2009	9,000 Equity Shares of Rs. 100 each fully paid up (Previous year 9,000)
(b) Extent of interest of Gujarat Gas Company Limited in the capital of the subsidiary	100% (Previous year 100%)
3. Net Aggregate amount of profits of the subsidiary so far as it concerns the members of Gujarat Gas Company Limited, and is not dealt with in the Company's accounts	
(a) Profit / (Loss) for the financial year ended on 31st December, 2009 of the subsidiary.	Rs. 4.07 million (Previous year Rs. 9.95 million)
(b) Profit / (Loss) for the previous financial years of the subsidiary since it became subsidiary of Gujarat Gas Company Limited.	Rs. 102.80 million (Previous year Rs. 92.85 million)
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 31st December, 2009	Nil (Previous year Nil)
(b) For its previous financial years since it became the subsidiary of Gujarat Gas Company Ltd.	Rs. 137.50 million (Previous year Rs. 137.50 million)

For and on behalf of the Board

Hasmukh Shah
Chairman

Shaleen Sharma
Managing Director

Place : Ahmedabad
Date : March 04, 2010

Jal Patel Sugata Sircar Rajeshwari Sharma
Director Finance Director Company Secretary

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

Name of the subsidiary	Gujarat Gas Financial Services Ltd.
1. The financial year of the Subsidiary Company ended on	31st December 2009
2. (a) No. of Equity Shares held by Gujarat Gas Company Limited in the subsidiary as on 31st December, 2009	13,97,500 Equity Shares of Rs. 10/- each fully paid up (Previous year 13,97,500)
(b) Extent of interest of Gujarat Gas Company Limited in the capital of the subsidiary	69.88% (Previous year 69.88%)
3. Net Aggregate amount of profits of the subsidiary so far as it concerns the members of Gujarat Gas Company Limited, and is not dealt with in the Company's accounts	
(a) Profit for the financial year ended on 31st December, 2009 of the subsidiary.	Rs.19.84 million (Previous year Rs. 19.67 million)
(b) Profit for the previous financial years of the subsidiary since it became subsidiary of Gujarat Gas Company Limited.	Rs. 94.02 million (Previous year Rs. 77.14 million)
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 31st December, 2009	Rs. 2.80 million (Previous year Rs. 2.80 million)
(b) For its previous financial years since it became the subsidiary of Gujarat Gas Company Ltd.	Rs. 62.04 million (Previous year Rs. 59.24 million)

For and on behalf of the Board

Hasmukh Shah
Chairman

Shaleen Sharma
Managing Director

Place : Ahmedabad
Date : March 04, 2010

Jal Patel Sugata Sircar Rajeshwari Sharma
Director Finance Director Company Secretary

DIRECTORS' REPORT**Dear Shareholders,**

Your Directors are glad in presenting the 29th Annual Report together with the audited accounts for the year ended on 31 December 2009

FINANCIAL RESULTS

(Rs. in Lac)

Particulars	Current year	Previous year
	ended on 31.12.2009	ended on 31.12.2008
Total income	6875.66	8466.16
Profit before tax	80.22	116.45
Tax (Current)	39.54	17.00
Profit after tax	40.68	99.45
Add: Profit brought forward from previous year	761.35	661.90
Profit available for appropriation	802.03	761.35
Transfer to general reserve	-	-
Proposed dividend	-	-
Corporate dividend tax	-	-
Surplus retained	802.03	761.35

DIVIDEND

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

OPERATIONS

Your Company, the wholly-owned subsidiary of Gujarat Gas Company Limited is engaged in the business of selling natural gas. During the year under review, your Company achieved sales of Rs. 6795.05 lacs as against Rs. 8352.09 lacs during the previous year. The volumes during the year were lower compared to the previous year on account of reduction in gas supplies from one of its suppliers. The total income for the year was Rs. 6875.66 lacs including other income of Rs. 80.61 lacs as against total income of Rs. 8466.16 lacs including other income of Rs. 114.07 lacs in the previous year. The Profit before tax (PBT) was Rs. 80.22 lacs during the year as against Rs. 116.45 lacs in the previous year.

STATUTORY INFORMATION**Energy, Technology and Foreign Exchange**

The particulars under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are not required to be reported as your Company is a trading company. During the year under review, foreign exchange earnings was nil and outgoings were Rs. 118.24 lac.

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 2009 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

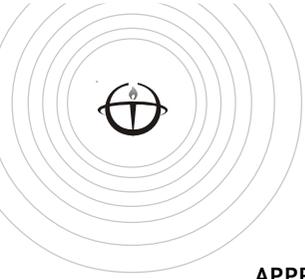
Price Waterhouse, Bangalore, the Statutory Auditors of the Company, retire at the ensuing Annual General Meeting and have expressed their unwillingness to be re-appointed. The Board recommends the appointment of Price Waterhouse, Delhi as the Auditors for CY 2010.

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. Sugata Sircar 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: 4 March 2010
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, 2009, 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, 2009 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, 2009;
 - ii) in case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

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

Avijit Mukerji
Membership No. F56155
Partner

Place : Gurgaon
Date : March 04, 2010

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, 2009]

- 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, the particulars of dues of income tax as at December 31, 2009 which have not been deposited on account of dispute are as follows:

Name of the statute	Nature of Dues	Amount (Rs. in thousand)	Period to which the amount relates	Forum where the dispute is pending
Income Tax Act, 1961	Corporate Tax	11,201	Assessment Year 2007-08	Commissioner of Income Tax (Appeals)

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

- viii) The Company does not have accumulated losses as at December 31, 2009 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
- ix) According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
- x) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xi) The provisions of any special statute applicable to chit fund/ nidhi/ mutual benefit fund/ societies are not applicable to the Company.
- xii) In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
- xiii) In our opinion, and according to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
- xiv) The Company has not obtained any term loans.
- xv) On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.

- xvi) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
- xvii) The Company has not issued any debentures during the year and there are no debentures outstanding as at the year end.
- xviii) The Company has not raised any money by public issues during the year.
- xix) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.
- xx) The other clauses (i) and (ii) of paragraph 4 of the Companies (Auditors' Report) Order 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 are not applicable in the case of the company for the current year, since in our opinion there is no matter which arises to be reported in the aforesaid order.

For and on behalf of
PRICE WATERHOUSE
CHARTERED ACCOUNTANTS

Avijit Mukerji
Membership No. F56155
Partner

Place : Gurgaon
Date : March 04, 2010



BALANCE SHEET AS AT DECEMBER 31, 2009

	Schedule	Rs. in thousand	As at 31-12-2009 Rs. in thousand	As at 31-12-2008 Rs. in thousand
<u>SOURCES OF FUNDS</u>				
SHAREHOLDER'S FUNDS				
Share Capital	1	900		900
Reserves and Surplus	2	106,853		102,785
			107,753	103,685
			107,753	103,685
TOTAL				
<u>APPLICATION OF FUNDS</u>				
INVESTMENTS				
	3		131,292	104,688
DEFERRED TAX ASSET				
(Refer Note 12 on Schedule 10)			624	-
CURRENT ASSETS, LOANS AND ADVANCES				
Sundry Debtors	4	245,247		62,831
Cash and Bank Balances	5	2,991		4,647
Loans and Advances	6	16,861		17,091
		265,099		84,569
LESS: CURRENT LIABILITIES AND PROVISIONS				
	7			
Current Liabilities		262,227		84,300
Provisions		27,035		1,272
		289,262		85,572
			(24,163)	(1,003)
NET CURRENT ASSETS				
			107,753	103,685
TOTAL				
Significant Accounting Policies and Notes to Accounts	10			

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

For and on behalf of

**PRICE WATERHOUSE
CHARTERED ACCOUNTANTS**

Avijit Mukerji
Membership No. F56155
Partner

Place : Gurgaon
Date : March 04, 2010

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

For and on behalf of the Board

Shaleen Sharma
Chairman

Sugata Sircar
Director

Place : Ahmedabad
Date : March 04, 2010

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2009

	Schedule	Rs. in thousand	Year ended 31-12-2009 Rs. in thousand	Year ended 31-12-2008 Rs. in thousand
INCOME:				
Sale of Natural Gas (Traded) (Refer Note 4(i) and (ii) on Schedule 10)		679,505		835,209
Other Income	8	<u>8,061</u>	687,566	<u>11,407</u> 846,616
EXPENDITURE:				
Purchases [Includes foreign exchange gain of Rs. 950 thousand (Previous year loss of Rs.14,247 thousand)]		678,652		833,963
Operating and Other Expenses	9	<u>892</u>	679,544	<u>1,008</u> 834,971
Profit before Taxes			8,022	11,645
Tax Expense (Refer Note 6 and 12 on Schedule 10)				
Current Tax			4,578	1,700
Deferred Tax			<u>(624)</u>	<u>-</u>
			3,954	1,700
Profit after Taxes			4,068	9,945
Profit brought forward			76,135	66,190
Profit available for Appropriations			80,203	76,135
APPROPRIATIONS :			-	-
Profit Carried Forward			80,203	76,135
			80,203	76,135
Basic/Diluted Earning per Share (Rs.) (Refer Note 5 and 8 on Schedule 10)			452.00	1,105.00
Significant Accounting Policies and Notes to Accounts	10			

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

For and on behalf of

**PRICE WATERHOUSE
CHARTERED ACCOUNTANTS**

Avijit Mukerji
Membership No. F56155
Partner

Place : Gurgaon
Date : March 04, 2010

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

For and on behalf of the Board

Shaleen Sharma
Chairman

Sugata Sircar
Director

Place : Ahmedabad
Date : March 04, 2010

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2009

	Year ended on 31-12-2009 Rs. in thousand	Year ended on 31-12-2008 Rs. in thousand
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Tax	8,022	11,645
Adjustments for:		
Profit on sale of investment (Net)	(1)	-
Dividend Income	(5,124)	(6,455)
Unrealised Foreign Exchange Gain	(356)	-
Interest Income	(2,936)	(4,952)
Operating Profit before working capital changes	(395)	238
Adjustments for changes in working capital		
(Increase)/Decrease in Sundry Debtors	(182,416)	(53,395)
(Increase)/Decrease in Loan and Advances	230	1,200
Increase/(Decrease) in Current Liabilities	178,283	47,730
Cash generated from Operations	(4,298)	(4,227)
Taxes (paid)/refunded	21,185	27,409
Net Cash from Operating Activities	16,887	23,182
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Investments	(47,624)	(155,954)
Sale of Investments	21,021	124,000
Interest received (Net of taxes)	2,936	4,952
Dividends received	5,124	6,455
Net Cash from Investing activities	(18,543)	(20,547)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(1,656)	2,635
Cash and Cash Equivalents at the beginning of the year	4,647	2,012
Cash and Cash Equivalents at the end of the year	2,991	4,647
Cash and Cash Equivalents comprise		
Cash in hand	5	-
Balances with Scheduled Banks :		
- In Current Accounts	2,986	4,647
Total Cash and Cash Equivalents as per Cash Flow statement	2,991	4,647

Notes to Cash Flow Statement:

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

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

For and on behalf of

**PRICE WATERHOUSE
CHARTERED ACCOUNTANTS**

Avijit Mukerji

Membership No. F56155
Partner

Place : Gurgaon

Date : March 04, 2010

For and on behalf of the Board

Shaleen Sharma
Chairman

Sugata Sircar
Director

Place : Ahmedabad

Date : March 04, 2010

SCHEDULES FORMING PART OF BALANCE SHEET

	As at 31-12-2009 Rs. in thousand	As at 31-12-2008 Rs. in thousand
SCHEDULE - 1		
SHARE CAPITAL		
Authorised		
10,000 (Previous year 10,000) Equity Shares of Rs.100/- each	1,000	1,000
TOTAL	<u>1,000</u>	<u>1,000</u>
Issued, Subscribed and Paid up		
9,000 (Previous year 9,000) Equity Shares of Rs.100/- each fully paid-up [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.]	900	900
TOTAL	<u>900</u>	<u>900</u>
SCHEDULE - 2		
RESERVES AND SURPLUS		
GENERAL RESERVE	26,650	26,650
PROFIT AND LOSS ACCOUNT	80,203	76,135
TOTAL	<u>106,853</u>	<u>102,785</u>
SCHEDULE - 3		
INVESTMENTS		
(Refer Note 2 and 13 on Schedule 10)		
Current Investments:		
(At cost or Fair value whichever is lower, determined categorywise)		
Unquoted - other than trade		
Units of Mutual Funds	131,292	104,688
TOTAL	<u>131,292</u>	<u>104,688</u>
Aggregate cost of Unquoted Investments	<u>131,292</u>	<u>104,688</u>
SCHEDULE - 4		
SUNDRY DEBTORS		
Unsecured - Considered Good		
Others	245,247	62,831
[Includes Rs. 245,247 thousand (Previous year Rs. 62,831 thousand) due from Gujarat Gas Company Ltd, maximum balance due during the year Rs. 663,631 thousand (Previous year Rs. 232,189 thousand)]		
TOTAL	<u>245,247</u>	<u>62,831</u>
SCHEDULE - 5		
CASH AND BANK BALANCES		
Cash in hand	5	-
Balances with Scheduled Banks :		
- In Current Accounts	2,986	4,647
TOTAL	<u>2,991</u>	<u>4,647</u>



SCHEDULES FORMING PART OF BALANCE SHEET

	Rs. in thousand	As at 31-12-2009 Rs. in thousand	As at 31-12-2008 Rs. in thousand
SCHEDULE - 6			
LOANS AND ADVANCES			
(Unsecured - considered good, unless otherwise stated)			
Balance due with Statutory Authorities		16,861	17,091
TOTAL		16,861	17,091
SCHEDULE - 7			
CURRENT LIABILITIES AND PROVISIONS			
(A) CURRENT LIABILITIES			
Sundry Creditors*		257,797	83,160
Other Liabilities		4,430	1,140
		262,227	84,300
(B) PROVISIONS			
Provision for Taxation	197,790		193,212
Less: Advance payment of Tax and Tax deducted at source	170,755		191,940
		27,035	1,272
		27,035	1,272
TOTAL		289,262	85,572

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

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

		Year ended 31-12-2009 Rs. in thousand	Year ended 31-12-2008 Rs. in thousand
SCHEDULE - 8			
OTHER INCOME			
Dividend from Mutual Funds (Current) (Refer Note 4(iii) on Schedule 10)		5,124	6,455
Interest on Income Tax refund		2,936	4,952
Profit on sale of Current Investments		1	-
TOTAL		8,061	11,407
SCHEDULE - 9			
OPERATING AND OTHER EXPENSES			
Rates and Taxes		2	3
Legal, Professional and Consultancy		561	635
Miscellaneous Expenses		329	370
TOTAL		892	1,008

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 31-12-2009	Year ended 31-12-2008
Net Profit/(Loss) attributable to Shareholders (Rs. in thousand)	4,068	9,945
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.)	452.00	1,105.00

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

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. Hence, disclosures required as per Accounting Standard on Segment reporting (AS -17) are not applicable to the company.

10. Payment to Auditors :

	Year ended 31-12-2009 (Rs. in thousand)	Year ended 31-12-2008 (Rs. in thousand)
Audit fees	150	200
Reimbursement of Expenses (Including service tax)	33	24

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 31-12-2009	Year ended 31-12-2008
Gujarat Gas Company Ltd	Holding Company	Expense:		
		Service charges paid	300	300
		Income:		
		Sale of Natural Gas	679,505	835,209
		Share capital held	900	900
British Gas Energy Holding Ltd.	Under Common Control	Balance Receivable	245,247	62,831
		Commission on purchases	3,995	3,487
		Commission on corporate guarantee given to supplier	6,137	8,224
		Balance Payable	7,737	9,429

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

Provision for Deferred Tax	Rs. in thousand		
	Opening As at 01-01-2009 (a)	Charge during the year (b)	Closing As at 31-12-2009 (c=a-b)
Tax impact of expenses not allowed as expenses in current year allowed as expense in subsequent year (Net)	-	(624)	624
Deferred Tax Asset	-	(624)	624

13. Investments:

	As at 31-12-2009 (Rs. in thousand)	As at 31-12-2008 (Rs. in thousand)
Current Investments (Unquoted):		
- Units of Mutual Funds	131,292	104,688
Notes:		
1) Aggregate cost of unquoted investment	131,292	104,688
2) Movement in investment from 1st January, 2009 to 31 st December, 2009 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 Institutional Premium (Dividend)	3,759,237	37,666	3,141,305	6,900,542	-	-
Birla Sunlife Savings Fund Instl. Plan (Dividend)	-	-	6,992,451	-	6,992,451	69,972
HDFC Cash Management-Saving Plan- (Dividend)	2,980,248	31,707	89,979	3,070,227	-	-
HDFC Floating Rate Income Fund - Short Term Plan	-	-	2,876,079	-	2,876,079	28,993
HDFC Quarterly Interval Fund - Plan C Retail (Dividend)	-	-	-	-	-	-
Reliance Liquidity Fund (Dividend)	3,530,402	35,315	1,362,023	4,892,425	-	-
Reliance Money Manager Fund (Dividend)	-	-	32,290	-	32,290	32,327
TOTAL	10,269,887	104,688	14,494,127	14,863,194	9,900,820	131,292

14. Purchases and Sales of traded goods:

Product	Purchases		Sales	
	Qty. in LSCM	Rs. in thousand	Qty. in LSCM	Rs. in thousand
Natural Gas	852.49 (1,249.21)	678,652 (833,963)	852.49 (1,249.21)	679,505 (835,209)

Previous year figures are in brackets.

15. Expenditure in Foreign Currency (Paid):

	Year ended 31-12-2009 Rs. in thousand	Year ended 31-12-2008 Rs. in thousand
Commission	11,824	10,966

16. The provision for income tax has been calculated based on income earned during the year ended December 31, 2009 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, 2010, the ultimate liability for the Assessment Year 2010-11 will be determined on the total income of the company for the year ending March 31, 2010.

17. Managerial Remuneration:

	Year ended 31-12-2009 Rs. in thousand	Year ended 31-12-2008 Rs. in thousand
Directors' Sitting Fees	72	63

18. 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**

I. REGISTRATION DETAILS		
Registration No.	:	4091
State Code	:	04
Balance Sheet Date	:	31-12-2009
II. CAPITAL RAISED DURING THE YEAR (Amount Rs. in thousand)		
Public Issue	:	Nil
Rights Issue	:	Nil
Bonus Issue	:	Nil
Private Placement (Preferential Allotment)	:	Nil
III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount Rs. in thousand)		
Total Liabilities	:	397,015
Total Assets	:	397,015
Sources of Funds		
Paid-up Capital	:	900
Reserves and Surplus	:	106,853
Secured Loans	:	Nil
Unsecured Loans	:	Nil
Deposits	:	Nil
Applications of Funds		
Net Fixed Assets	:	Nil
Investments	:	131,292
Net Current Assets	:	(24,163)
Miscellaneous Expenditure/ Accumulated Losses	:	Nil
Deferred Tax Assets	:	624
IV. PERFORMANCE OF THE COMPANY (Amount Rs. in thousand)		
Total Turnover	:	687,566
Total Expenditure	:	679,544
Profit / (Loss) Before Tax	:	8,022
Profit / (Loss) After Tax	:	4,068
Earnings Per Share (Rs.) (Annualized)	:	452.00
Dividend Rate (%)	:	Nil
V. GENERIC NAME OF PRINCIPAL PRODUCTS/ SERVICES OF THE COMPANY (As per monetary terms)		
Item Code No. (ITC Code)	:	-
Product Description	:	TRADING IN NATURAL GAS

DIRECTORS' REPORT

Dear Shareholders

Your Directors have pleasure in presenting the Sixteenth Directors' Report together with the audited annual accounts for the year ending on 31 December 2009.

FINANCIAL PERFORMANCE

Particulars	(Rupees in thousand)	
	Calendar Year 2009	Calendar Year 2008
Net Income	50,664	58,615
Operating expenditure	(7,751)	(14,955)
Profits before depreciation, interest, provision for NPA and tax	42,913	43,660
<u>Less:</u>		
Depreciation	(72)	(75)
Interest	-	-
Profit before write-offs and NPAs	42,841	43,585
Profit before Tax	42,841	43,585
<u>Less:</u>		
Provision for Tax – current and deferred	(14,450)	(14,752)
Profit after Tax	28,391	28,833
Add: Surplus of earlier years	47,484	31,260
Amount available for appropriations	75,875	60,093
Appropriations:		
Transfer to General Reserve	1,420	2,162
Transfer to Reserve Fund (as stipulated by RBI)	5,679	5,767
Dividend	3,000	4,000
Dividend Distribution Tax	498	680
Surplus	65,278	47,484

During the year under review, the net income was Rs. 50.66 mn. as compared to Rs. 58.61 mn. in the year 2008 and the profit after tax was Rs. 28.39 mn. as compared to Rs. 28.83 mn. for the previous year.

DIVIDEND

In view of the overall performance and financial position of the Company, Directors are pleased to recommend payment of dividend at the rate of 15% i.e. Rs. 1.50 per share on fully paid equity shares of Rs. 10 each. The proposed dividend will involve total payout of Rs.3.50 million inclusive of dividend distribution tax of Rs. 0.50 million.

APPROPRIATIONS

As stipulated by Reserve Bank of India (RBI), 20% of the pre-dividend profits i.e. Rs. 5.68 million (previous year Rs. 5.77 million) is being transferred to the Reserve Fund. Also, a sum of Rs. 1.42 million (previous year Rs.2.16 million) is proposed to be transferred to General Reserve.

DISCUSSION ON OPERATIONS

Business

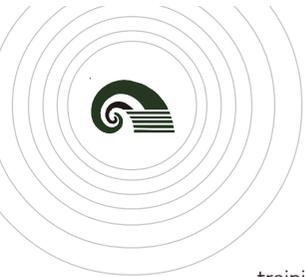
Your Company carried out the job of installing gas connections for domestic and commercial customers of the Company. While GFSL has the status of a certified Non Banking Financial Company, it has stopped providing lease finance since April 2007. As it no longer meets the norms prescribed by the Reserve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

Investments

During the year, the Company maintained its investments in bank deposits. The total portfolio of investment in bank deposits was Rs. 0.50 million, as on 31 December 2009.

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 2009.

FINANCE AND INSURANCE

- Your Company remains a zero debt company.
- During 2009, in terms of the provisions of Investor Education and Protection Fund (Awareness and Protection of Investor) Rules 2001, an aggregate amount of Rs. 0.043 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 2009 were four.

STATUTORY INFORMATION

- There are no employees, whether employed throughout the year or any part thereof, in receipt of remuneration exceeding the limits prescribed under the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.
- Since the Company is not a schedule industry details in respect of conservation of energy, technology absorption is not required to be furnished.
- During the period, there were no foreign exchange earnings whereas the foreign exchange outgo was to the extent of

Rs. 39.01 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 was 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 2009, 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. Sadhan Banerjee retires by rotation at the ensuing Annual General Meeting. Being eligible, he offered himself for re-appointment.

APPRECIATION

Your directors wish to express its sincere appreciation to all its valuable customers for their continuing association with the Company. Your directors express their gratitude to its promoter, Gujarat Gas Company Limited for their valuable contribution throughout the year. Your directors also thank the shareholders

for their continuing support to the Company and to the neighbouring communities. Your directors express their appreciation of efforts put in by all employees of the Company and also wish to thank government agencies including Reserve Bank of India for extending support to the Company's business.

For & on behalf of the Board

Shaleen Sharma
Chairman

Place : Ahmedabad
Dated : 3 March, 2010

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, 2009, 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, 2009 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, 2009;
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date.
 - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For and on behalf of
PRICE WATERHOUSE
CHARTERED ACCOUNTANTS

V. Nijhawan
Membership Number F87228
Partner

Place : Gurgaon
Date : March 03, 2010

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, 2009]

- 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, 2009 which have not been deposited on account of a dispute as detailed below.

Name of the Statute	Nature of Dues	Amount (Rs. In Thousand)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Penalty U/S 271(1)(C)	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
Income Tax Act, 1961	Income Tax	1,853	A.Y. 2006-07	ITAT
Income Tax Act, 1961	Income Tax	25,354	A.Y. 2007-08	CIT (A)

- x) The Company does not have accumulated losses as at December 31, 2009 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
- xi) According to the records of the Company examined by us and the information and explanation given to us, the Company does not have any dues payable to any financial institution or bank or debenture holders as at the balance sheet date.
- xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) The provision of any special statute applicable to chit fund/ nidhi/ mutual benefit fund/ societies are not applicable to the Company.
- xiv) In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
- xv) In our opinion, and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
- xvi) The Company has not obtained any term loans.
- xvii) On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
- xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
- xix) The Company has not issued any debentures during the year and there are no debentures outstanding as at the year end.
- xx) The Company has not raised any money by public issues during the year.
- xxi) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

For and on behalf of
PRICE WATERHOUSE
CHARTERED ACCOUNTANTS

V. Nijhawan
 Membership Number F87228
 Partner

Place : Gurgaon
 Date : March 03, 2010



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, 2009. As required by the Non Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 1998, on the basis of such checks as we considered appropriate and as per information and explanation given to us we report that:

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

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

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

1. The Board of Directors of the Company has passed a resolution dated January 27, 2010 for the non-acceptance of any public deposits.
2. The Company has not accepted any public deposits during the year under our report.
3. The Company has complied with the prudential norms on income recognition, accounting standards, assets classification and provision for bad and doubtful debts, as specified in the directions issued by the Reserve Bank of India in the terms of the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.

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

V. Nijhawan
Membership Number F87228
Partner

Place : Gurgaon
Date : March 3, 2010

GUJARAT GAS FINANCIAL SERVICES LIMITED
BALANCE SHEET AS AT DECEMBER 31, 2009

	Schedule	Rs. in thousand	As at 31-12-2009 Rs. in thousand	As at 31-12-2008 Rs. in thousand
SOURCES OF FUNDS				
Shareholders' Funds				
Share Capital	1	20,000		20,000
Reserves and Surplus	2	<u>151,706</u>	<u>171,706</u>	<u>126,813</u>
			<u>171,706</u>	<u>146,813</u>
			<u>171,706</u>	<u>146,813</u>
APPLICATION OF FUNDS				
Fixed Assets				
Gross block	3	578,630		578,630
Less : Depreciation		<u>441,679</u>		<u>441,607</u>
		136,951		137,023
Less : Lease Equalization		<u>136,588</u>		<u>136,588</u>
Net block			363	435
Investments	4		-	-
Deferred Tax Asset (Refer Notes A9 & B10 on Schedule 17)			74,408	66,700
Current Assets, Loans and Advances				
Inventories	5	100,349		76,629
Sundry Debtors	6	29,033		248
Cash and Bank Balances	7	3,997		151,570
Other Current Assets	8	10		1,598
Loans and Advances	9	<u>44,297</u>		<u>34,448</u>
		177,686		264,493
Less: Current Liabilities and Provisions				
Current Liabilities	10	76,270		179,256
Provisions		<u>4,481</u>		<u>5,559</u>
		80,751		184,815
Net Current Assets				
			<u>96,935</u>	<u>79,678</u>
			<u>171,706</u>	<u>146,813</u>
Significant Accounting Policies and Notes to Accounts	17			

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

For and on behalf of
PRICE WATERHOUSE
CHARTERED ACCOUNTANTS

V. NIJHAWAN
Membership No. F87228
PARTNER

PLACE : Gurgaon
DATE : March 03, 2010

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

For and on behalf of the Board

SHALEEN SHARMA
CHAIRMAN

SUGATA SIRCAR
DIRECTOR

CHINTAN TRIVEDI
COMPANY SECRETARY

PLACE : Ahmedabad
DATE : March 03, 2010

GUJARAT GAS FINANCIAL SERVICES LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2009

	Schedule	Rs. in thousand	Year ended 31-12-2009 Rs. in thousand	Year ended 31-12-2008 Rs. in thousand
INCOME				
Income from operations	11	276,464		328,760
Other Income	12	4,743		1,915
			281,207	330,675
EXPENDITURE				
Installation Cost (Refer note B 2 on Schedule 17)	13	230,543		272,060
Personnel Expenses	14	3,091		2,592
Administration and Other Expenses	15	4,660		12,363
Depreciation		72		75
			238,366	287,090
Profit before Taxes			42,841	43,585
Tax Expense	16		14,450	14,752
Profit after Taxes			28,391	28,833
Profit brought forward			47,484	31,260
Profit available for appropriation			75,875	60,093
Appropriations				
Proposed Dividend			3,000	4,000
Corporate Dividend Tax			498	680
Transferred to Special Reserve (As stipulated by RBI)			5,679	5,767
Transferred to General Reserve			1,420	2,162
Profit Carried Forward			65,278	47,484
			75,875	60,093
Basic / Diluted Earnings per Share (Rs.) (Refer note A8 & B8 on Schedule 17)			14.20	14.42
Significant Accounting Policies and Notes to Accounts	17			

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

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

For and on behalf of the Board

For and on behalf of
PRICE WATERHOUSE
 CHARTERED ACCOUNTANTS

SHALEEN SHARMA
 CHAIRMAN

SUGATA SIRCAR
 DIRECTOR

V. NIJHAWAN
 Membership No. F87228
 PARTNER

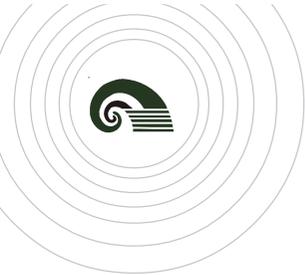
CHINTAN TRIVEDI
 COMPANY SECRETARY

PLACE: Gurgaon
 DATE : March 03, 2010

PLACE: Ahmedabad
 DATE : March 03, 2010

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2009

	Year ended 31-12-2009 Rs. in thousand	Year ended 31-12-2008 Rs. in thousand
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before taxation	42,841	43,585
Adjustments for:		
Depreciation	72	75
Liabilities no longer required written back	(112)	(119)
Provision for gratuity and leave encashment	105	264
Inventory written off	-	490
Operating Profit Before Working Capital Changes	42,906	44,295
Adjustments for changes in working capital		
(Increase)/Decrease In Sundry Debtors	(28,785)	(248)
(Increase)/Decrease In Loans And Advances	(4,206)	(5,295)
(Increase)/Decrease In Other Current Assets	1,588	(971)
(Increase)/Decrease In Inventories	(23,720)	(11,713)
Increase/(Decrease) In Current Liabilities and Provisions	(102,872)	56,126
Cash generated from operations	(115,089)	82,194
Taxes paid (Net of refunds)	(27,804)	(22,317)
Net Cash from Operating Activities	(142,893)	59,877
B. CASH FLOW FROM FINANCING ACTIVITIES		
Dividend Paid including Tax on Dividend	(4,680)	(4,680)
Net Cash used in Financing Activities	(4,680)	(4,680)
NET INCREASE IN CASH & CASH EQUIVALENTS	(147,573)	55,197
Cash & Cash Equivalents at the beginning of the year	151,570	96,373
Cash & Cash Equivalents at the end of the year	3,997	151,570
Closing Cash & Cash Equivalents Comprise:		
Cash in Hand	18	14
Balance with scheduled banks		
- In Current Accounts	3,061	22,465
- In Term Deposit	500	128,900
- In Dividend Accounts	418	191
Total Cash & Cash Equivalents as per cash flow statement	3,997	151,570



Notes to Cash Flow Statement:

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

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

For and on behalf of
PRICE WATERHOUSE
CHARTERED ACCOUNTANTS

V. NIJHAWAN
Membership No. F87228
PARTNER

PLACE: Gurgaon
DATE : March 03, 2010

For and on behalf of the Board

SHALEEN SHARMA
CHAIRMAN

SUGATA SIRCAR
DIRECTOR

CHINTAN TRIVEDI
COMPANY SECRETARY

PLACE: Ahmedabad
DATE : March 03, 2010

GUJARAT GAS FINANCIAL SERVICES LIMITED
SCHEDULES FORMING PART OF BALANCE SHEET

	Rs. in thousand	As at 31-12-2009 Rs. in thousand	As at 31-12-2008 Rs. in thousand
SCHEDULE-1			
SHARE CAPITAL			
A. Authorised			
70,00,000 (Previous year 70,00,000) Equity Shares of Rs.10/- each	70,000		70,000
50,00,000 (Previous year 50,00,000) Preference Shares of Rs.10/- each	50,000		50,000
		120,000	120,000
B. Issued, Subscribed and paid up			
20,00,000 Equity Shares of Rs.10/- each fully paid up (Previous year 20,00,000 Equity Shares of Rs.10/- each)		20,000	20,000
[Out of the above 13,97,500 Shares (Previous year 13,97,500 Shares) of Rs.10/- each are held by holding Company - Gujarat Gas Company Limited, ultimate holding company being BG Group plc]		20,000	20,000
SCHEDULE-2			
RESERVES AND SURPLUS			
General Reserve			
Opening Balance	5,578		3,416
Add : Transferred from Profit & Loss Account	1,420		2,162
		6,998	5,578
Special Reserve (as required by RBI)			
Opening Balance	73,751		67,984
Add : Transferred from Profit & Loss Account	5,679		5,767
		79,430	73,751
Profit & Loss Account			
		65,278	47,484
		151,706	126,813

**SCHEDULE - 3
FIXED ASSETS**

(Refer note A.2(b) & A.3 on Schedule 17)

PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK		
	As at 01.01.2009	Additions during the year	Sales/Adj. during the year	Balance as at 31.12.2009	As at 01.01.2009	Additions during the year	Sales/Adj. during the year	Balance as at 31.12.2009	As at 31.12.2008
A. Assets given on Lease (Standard Asset)									
Plant & Machinery	575,875	-	-	575,875	439,287	-	-	439,287	136,588
Total - (A)	575,875	-	-	575,875	439,287	-	-	439,287	136,588
B. Other Assets									
Computer	1,083	-	-	1,083	1,083	-	-	1,083	-
Office Equipment & Elect.Install	673	-	-	673	395	28	-	423	278
Furniture & Fixture	973	-	-	973	818	44	-	862	155
Vehicle	26	-	-	26	24	-	-	24	2
Total - (B)	2,755	-	-	2,755	2,320	72	-	2,392	435
Total -(A)+(B)	578,630	-	-	578,630	441,607	72	-	441,679	137,023
Lease Equalisation	-	-	-	-	136,588	-	-	136,588	(136,588)
Total	578,630	-	-	578,630	578,195	72	-	578,267	435
Previous Year	578,630	-	-	578,630	578,120	75	-	578,195	435

Rs. in thousand

GUJARAT GAS FINANCIAL SERVICES LIMITED
SCHEDULES FORMING PART OF BALANCE SHEET

	Rs. in thousand	As at 31-12-2009 Rs. in thousand	As at 31-12-2008 Rs. in thousand
SCHEDULE -4			
INVESTMENTS			
(Refer Note A4 and B4 on Schedule 17)			
LONG TERM - OTHERS			
Other than trade- Quoted shares			
11,600 equity shares of Rs. 10/- each fully paid up (previous year 11,600 equity shares of Rs. 10/- each)	116		116
Less: Provision for diminution in value of investment	<u>116</u>	-	<u>116</u>
		-	-
		-	-
		-	-
SCHEDULE-5			
INVENTORIES			
(Refer Note A5 on Schedule 17)			
Stores and pipe fittings (at cost)		<u>100,349</u>	<u>76,629</u>
		<u>100,349</u>	<u>76,629</u>
SCHEDULE-6			
SUNDRY DEBTORS			
(Unsecured)			
Considered Good			
Other Debts*	<u>29,033</u>	29,033	<u>248</u>
Considered Doubtful			248
Debts outstanding for a period exceeding six months	102		214
Less: Provision for Doubtful Debts	<u>102</u>	-	<u>214</u>
		-	-
		<u>29,033</u>	<u>248</u>
[*Includes Rs.29,033 Thousand (Previous Year Nil) due from Gujarat Gas Company Ltd, maximum balance due during the year Rs. 41,310 Thousand (Previous Year Nil)]			
SCHEDULE-7			
CASH AND BANK BALANCES			
Cash in hand		18	14
Balances with Scheduled Banks			
In Current Accounts		3,061	22,465
In Term Deposit *		500	128,900
In Dividend Accounts		418	191
		<u>3,997</u>	<u>151,570</u>
* Includes Term Deposit in an Escrow account as stipulated by RBI Rs. 500 thousand (Previous Year Rs. 500 thousand)			
SCHEDULE-8			
OTHER CURRENT ASSETS			
(Unsecured, considered good, unless otherwise stated)			
Interest accrued on Term Deposits with Scheduled Bank		10	1,598
		<u>10</u>	<u>1,598</u>

GUJARAT GAS FINANCIAL SERVICES LIMITED
SCHEDULES FORMING PART OF BALANCE SHEET

	Rs. in thousand	As at 31-12-2009 Rs. in thousand	As at 31-12-2008 Rs. in thousand
SCHEDULE-9			
LOANS AND ADVANCES			
(Unsecured, considered good, unless otherwise stated)			
Advances recoverable in cash or in kind or for Value to be received.		9,524	10,274
Advance payment of tax and tax deducted at source	214,318		181,566
Less: Taxation Provision	<u>179,545</u>		<u>157,392</u>
		<u>34,773</u>	<u>24,174</u>
		<u>44,297</u>	<u>34,448</u>
SCHEDULE-10			
CURRENT LIABILITIES & PROVISION			
A. Current Liabilities			
Sundry Creditors			
- Dues to micro enterprises and small enterprises* (Refer Note B13 on Schedule 17)		4,100	-
- Other Creditors		33,464	62,866
Advances from Customers		33,011	108,640
Payable to Retrenched Employees (Refer Note B1(c) on Schedule 17)		677	677
Investor Education and Protection Fund			
Unpaid Dividend		418	190
Unpaid Matured Deposits		-	22
Other liabilities		<u>4,600</u>	<u>6,861</u>
		<u>76,270</u>	<u>179,256</u>
B. Provisions			
Provision for:			
Proposed Dividend		3,498	4,680
Provision for Gratuity (Refer Note B 9 (a) on Schedule 17)		664	539
Provision for Leave Encashment (Refer Note B 9 (b) on Schedule 17)		309	330
Provision for Fringe Benefit Tax	68		63
Less: Advance payment of Fringe Benefit Tax	<u>58</u>		<u>53</u>
		<u>10</u>	<u>10</u>
		<u>4,481</u>	<u>5,559</u>

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

	Rs. in thousand	Year ended 31-12-2009 Rs. in thousand	Year ended 31-12-2008 Rs. in thousand
SCHEDULE-11			
INCOME FROM OPERATIONS			
(Refer Note A 2 on Schedule 17)			
Income from Processing Fees		741	16,064
Installation Income		272,611	304,158
Interest on :			
Term Deposits [Gross, Tax deducted at source Rs.974 thousand (Previous Year Rs.1,668 thousand)]	3,105		8,515
From Customers	7		23
		<u>3,112</u>	<u>8,538</u>
		<u>276,464</u>	<u>328,760</u>
SCHEDULE-12			
OTHER INCOME			
Provision No Longer Required Written Back		112	119
Foreign Exchange Gain		201	-
Miscellaneous Income		4,430	1,796
		<u>4,743</u>	<u>1,915</u>
SCHEDULE-13			
Installation Cost			
Cost of Material Consumed		149,893	139,150
Labour Charges		57,446	49,785
Service Charges		23,204	83,125
(Refer Note B3 on Schedule 17)			
		<u>230,543</u>	<u>272,060</u>
SCHEDULE-14			
PERSONNEL EXPENSES			
Salaries and Allowances (Refer B 9 (i) (b) on schedule 17)		2,689	2,185
Contribution to Provident & Other Funds (Refer Note B 9 (i) (a) & B 9 (ii) on Schedule 17)		240	275
Staff Welfare and other expenses		162	132
		<u>3,091</u>	<u>2,592</u>
SCHEDULE-15			
ADMINISTRATION AND OTHER EXPENSES			
Insurance		-	24
Rates and Taxes		3,507	3,988
Legal and Professional Charges		962	6,879
Inventory Written off		-	490
Foreign Exchange Loss		-	187
Miscellaneous Expenses		191	795
		<u>4,660</u>	<u>12,363</u>
SCHEDULE-16			
TAX EXPENSES			
(Refer Note A 9 & B 7 on Schedule 17)			
Current Income Tax		22,153	23,103
Deferred Income Tax		(7,708)	(8,366)
Fringe Benefit Tax		5	15
		<u>14,450</u>	<u>14,752</u>

SCHEDULE - 17**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS****A. SIGNIFICANT ACCOUNTING POLICIES****1) Accounting Convention**

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

2) Revenue Recognition

- (a) Sale of gas connection is recognised at the time of commissioning of gas connection at customer's premises. Sales revenue 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) 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. 112,604 Thousand (Previous Year Rs. 87,250 Thousand)

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

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

The Assessing Officer has also levied a penalty under section 271(1) (c) for A.Y. 1996-97, amounting Rs. 6,773 thousand. The penalty demand has been reduced by Rs. 4,144 thousand after adjusting the refund of various years (previous year Rs. 6,773 thousand). The appeal against this is pending with the ITAT.

- ii) Includes income tax demand of Rs. 5,462 thousand (Previous Year Rs. 5,462 thousand) for the A.Y. 1996-97 on account of disallowance of loss on sale of securities as business loss. The Company preferred an appeal against the above demand and CIT (A) has quashed the demand. However, the Income Tax Department has filed an appeal against the above order.
- iii) Includes income tax demand of Rs. 14,422 thousand (Previous Year Rs. 14,422 thousand) for the A.Y. 2001-02 on account of disallowance of claim for bad debts. The Company has paid an amount of Rs. 7,600 thousand (Previous Year Rs. 7,600 thousand) out of the above demand. Recently the Tribunal has ruled partly in favour of the company by allowing bad debts towards bill discounting transactions. An appeal has been preferred with the High Court against the Tribunal order for claiming bad debts towards inter-corporate deposits. Further the Assessing Officer has levied a penalty under section 271(1)(c) of the Income Tax Act 1961, amounting Rs. 10,007 thousand. The company preferred an appeal against the above demand and the ITAT has decided the matter in favour of the company.

- iv) Includes income tax demand of Rs. 17,894 thousand (Previous Year Rs. 17,894 thousand) for the A.Y. 2002-03 on account of disallowance of claim for bad debts (Rs. 13,997 thousand) and professional expenses (Rs. 815 thousand). The total amount paid by company / adjusted by tax authorities towards above demand aggregates to Rs. 8,826 thousand (Previous year Rs. 8,826 thousand). Recently the Tribunal has ruled partly in favour of the company by allowing bad debts towards bill discounting transactions. An appeal has been preferred with the High Court against the Tribunal order for claiming bad debts towards inter-corporate deposits. Includes income tax demand of Rs. 2,855 thousand (Previous year Rs. 2,855 thousand) for the A.Y. 2003-04 on account of disallowance of claim for bad debts. The company preferred an appeal against the above demand and the CIT (A) has ruled in favour of the company and has quashed the demand. Includes income tax demand of Rs. 227 thousand (Previous year Rs.227 thousand) for A.Y. 2004-05 on account of disallowance of claim for bad debts. The appeal for A.Y. 2003-04 and A.Y. 2004-05 is pending with the ITAT.
- v) Includes income tax demand of Rs.20,135 thousand (Previous year Rs.20,135 thousand) for the A.Y. 2006-07 on account of disallowance of service charges paid to GGCL and inventory written off during the year. The total amount paid by company / adjusted by tax authorities towards above demand aggregates to Rs.18,283 thousand (Previous year Nil) The CIT (A) has decided the appeal partly in our favour by allowing the service charges as deductible business expenditure. An appeal has been preferred with the Tribunal against the CIT (A)'s order.
- vi) Includes income tax demand of Rs.25,354 thousand for the A.Y. 2007-08 on account of disallowance of service charges paid to GGCL. The company has preferred an appeal before the CIT (A) against the said order.
- b. Interest tax exposures of Rs. 4,146 thousand (Previous Year Rs. 4,146 thousand). The interest tax authorities in the assessment contented that the activities of the Company are chargeable to interest tax and raised a total demand of Rs. 56,395 thousand for the A.Y.'s 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 A.Y.'s 1995-96, 1996-97, 1997-98, 1998-99 and 2000-01 and quashed the demands for these years aggregating to Rs. 50,267 thousand. However for A.Y.1999-00, 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. Recently 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 A.Y.1999-00 under section 13 of the Interest Tax Act 1974, amounting Rs. 1,982 thousand. The Company preferred an appeal against the above demand and CIT (A) ruled in favour of the Company and quashed the penalty demand. The appeal is pending with the ITAT.
- c. The Company had retrenched 8 employees in the year 2002 under the provisions of The Industrial Disputes Act, 1949. The employees had filed an appeal against the above retrenchment in a labour court. The Company had reached a settlement with two of the above employees and had provided for Rs. 677 Thousand (Previous Year 677 thousand), being the compensation payable to the remaining employees under The Industrial Disputes Act, 1949. Any additional amount due to the employees will be determined based on decision by the labour court and hence amount payable ultimately cannot be ascertained at this stage.

2) Detail of each class of goods traded as at December 31, 2009

	As at December 31, 2009			As at December 31, 2008		
	Qty. (Nos.)	Amount (Rs. In Thousand)		Qty. (Nos.)	Amount (Rs. In Thousand)	
		Amount	Total		Amount	Total
Opening Stock						
Meters	5,175	12,619		6,701	10,514	
Others (Refer Note 2 below)	5,892	6,465		4,362	6,145	
Others (Refer Note 2 below)	-	57,545	76,629	-	48,747	65,406
Purchases						
Meters	51,642	50,896		31,542	36,160	
Regulators	27,724	25,665		23,248	23,435	
Others (Refer Note 2 below)	-	95,623	172,184	-	90,778	150,373
Sales						
Meters	41,103	-		33,068	-	
Regulators	26,554	-		21,718	-	
Others (Refer Note 2 below)	-	-	148,464	-	-	139,150
Closing Stock						
Meters	15,714	21,322		5,175	12,619	
Regulators	7,062	6,366		5,892	6,465	
Others (Refer Note 2 below)	-	72,661	100,349	-	57,545	76,629

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

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

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

	As at December 31, 2009			As at December 31, 2008		
	Face Value	Rs. Number	Rs. in thousand	Face Value	Rs. Number	Rs. in thousand
SHARES-FULLY PAID UP						
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
TOTAL			116			116

5) **Auditors' Remuneration:**

	As at December 31, 2009 (Rs. In thousand)	As at December 31, 2008 (Rs. in thousand)
Audit Fees	350	350
Fees for the RBI certification	25	25
Out of Pocket Expenses (including service tax)	65	66
	440	441

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

	As at December 31, 2009 (Rs. In thousand)	As at December 31, 2008 (Rs. in thousand)
Spares	39,010	18,625

7) The provision for income tax has been calculated based on income earned during the year ended December 31, 2009 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, 2010, the ultimate liability for the A.Y. 2010-11 will be determined on the total income of the company for the year ending March 31, 2010.

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

Particulars	As at December 31, 2009 (Rs. In thousand)	As at December 31, 2008 (Rs. in thousand)
Net Profit attributable to Shareholders (Rs. In Thousands)	28,391	28,833
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.)	14.20	14.42

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

9) Disclosures as per AS - 15(Revised) 'Employee Benefits' for year ended December 31, 2009:

(i) Disclosures for Defined Benefit Plans

	Year ended December 31, 2009	(Rs in thousand) Year ended December 31, 2008
a Gratuity (Funded)		
<u>Change in the defined benefit obligations</u>		
Defined benefit obligation at beginning of the year	539	361
Service cost	43	37
Interest cost	44	27
Actuarial loss/(gain)	38	114
Benefits paid	-	-
Defined benefit obligation at the end of the year	664	539
<u>Change in plan assets</u>	N.A.	N.A.
Present value of unfunded obligations	664	539
The Net amount recognized in the statement of Profit & Loss for year ended December 31, 2009 is as follows		
Current Service cost	43	37
Interest cost	44	27
Expected return on plan assets	-	-
Net actuarial loss/(gain) recognised	38	114
Net amount recognised during the year	125	178
The principal actuarial assumptions used as at December 31, 2009 are as follows		
Discount rate	8.25%	7.50%
Expected rate of return on Plan assets	-	-
Rate of increase in compensation levels (Refer Note)	7.00%	7.00%
b Leave Encashment		
<u>Change in the defined benefit obligations</u>		
Defined benefit obligation at beginning of the year	330	244
Service cost	11	27
Interest cost	27	18
Actuarial loss/(gain)	(59)	41
Defined benefit obligation at the end of the year	309	330
The Net amount recognized in the statement of Profit & Loss for year ended December 31, 2009 is as follows		
Current Service cost	11	27
Interest cost	27	18
Net actuarial loss/(gain) recognised	(59)	41
Net amount recognised during the year	(20)	86
Actual return on plan assets		
The principal actuarial assumptions used as at December 31, 2009 are as follows		
Discount rate	8.25%	7.50%
Expected rate of return on Plan assets	-	-
Rate of increase in compensation levels (Refer Note)	7.00%	7.00%
(ii) Disclosures for Defined Contribution Plans		
Employer's contribution towards Provident Fund	114	97
	114	97

10 Deferred Tax

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

	Amount in Rs. Thousand	
	Year ended December 31, 2009	Year ended December 31, 2008
Opening Balance	66,700	58,334
Provision for current year deferred tax asset	7,708	8,366
Closing Balance	74,408	66,700

(B) Break up of deferred tax assets

	Year ended December 31, 2009	Year ended December 31, 2008
Deferred Tax Assets:		
Tax impact of difference between carrying amount of fixed assets in the financial statements and the income tax return	74,022	67,068
Tax impact of expenses charged in the financial statements but allowable as deductions in future years under income tax:		
Provision for doubtful debts	35	73
Expenditure under section 43B of the Income Tax Act	351	295
	74,408	66,700

11. Segment Reporting under Accounting Standard 17:

The company is primarily engaged in the business of sale of gas connections. Prior to that, the Company was engaged in the business of Lease financing. Considering the nature of business, its mode of operations, reporting systems and element of risks and returns for its various activities, the company is engaged in one segment only. The company is primarily operating in the domestic market and there are no reportable geographical segments. Accordingly, information relating to segmental reporting as per Accounting Standard 17 is not required to be furnished.

12. Related Party disclosures under Accounting Standard 18:

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

Name of Related Party	Nature of Relationship	Nature of Transaction	Amount (Rs. In Thousand)	
			Year ended December 31, 2009	Year ended December 31, 2008
Gujarat Gas Company Limited	Holding Company	Connection Income (Sale of connections)	191,347	-
		Reimbursement of Alteration charges	15,056	-
		Service Charges for domestic connection	23,204	83,125
		Dividend Paid	2,795	2,795
		Amount payable at year end	-	22,151
		Amount receivable at year end	28,652	-
		Equity Share Capital held	13,975	13,975

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

13. Disclosures required for Small Enterprises and Micro Enterprises for year ended December 31, 2009

Particulars	Amount (Rs. in Thousand)	
	Year ended December 31, 2009	Year ended December 31, 2008
The principal amount remaining unpaid as at the end of accounting year [including Interest due thereon - Nil (Previous Year - Nil)]	4133	Nil
Interest paid by the company in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during accounting year	Nil*	Nil
Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006	Nil	Nil
Interest accrued and remaining unpaid at the end of accounting year	33	Nil
Further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006	20	Nil

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

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

Particulars	(Rs. In thousand)		(Rs. In thousand)	
	Year Ended December 31, 2009	Year Ended December 31, 2008	Year Ended December 31, 2009	Year Ended December 31, 2008
Liabilities side :	Amount outstanding	Amount overdue	Amount outstanding	Amount overdue
(1) Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid:				
(a) Debentures				
Secured	Nil	Nil	Nil	Nil
Unsecured (other than falling within the meaning of public deposits*)	Nil	Nil	Nil	Nil
(b) Deferred Credits	Nil	Nil	Nil	Nil
(c) Term Loans	Nil	Nil	Nil	Nil
(d) Inter-corporate loans and borrowing	Nil	Nil	Nil	Nil
(e) Commercial Paper	Nil	Nil	Nil	Nil
(f) Other Loans (specify nature)	Nil	Nil	Nil	Nil

* Please see Note (a) below

Particulars	(Rs. In thousand)		(Rs. In thousand)	
	Year Ended December 31, 2009	Year Ended December 31, 2008	Year Ended December 31, 2009	Year Ended December 31, 2008
Liabilities side :	Amount outstanding	Amount overdue	Amount outstanding	Amount overdue
(2) Break-up of Loans and Advances including bills receivables [other than those included in (4) below] :				
(a) Secured		Nil		Nil
(b) Unsecured		9,534		11,872
(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		102		214
(b) Operating lease		Nil		Nil
(ii) Stock on hire including hire charges under sundry debtors:				
(a) Assets on hire		Nil		Nil
(b) Repossessed Assets		Nil		Nil
(iii) Hypothecation loans counting towards EL/HP activities				
(a) Loans where assets have been repossessed		Nil		Nil
(b) Loans other than (a) above		Nil		Nil
(4) Break-up of Investments :				
Current Investments :		N.A.		N.A.
1 Quoted :				
(i) Shares :				
(a) Equity				
(b) Preference				
(ii) Debentures and Bonds				
(iii) Units of mutual funds				
(iv) Government Securities				
(v) Others (please specify)				
2 Unquoted :				
(i) Shares :				
(a) Equity				
(b) Preference				
(ii) Debentures and Bonds				
(iii) Units of mutual funds				
(iv) Government Securities				
(v) Others (please specify)				
Long Term investments :				
1 Quoted :				
(i) Shares :				
(a) Equity		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
(ii) Debentures and Bonds	Nil	Nil
(iii) Units of mutual funds	Nil	Nil
(iv) Government Securities	Nil	Nil
(v) Others (please specify)	Nil	Nil

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

Please see Note (b) below

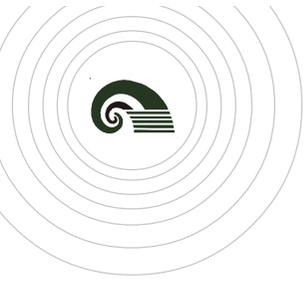
Category	Amount net of provisions			Amount net of provisions		
	Secured	Unsecured	Total	Secured	Unsecured	Total
1 Related Parties **						
(a) Subsidiaries	-	-	-	-	-	-
(b) Companies in the same group	-	-	-	-	-	-
(c) Other related parties	-	-	-	-	-	-
2 Other than related parties	-	9,636	9,636	-	12,086	12,086
Total	-	9,636	9,636	-	12,086	12,086

(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	(Rs. In thousand)		(Rs. In thousand)	
	Year Ended December 31, 2009	Year Ended December 31, 2008	Year Ended December 31, 2009	Year Ended December 31, 2008
Category	Market Value / Break up or fair value of NAV	Book Value (net of provisions)	Market Value / Break up or fair value of NAV	Book Value (net of provisions)
1 Related Parties **				
(a) Subsidiaries	Nil	Nil	Nil	Nil
(b) Companies in the same group	Nil	Nil	Nil	Nil
(c) Other related parties	Nil	Nil	Nil	Nil
2 Other than related parties	Nil	-	Nil	-
Total	-	-	Nil	-

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



	(Rs. In thousand) Year Ended December 31, 2009	(Rs. In thousand) Year Ended December 31, 2008
(7) Other information		
Particulars	Amount	Amount
(i) Gross Non-Performing Assets		
(a) Related parties	Nil	Nil
(b) Other than related parties	102	214
(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:

- a. As defined in Paragraph 2(1)(xii) of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.
 - b. Provisioning norms shall be applicable as prescribed in the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.
 - c. 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.
- 15 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**

I. REGISTRATION DETAILS	
Registration No.	: 21778 of 1994
State Code	: 04
Balance Sheet Date	: 31-12-2009
II. CAPITAL RAISED DURING THE YEAR	
(Amount Rs. in thousands)	
Public Issue	: Nil
Rights Issue	: Nil
Bonus Issue	: Nil
Private Placement	: Nil
III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS	
(Amount Rs. in thousands)	
Total Liabilities	: 252,457
Total Assets	: 252,457
Sources of Funds	
Paid-up Capital	: 20,000
Reserves and Surplus	: 151,706
Secured Loans	: Nil
Unsecured Loans	: Nil
Deferred Tax Liability	: Nil
Applications of Funds	
Net Fixed Assets	: 363
Investments	: Nil
Net Current Assets	: 96,935
Miscellaneous Expenditure	: Nil
Accumulated Losses	: Nil
Deferred Tax Assets	: 74,408
IV. PERFORMANCE OF THE COMPANY	
(Amount Rs. in thousands)	
Total Income	: 281,207
Total Expenditure	: 238,366
Profit Before Tax	: 42,841
Profit After Tax	: 28,391
Earnings Per Share (Rs.)	: 14.20
Dividend Rate (%)	: 15%
V. GENERIC NAME OF PRINCIPAL PRODUCTS/ SERVICES OF THE COMPANY (As per monetary terms)	
Item Code No. (ITC Code)	: -
Product Description	: Lease Financing, Hire Purchase & Investments and sale of Gas Connections



GUJARAT GAS

GUJARAT GAS COMPANY LIMITED

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

I/Weof
 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 THIRTIETH ANNUAL GENERAL MEETING of the Company to be held on Thursday, 22
 April 2010 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, 2010.

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

No. of Shares held.....

Fifteen Paise
 Revenue
 Stamp

IMPORTANT

1. Revenue Stamp of Fifteen paise is to be affixed on this form.
2. The Form should be signed across the stamp as per specimen signature registered with the Company.
3. The Companies Act, 1956 provides that an instrument appointing a proxy shall be deposited at the Registered Office of the Company, not less than FORTY EIGHT HOURS before the time fixed for holding the Meeting.
4. A Proxy need not be a Member.



ATTENDANCE SLIP



GUJARAT GAS

GUJARAT GAS COMPANY LIMITED

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

To be handed over at the entrance of the Meeting Hall

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

I hereby record my presence at the THIRTIETH ANNUAL GENERAL MEETING of the Company at 10.00 a.m. at H.T. Parekh
 Convention Centre, Ahmedabad Management Association, ATIRA, Dr. Vikram Sarabhai Marg, Vastrapur, Ahmedabad – 380 015
 on Thursday, 22nd April 2010.

.....

Member's / Proxy's Signature
 (To be signed at the time of handing over this slip)

